

1989

ANNUAL REPORT

OF THE

PUBLIC EMPLOYEE RETIREMENT

STUDY COMMISSION

Public Employee Retirement Study Commission
Commonwealth of Pennsylvania
April, 1990

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION
HARRISBURG
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To: Governor Casey and
Members of the Pennsylvania General Assembly

As required by the Public Employee Retirement Study Commission Act, this annual public report is issued to summarize the Commission's findings, recommendations, and activities for the year 1989.

During 1989, the Commission authorized the attachment of twenty-three actuarial notes to forty bills at the request of the various committees of the General Assembly. The report contains a synopsis of each of these notes and contains a summary of the Commission's reviews of the State Employees' Retirement System, Public School Employees' Retirement System, and Pennsylvania Municipal Retirement System. The report also describes research conducted during 1989 and summarizes the Commission's administrative activities under the Municipal Pension Plan Funding Standard and Recovery Act and Act 293 of 1972.

On behalf of the Public Employee Retirement Study Commission and its staff, I am pleased to submit the seventh annual public report of the Commission. The Commission hereby expresses its thanks and appreciation to all individuals, organizations, and agencies whose assistance and cooperation contributed to the work of the Commission during 1989.

Sincerely,

A handwritten signature in cursive script that reads "Dale D. Stone".

Dale D. Stone
Chairman

INTRODUCTION

The Public Employee Retirement Study Commission was created in 1981 by the Public Employee Retirement Study Commission Act. The Commission is composed of nine members, five of whom are appointed by the Governor with the advice and consent of the Senate and four of whom are appointed by the leaders of the General Assembly.

Under the Public Employee Retirement Study Commission Act, the Commission has two main responsibilities. One is to review proposed legislation affecting public employee retirement systems. The other is to study, on a continuing basis, public employee retirement system policy, the interrelationships of the several systems, and their actuarial soundness and cost.

Under the Municipal Pension Plan Funding Standard and Recovery Act, adopted in 1984, the Commission has three additional responsibilities. The first is to administer the actuarial valuation reporting program for municipal retirement systems, which entails monitoring and enforcing compliance with the statutorily mandated actuarial funding standard. The second is to certify annually municipal pension cost data used in allocating the General Municipal Pension System State Aid money of over \$121 million. The last is to administer the Financially Distressed Municipal Pension System Recovery Program that involves the annual determination and certification of distress data used in allocating the Supplemental State Assistance of up to \$35 million annually.

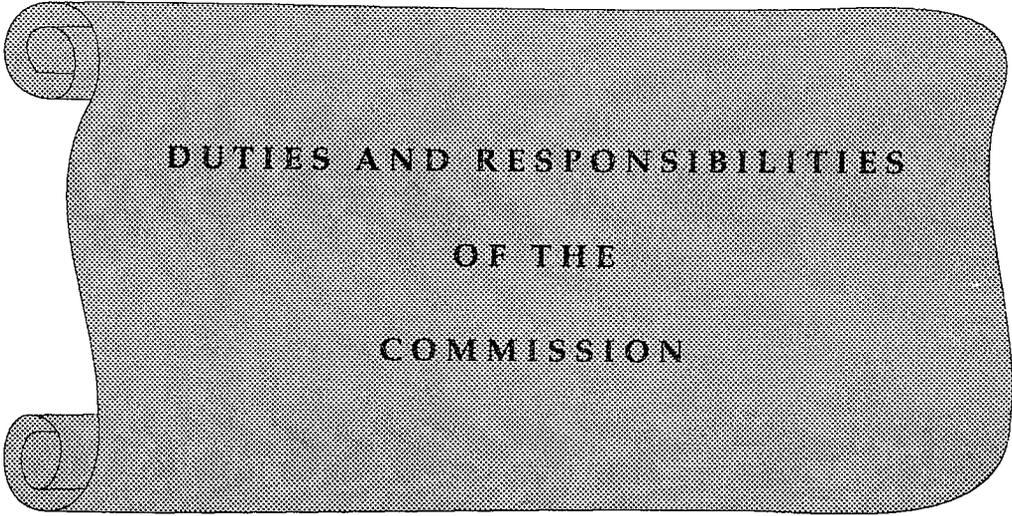
One of the other responsibilities of the Commission under the Public Employee Retirement Study Commission Act is to issue an annual report to the Governor and the General Assembly. The first three reports were issued on a fiscal year basis. This is the fourth report issued on a calendar year basis.

The Commission thanks those who actively participated in its meetings, the members of its Advisory Committees and the organizations they represent, and all others who have offered advice and support to the Commission during 1989.

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DUTIES AND RESPONSIBILITIES
OF THE
COMMISSION

PART I

PREPARATION OF

ACTUARIAL NOTES

AND

ADVISORY NOTES

PREPARATION OF ACTUARIAL NOTES AND ADVISORY NOTES

A. STATUTORY PROVISIONS.

The Public Employee Retirement Study Commission Act provides, in pertinent part:

Section 6. Powers and duties.

(a) In general - The commission shall have the following powers and duties:

(13) To issue actuarial notes pursuant to section 7.

Section 7. Actuarial notes.

(a) Note required for bills. - Except as otherwise provided in subsection (f)(1), no bill proposing any change relative to a public employee pension or retirement plan shall be given second consideration in either House of the General Assembly, until the commission has attached an actuarial note prepared by an enrolled pension actuary which shall include a reliable estimate of the cost and actuarial effect of the proposed change in any such pension or retirement system.

(b) Note required for amendments. - Except as otherwise provided in subsection (f)(2), no amendment to any bill concerning any public employee pension or retirement plan shall be considered by either House of the General Assembly until an actuarial note prepared by an enrolled pension actuary has been attached.

(c) Preparation of note. - The commission shall select an enrolled pension actuary to prepare an actuarial note which shall include a reliable estimate of the financial and actuarial effect of the proposed change in any such pension or retirement system.

(d) Contents of a note. - The actuarial note shall be factual, and shall, if possible, provide a reliable estimate of both the immediate cost and effect of the bill and, if determinable or reasonably foreseeable, the long-range actuarial cost and effect of the measure.

(e) Notes for proposed constitutional amendments. - The commission shall issue an actuarial note, prepared by an enrolled pension actuary, for any joint resolution proposing an amendment to the Constitution of Pennsylvania which initially passes either House of the General Assembly. If said joint resolution is subsequently amended and passes either House of the General Assembly, a new actuarial note shall be prepared.

The requirement that an actuarial note be attached to public employee pension and retirement bills prior to their second consideration in either house of the General Assembly was a modification of the legislative process. In response to this statutory mandate to prepare the required actuarial notes, the Commission and the leaders of the General Assembly developed and implemented legislative procedures. The standardization of these procedures makes it easier to expeditiously and efficiently provide the required actuarial information to the General Assembly. The procedures clarify the manner of attaching actuarial notes to bills, including floor amended bills and bills in the possession of the House and Senate Appropriations Committees upon the request of the chairman. The procedures also clarify the availability of the Commission's staff to provide technical assistance to members of the General Assembly on matters relating to public employee retirement system design, financing, and administration. The legislative procedures also provide for the preparation of advisory notes for committee chairmen. The Commission

uses an advisory note, as distinct from an actuarial note, for the analysis of proposed legislation when the bill is being considered by a committee of the General Assembly. The advisory note is prepared primarily by the Commission's staff with review or additional analysis by one of the Commission's consulting actuaries as deemed necessary.

The legislative procedures are included in this report as Appendix B.

B. SUMMARY OF 1989 ACTIVITY.

During 1989, the Commission authorized the attachment of twenty-three actuarial notes to forty bills. In addition, the Commission's staff provided the General Assembly with twelve advisory notes.

C. SYNOPSES OF ACTUARIAL NOTES.

A synopsis of each actuarial note containing a summary of each bill, its actuarial costs, and its disposition follows. These synopses are arranged by Senate and House Bill in numerical order.

BILL AND PRINTER'S NUMBERS: S. B. 122, P. N. 1153
SYSTEM: Municipal-Second Class County (Allegheny)
SUBJECT: Various Changes

SYNOPSIS OF BILL

Senate Bill 122 would amend the portion of the Second Class County Code governing the Allegheny County Retirement System to:

- ♦ establish a standard of fiduciary care and liability for board members;
- ♦ increase the cap on salary to which member contributions and benefit computations apply from \$32,000 to \$52,000 per year;
- ♦ change statutory contribution rates specified under Section 1708(a) to conform with rates actually in effect as established by the board under authority of Section 1708(d) empowering board to modify employee contribution rates based on the results of the annual actuarial valuation;
- ♦ provide for retirement by sheriffs or deputy sheriffs at age 55 with 20 or more years of service;
- ♦ authorize the purchase of prior service as an employee of a capital improvement financing authority established by the county;
- ♦ provide for inclusion of a partial year in computing an employee's service time;
- ♦ refine the interest calculation to conform with a recent court decision; and
- ♦ remove deadlines for reinstatement of re-employed members and receipt of credit for certain previous county service.

SUMMARY OF ACTUARIAL COST IMPACT

INCREASE IN SALARY CAP FOR MEMBER CONTRIBUTIONS AND BENEFIT COMPUTATIONS

- Increase in Unfunded Actuarial Accrued Liability	\$ 28,958,500
- Increase in Annual Cost	
Normal Cost	\$ 2,091,897
Amortization	NA *

- * The effect of the amendment will be to extend the date by which full funding of the unfunded liability is expected. The actuary estimates that this benefit change will increase the projected time required to fully fund the unfunded liability from 18 years to 26 years.

SUMMARY OF ACTUARIAL COST IMPACT (Cont'd)

RETROACTIVE APPLICATION OF BENEFIT CAP INCREASE

- Increase in Unfunded Actuarial Accrued Liability	\$127,846
- Increase in Annual Cost	
Normal Cost	\$ 0
Amortization	NA *

* The plan actuary indicates that the additional past service liability is not large enough to change the projected time required to fund the unfunded liability.

REDUCTION IN AGE AND SERVICE REQUIREMENTS FOR SHERIFFS/DEPUTY SHERIFFS

- Increase in Unfunded Actuarial Accrued Liability	\$191,812
- Increase in Annual Cost	
Normal Cost	\$ 15,000
Amortization	NA *

* The plan actuary indicates that the additional past service liability is not large enough to change the projected time required to fund the unfunded liability.

SERVICE PURCHASE AUTHORIZATION FOR PRIOR SERVICE WITH COUNTY AUTHORITY

The actuary indicates that the cost increase attributable to the service purchase is negligible.

PARTIAL SERVICE YEAR

- Increase in Unfunded Actuarial Accrued Liability	\$887,000
- Increase in Annual Cost	
Normal Cost	\$ 74,000
Amortization	NA *

* The effect of the amendment will be to slightly extend the date by which full funding of the unfunded liability is expected.

SUMMARY OF ACTUARIAL COST IMPACT (Cont'd)

INTEREST CALCULATION

Based on January 1, 1985 actuarial report the unfunded present value of accrued and future benefits would decline by \$240,000. The following is the cost savings from offsetting effects of two changes in interest calculation:

1. Change in Actuarial Present Value of Projected Benefits due to "correcting" interest on employee contribution refunds	- \$495,000
2. Change in Actuarial Present Value of Projected Benefit due to paying interest on the contribution of the first two years	+ \$255,000
3. Net change in Actuarial Present Value of Projected Benefits	- \$240,000

PERMANENT TWO-YEAR BUY-BACK FOR REINSTATEMENT OF SERVICE

The plan actuary indicates that this provision is not expected to materially impact on the cost of the retirement plan.

Actuarial Note prepared by Conrad M. Siegel, of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ✦ By increasing the salary cap on member contributions and benefit computations from \$32,000 to \$52,000 annually, the bill provides for all Allegheny County employees earning less than \$52,000 annually to make future member contributions on their full compensation and to receive a retirement benefit based on their full compensation.
- ✦ The bill would provide public safety benefit coverage for sheriffs and deputy sheriffs of Allegheny County. Special public safety employee retirement coverage is typically provided for employees who are exposed to a high degree of hazard in the course of employment and who work in areas where it is necessary to maintain an exceptionally able and vigorous workforce. The question of whether the special benefit coverage is warranted for this group of employees must be addressed.
- ✦ The service purchase authorization affects six employees who were actually paid by Allegheny County but were not considered County employees for pension purposes. The proposed service purchase does not have a material impact on retirement system cost.

POLICY CONSIDERATIONS (Cont'd)

- ♦ The change relating to recognition of a partial year of service would not affect the employer contributions to the plan, but would slightly extend the expected date for full funding of the unfunded liability.
- ♦ The interest calculation amendment was developed because of a recent class action court case. The proposed change tends to slightly lower plan cost.

COMMISSION RECOMMENDATION

On June 14, 1989, the Commission voted to attach the actuarial note to the bill without further comment to the Governor and the General Assembly.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

Senate Bill 122, Printer's Number 1153, was signed into law by the Governor on December 14, 1989, as Act 1989-75.

BILL AND PRINTER'S NUMBERS: S. B. 266, P. N. 1701

SYSTEM: PSERS

SUBJECT: Purchase of Nonschool Service Credit for Cadet Nurse Corps Service

SYNOPSIS OF BILL

Senate Bill 266 amends the Public School Employees' Retirement Code to authorize the purchase of nonschool service credit for service in the Cadet Nurse Corps.

SUMMARY OF ACTUARIAL COST IMPACT

	Range of Actuarial Cost (32 to 50 Eligible Nurses)	
Increase in Unfunded Accrued Liability	\$ 700,000 to \$ 1,150,000	
Increase in Annual Cost		
Normal Cost	\$ 0	\$ 0
Amortization	<u>\$ 44,000</u>	to <u>\$ 70,000</u>
TOTAL ANNUAL COST	\$ 44,000	to \$ 70,000
	(4.88% to 4.96% of affected payroll)	

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ Purchases of prior service in public employee retirement systems should be limited to situations where the service purchase is necessary for the purpose of equity.
- ♦ The use of service purchase authorizations on an ad hoc basis to recognize past education, training or experience requires policymakers to make arbitrary determinations concerning what types of past service should be purchasable and results in unfair treatment of public employees.
- ♦ Congress recently authorized federal employees with Cadet Nurse service to purchase service credit under the federal retirement system. For the federal government, this represented an authorization to purchase prior, previously unrecognized, civilian service with the same government. For the school districts and the Commonwealth, the service purchase authorization would represent permission to purchase credit for civilian service with another governmental entity.

POLICY CONSIDERATIONS (Cont'd)

- ♦ The bill does not limit the time within which the purchase payment must be made and does not exclude the purchase payment from Option 4 lump sum withdrawal. This enables an employee who is eligible to purchase creditable nonstate service to make the purchase payment very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal.
- ♦ The purchase of Cadet Nurse Service by members of the State Employees' Retirement System (SERS) was authorized by legislation enacted in October, 1988. Commonwealth policymakers have generally attempted to maintain parity of benefits between SERS and PSERS.

COMMISSION RECOMMENDATION

On December 13, 1989, the Commission voted to attach the actuarial note to the bill and express the Commission's concern about the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

Senate Bill 266, Printer's Number 1701, passed the Senate on December 12, 1989, and was referred to the House Education Committee on December 13, 1989.

BILL AND PRINTER'S NUMBERS: S. B. 287, P. N. 294

SYSTEM: SERS

SUBJECT: Service Purchase Authorization, Pre-1970 Justice of the Peace Service

SYNOPSIS OF BILL

Senate Bill 287 would amend the State Employees' Retirement Code to authorize the purchase of credit for previous service as a justice of the peace for the Commonwealth prior to 1970.

SUMMARY OF ACTUARIAL COST IMPACT

**COST ESTIMATE BASED ON PURCHASE PAYMENT REPRESENTING EMPLOYEE COST ONLY
(SENATE BILL 287 AS CURRENTLY DRAFTED)**

	High Estimate (Average of 10 Years Purchased)	Low Estimate (Average of 3 Years Purchased)
Increase in Unfunded Actuarial Accrued Liability	\$ 7,500,000	\$ 2,300,000
Increase in Annual Cost		
Normal Cost	\$ 0	\$ 0
Amortization	<u>\$ 679,000</u>	<u>\$ 208,000</u>
TOTAL ANNUAL COST	\$ 679,000 (22.6% of affected payroll)	\$ 208,000 (6.9% of affected payroll)

**COST ESTIMATE BASED ON PURCHASE PAYMENT REPRESENTING BOTH EMPLOYEE AND EMPLOYER COST
(SENATE BILL 287 WITH AMENDMENT TO REQUIRE CONTRIBUTION BASED ON EMPLOYER NORMAL COST)**

	High Estimate (Average of 10 Years Purchased)	Low Estimate (Average of 3 Years Purchased)
Increase in Unfunded Actuarial Accrued Liability	\$ 6,700,000	\$ 2,000,000
Increase in Annual Cost		
Normal Cost	\$ 0	\$ 0
Amortization	<u>\$ 607,000</u>	<u>\$ 181,000</u>
TOTAL ANNUAL COST	\$ 607,000 (20.2% of affected payroll)	\$ 181,000 (6.0% of affected payroll)

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ A substantial change in the nature and conditions of employment applicable to the Commonwealth's minor judiciary occurred in 1970 with the institution of the unified judicial system which provided for justices of the peace to be replaced by the district justice system. The question of authorizing the purchase of SERS service credit for prior justice of the peace service should be based on a determination by Commonwealth policymakers of whether the past service involved the performance of an essentially equivalent governmental function which was restructured, rather than discontinued and replaced, in the governmental reorganization and whether equity requires that the employees serving that function be considered to have served a continuous career for which public employee retirement system coverage should be provided.
- ♦ The purchase payment specified in the bill is limited to an amount representing member contributions. The Commission has recommended in its report on service purchase authorizations that an amount representing both member and employer cost be required to be paid by a member purchasing prior service, such as the justice of the peace service, which was performed on a self-employment basis.
- ♦ The bill does not limit the time within which the purchase payment must be made and does not exclude the purchase payment from Option 4 lump sum withdrawal. This enables an employee who is eligible to purchase creditable nonstate service to make the purchase payment very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal.
- ♦ The language concerning the salary base to be used in the formula for the service purchase (page 2, lines 12 through 17) should be clarified to specifically indicate that the salary base as described is to be used in the determination of the member's contributions for purchasing the service rather than in the determination of the amount of pension which may be purchased.

COMMISSION RECOMMENDATION

On June 14, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above and attaching a draft amendment, as requested by the Chairman of the Senate Finance Committee, to provide for the purchase payment to include an amount representing employer cost.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

Senate Bill 287, Printer's Number 294, passed the Senate on June 14, 1989; was reported by the House State Government Committee on June 26, 1989; and was re-referred to the House Appropriations Committee on June 27, 1989.

BILL AND PRINTER'S NUMBERS: S. B. 364, P. N. 1094

SYSTEM: SERS

SUBJECT: Special Public Safety Benefit Coverage, Enforcement Employees of Office of Attorney General and Parole Agents and Warrant Officers of Board of Probation and Parole

SYNOPSIS OF BILL

Senate Bill 364 would amend the State Employees' Retirement Code to expand the definition of enforcement officer to include: (1) enforcement, investigative or administrative employees of the Attorney General who are vested with police powers and charged with administration or enforcement of criminal laws, and (2) parole agents, parole warrant officers and administrative or supervisory employees of the Pennsylvania Board of Probation and Parole who are vested with police power and charged with administration or enforcement of parole laws. The affected employees would become eligible for increased retirement, early retirement, death, and other benefits.

SUMMARY OF ACTUARIAL COST IMPACT

	Attorney General Employees	Probation and Parole Employees	Total
- Estimated Number of Employees	188	339	527
- Estimated Covered Payroll	\$6,258,794	\$10,266,182	\$16,524,976
- Increase in Unfunded Actuarial Accrued Liability	\$1,562,195	\$ 4,484,268	\$ 6,046,463
- Increase in Annual Cost			
Normal Cost	\$ 163,355 (2.61% of pay)	\$ 267,947 (2.61% of pay)	\$431,302
Amortization	<u>\$ 112,157 (1.79% of pay)</u>	<u>\$321,948 (3.14% of pay)</u>	<u>\$434,105</u>
TOTAL ANNUAL COST INCREASE	\$ 275,512 (4.40% of pay)	\$ 589,895 (5.75% of pay)	\$865,407

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- * Special public safety employee retirement coverage is typically provided for employees who are exposed to a high degree of hazard in the course of employment and who work in areas where it is necessary to maintain an exceptionally able and vigorous workforce. Senate Bill 364 would extend this coverage to narcotics and drug control agents, special criminal investigation agents and medicaid fraud investigators in the Attorney General's Office and to parole agents, parole warrant officers and

POLICY CONSIDERATIONS (Cont'd)

administrative or supervisory employees with enforcement powers in the Board of Probation and Parole. The question of whether the special benefit coverage is warranted for these two groups of employees must be addressed.

- ♦ The bill does not provide for any increase in the member contributions of the affected employees to finance a portion of the actuarial cost of the expanded benefit coverage.

COMMISSION RECOMMENDATION

On June 14, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above. The Commission indicated that, in order to assist the General Assembly in the consideration of future proposals on this subject, it will study the public policy issues associated with the provision of special public safety employee retirement coverage and the definition of hazardous duty as used to determine where the special coverage is warranted.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

Senate Bill 364, Printer's Number 1094, passed the Senate on June 27, 1989, and was referred to the House State Government Committee on June 29, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 16, P. N. 18
SYSTEM: Municipal-County Pension Law
SUBJECT: Optional Member Contribution Rate Reduction

SYNOPSIS OF BILL

House Bill 16 would amend the County Pension Law to permit a county retirement system member to reduce the rate of that member's contributions to the retirement fund from the class designated by the county retirement board to one of the lower classes without affecting the calculation of the county annuity portion of the member's retirement allowance.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note estimates the long term increase in county contributions attributable to a reduction in the member contribution rate to 5% and the consequential reduction in the amount of excess interest available to pay county contributions. The following summarizes the cost estimate.

**ESTIMATED LONG TERM INCREASE IN COUNTY CONTRIBUTIONS
 CAUSED BY REDUCING MEMBER CONTRIBUTION RATE TO 5%**

	CURRENT CONTRIBUTION RATE			
	6%	7%	8%	9%
Increase in County Contribution Rate * (% of payroll)	.12%	.24%	.36%	.48%
Number of Counties Affected	4	22	11	21

*Based on 7% actual investment return

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- * Because the member contributions and the county contributions represent independent funding streams for two different benefit components, the linkage between the member contribution rate for the member's annuity and the benefit accrual rate of the county annuity is not necessary. This bill would allow the two components to be unlinked.
- * A significant amount of the investment earnings for the balances in members' accounts is used to offset county contributions to the defined benefit portion of the pension plan. The mandated level of member

POLICY CONSIDERATIONS (Cont'd)

contributions and the limited investment earnings credited to members' accounts are major sources of dissatisfaction among county employees regarding their retirement systems. Flexibility for members to reduce their contributions would somewhat moderate the effect of diverting investment earnings on members' accounts to excess interest accounts.

- ♦ A decrease in member contributions will slightly reduce the amount of excess interest available to provide cost-of-living adjustments for retired members or to help pay county contributions to the pension fund.
- ♦ Any decrease in member contributions will reduce the amount of the total retirement allowances, thus increasing the probability of future requests for increases in the county annuity portion of the total retirement allowances.

COMMISSION RECOMMENDATION

On May 10, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above and indicating that the bill addresses a legitimate concern of county pension plan members without causing a significant employer cost impact.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 16, Printer's Number 18, was amended to Printer's Number 2628 when it passed the House on October 17, 1989, and was referred to the Senate Local Government Committee on October 26, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 94, P. N. 177

SYSTEM: PSERS

SUBJECT: Purchase of Service, Vocational Teacher Work Experience

SYNOPSIS OF BILL

House Bill 94 would amend the Public School Employees' Retirement Code to authorize the purchase of creditable nonschool service for previous work experience as required for permanent vocational teacher certification. Service would be creditable at the rate of one year for each three years of eligible work experience, not to exceed a total of five years. Contributions payable by the member for purchase of the service would be equal to the increase in the present value at the time of purchase attributable to the additional credited service calculated on the basis of the average annual compensation for the first three years of credited school service subsequent to the purchasable work experience.

SUMMARY OF ACTUARIAL COST IMPACT

Due to the absence of specific demographic data on the PSERS members who may be eligible to purchase this service, a refined estimate of the actuarial cost of the proposed legislation could not be made. Based on an analysis of a large number of hypothetical cases, the actuary concluded that the purchase amount paid by the member would be equal to 15% to 50% of the full actuarial cost, with the remainder increasing the unfunded accrued liability of PSERS. The actuarial note presents a range of potential cost attributable to low and high utilization patterns among the estimated 1,784 members of PSERS who would be eligible to purchase the service. The low end of the range is based on 25% of the eligible members each electing to purchase one year of service and the high end of the range is based on all eligible members each electing to purchase 2.5 years of service.

	<u>Range of Actuarial Cost</u>
Increase in Unfunded Accrued Liability	\$2,000,000 to \$ 20,000,000
Increase in Annual Cost	
Normal Cost	\$ 0 to \$ 0
Amortization	<u>\$ 100,000</u> to <u>\$ 1,000,000</u>
TOTAL ANNUAL COST	\$ 100,000 to \$ 1,000,000

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ The use of service purchase authorizations on an ad hoc basis to recognize past education, training or experience requires policymakers to make arbitrary determinations concerning what types of past service should be purchasable and results in unfair treatment of public employees.
- ♦ The actuary estimates that the purchase amount payable by the member would be equal to 15% to 50% of the full actuarial cost of the increased benefit acquired through the service purchase. A purchase transaction which favors the member at the expense of the retirement system is appropriate only in cases where necessary for the purpose of equity

COMMISSION RECOMMENDATION

On March 15, 1989, the Commission voted to:

- (1) Attach the actuarial note to the bill, expressing the Commission's concern about (a) the arbitrary use of service purchase authorizations on an ad hoc basis to recognize past education, training and experience; and (b) the specification of a purchase amount which favors the member at the expense of the retirement system except in cases where a service purchase is needed for the purpose of equity.
- (2) Transmit with the actuarial note a summary of the discussion on the bill occurring at the Commission's meeting of March 15, 1989, reflecting the various points which were raised by the Commission members and the meeting participants.
- (3) Inform the General Assembly and the Governor that the Commission will issue a report in the near future on the subject of service purchase authorizations in public employee pension plans which sets forth policy recommendations on authorizing, funding and structuring service purchases.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 94, Printer's Number 177, was reported by the House Education Committee on January 31, 1989, and re-committed to the House Appropriations Committee on February 6, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 95, P. N. 178

SYSTEMS: PSERS

SUBJECT: Purchase of Service, Pennsylvania Nonpublic School Service

SYNOPSIS OF BILL

House Bill 95 would amend the Public School Employees' Retirement Code to authorize the purchase of creditable nonschool service for service in Pennsylvania nonpublic schools or higher education institutions by persons entitled to Pennsylvania public school teaching certification at the time of the nonpublic service. Service would be creditable at the rate of one year for each three years of eligible nonpublic school service, not to exceed a total of five years. Contributions payable by the member for purchase of the service would be equal to the increase in the present value at the time of purchase attributable to the additional credited service calculated on the basis of the average annual compensation for the first three years of credited school service subsequent to the purchasable nonpublic school service.

SUMMARY OF ACTUARIAL COST IMPACT

Due to the absence of specific demographic data on the PSERS members who may be eligible to purchase this service, a refined estimate of the actuarial cost of the proposed legislation could not be made. Based on an analysis of a large number of hypothetical cases, the actuary concluded that the purchase amount paid by the member would be equal to 15% to 50% of the full actuarial cost, with the remainder increasing the unfunded accrued liability of PSERS. The actuarial note presents a range of potential cost attributable to low and high utilization patterns among the estimated 5,000 members of PSERS who may be eligible to purchase the service. The low end of the range is based on 25% of the eligible members each electing to purchase one year of service and the high end of the range is based on all eligible members each electing to purchase 2.5 years of service.

	<u>Range of Actuarial Cost</u>	
Increase in Unfunded Accrued Liability	\$5,000,000 to \$ 50,000,000	
Increase in Annual Cost		
Normal Cost	\$ 0	\$ 0
Amortization	<u>\$ 300,000</u>	to <u>\$ 3,000,000</u>
TOTAL ANNUAL COST	\$ 300,000	to \$ 3,000,000

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ✦ The use of service purchase authorizations on an ad hoc basis to recognize past education, training or experience requires policymakers to make arbitrary determinations concerning what types of past service should be purchasable and results in unfair treatment of public employees.
- ✦ The actuary estimates that the purchase amount payable by the member would be equal to 15% to 50% of the full actuarial cost of the increased benefit acquired through the service purchase. A purchase transaction which favors the member at the expense of the retirement system is appropriate only in cases where necessary for the purpose of equity.

COMMISSION RECOMMENDATION

On March 15, 1989, the Commission voted to:

- (1) Attach the actuarial note to the bill, expressing the Commission's concern about (a) the arbitrary use of service purchase authorizations on an ad hoc basis to recognize past education, training and experience; and (b) the specification of a purchase amount which favors the member at the expense of the retirement system except in cases where a service purchase is needed for the purpose of equity.
- (2) Transmit with the actuarial note a summary of the discussion on the bill occurring at the Commission's meeting of March 15, 1989, reflecting the various points which were raised by the Commission members and the meeting participants.
- (3) Inform the General Assembly and the Governor that the Commission will issue a report in the near future on the subject of service purchase authorizations in public employee pension plans which sets forth policy recommendations on authorizing, funding and structuring service purchases.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 95, Printer's Number 178, was reported by the House Education Committee on January 31, 1989, and re-committed to the House Appropriations Committee on February 6, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 96, P. N. 179

SYSTEMS: PSERS

SUBJECT: Purchase of Service, Mandatory Maternity Leave of Absence

SYNOPSIS OF BILL

House Bill 96 would amend the Public School Employees' Retirement Code to authorize the purchase of creditable nonschool service for a mandatory maternity leave of absence occurring prior to May 17, 1975. Creditable service would be limited to two years per leave. Contributions payable by the member for purchase of the service would be equal to the member's contribution rate and the employer normal cost rate at the time of return to public school service applied to the member's salary at the time of return to service plus statutory (4%) interest to the date of purchase.

SUMMARY OF ACTUARIAL COST IMPACT

Due to the absence of demographic data on the PSERS members who may be eligible to purchase this service, a refined estimate of the actuarial cost of the proposed legislation could not be made. Based on an analysis of a large number of hypothetical cases, the actuary concluded that the purchase amount paid by the member would be equal to only 40% of the increase in the present value of benefits resulting from the service purchase, with the remainder increasing the unfunded accrued liability of PSERS. If it is assumed that the total years of additional service to be bought is equal to 0.35% to 1.63% of the total PSERS credited service the following cost estimate would be applicable to the service purchase authorization:

	<u>Range of Actuarial Cost</u>	
Increase in Unfunded Accrued Liability	\$ 50,000,000 to \$ 20,000,000	
Increase in Annual Cost		
Normal Cost	\$ 0	\$ 0
Amortization	<u>\$ 3,000,000</u>	to <u>\$ 12,000,000</u>
TOTAL ANNUAL COST	\$ 3,000,000 to \$ 12,000,000	

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ✦ Employer-mandated maternity leaves required by some school districts in the past have since been determined to be contrary to public policy. Failure to recognize the period of mandated leave as credited service in PSERS may therefore be considered to be an unfair impairment of the pension rights of the affected employees. An authorization to purchase previously unrecognized service is an appropriate remedy for an employer-caused inequity in cases where no administrative remedy is available.
- ✦ The service purchase authorization lacks any time limit on the exercise of the purchase option. Increased actuarial cost is associated with delays in making purchases of creditable prior service.

COMMISSION RECOMMENDATION

On March 15, 1989, the Commission voted to attach the actuarial note to the bill and:

- (1) indicate that the use of a service purchase authorization to remedy inequities caused by employer actions is appropriate in cases where no adequate administrative remedy is available;
- (2) express the Commission's concern about the lack of a time limit for exercising the purchase option;
- (3) indicate that the Commission will issue a report in the near future on the subject of service purchase authorizations in public employee pension plans which sets forth policy recommendations on authorizing, funding and structuring service purchases.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 96, Printer's Number 179, was reported by the House Education Committee on January 31, 1989, and re-committed to the House Appropriations Committee on February 6, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 213, P. N. 239

SYSTEMS: PSERS

SUBJECTS: Postretirement Medical Coverage

SYNOPSIS OF BILL

House Bill 213 would amend the Public School Employees' Retirement Code to provide for the payment by the Commonwealth of the cost of a medicare supplement, major medical and hospitalization insurance coverage for superannuation annuitants, annuitants with 25 or more years of credited service and disability annuitants.

SUMMARY OF ACTUARIAL COST IMPACT

The bill provides for the funding of the additional benefit on a current disbursements (or "pay-as-you-go") basis rather than on an actuarial funding basis.

ESTIMATES OF PAY-AS-YOU-GO COSTS

Year Beginning July 1,	Annual Cost	Cost as % of Payroll
1989	\$ 61,000,000	1.33%
1994	\$ 94,000,000	1.52%
1999	\$ 176,000,000	2.14%
2004	\$ 295,000,000	2.68%
2009	\$ 431,000,000	2.93%

Actuarial Note prepared by William A. Reimert of Milliman & Robertson, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ The bill provides for the funding of the postretirement medical coverage on a current disbursements or pay-as-you-go basis rather than on an actuarial funding basis. This is viewed by many as an inappropriate funding method for retirement benefits. The actuary estimates that the annual cost of funding the postretirement medical benefit on the same actuarial basis as required for PSERS pension benefits would be \$229,000,000.
- ♦ The benefit is not coordinated with postretirement medical coverage which may be provided by individual school districts under collective bargaining agreements.

POLICY CONSIDERATIONS (Cont'd)

- ✦ The bill does not provide for an increase in member contributions to assist in financing the cost of the additional benefit.
- ✦ The bill does not provide for the employing school districts to participate in the financing of the benefit. This is not consistent with the usual structure of PSERS funding in which the employer cost is shared equally by the Commonwealth and the school districts.
- ✦ The legislation may lead to future requests for expanded coverage in order to achieve parity with the postretirement medical coverage provided for retired SERS members.
- ✦ The bill contains substantial drafting ambiguities which can lead to various interpretations of the type and extent of coverage provided with a wide range of cost associated with the different interpretations. Clarification of the language prior to further consideration is essential.

COMMISSION RECOMMENDATION

On June 14, 1989, the Commission voted to attach the actuarial note to the bill and express the Commission's concern about:

- (a) the absence of any requirement for actuarial funding of the proposed benefit;
- (b) the lack of coordination with other employer-paid medical coverage which may be provided by individual school districts;
- (c) the lack of allocation of any portion of the cost of the benefit to PSERS members;
- (d) the absence of school district participation in the financing of the benefit;
- (e) the potential that the legislation will serve as a precedent for future requests for expanded coverage in order to achieve parity with the postretirement medical coverage provided to SERS members; and
- (f) the substantial drafting ambiguities contained in the proposed legislation.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 213, Printer's Number 239, was reported by the House Education Committee on April 25, 1989, and re-committed to the House Appropriations Committee on May 1, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 253, P. N. 281

SYSTEM: Municipal-Third Class City Police

SUBJECT: 12-Year Vesting

SYNOPSIS OF BILL

The bill amends the police pension plan provisions of the Third Class City Code to provide for vesting of a proportional retirement benefit amount with 12 years of service as an optional benefit.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note indicates that, because of the relatively low probability of withdrawal in police employment with between 12 and 20 years of service, there is a relatively negligible cost implication to providing for 12-year vesting compared to 20-year vesting. The actuary estimates that a maximum increase of 1% in employer pension cost would result from the proposed legislation.

This actuarial note is based on the assumption that the twelve year vested pension would be determined by using the existing plan provisions that utilize the higher of the rate of the monthly pay or the highest average annual salary received during any five years of service rather than by using the proposed plan provisions that would utilize total income paid to the police officer. Adoption of the proposed definition of salary could have a material impact on the actuarial costs of third class city police officer retirement systems.

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ The current long vesting requirement for third class city police officers is consistent with long practice nationwide for police pension plans and reflects the goal of employee retention. A shorter vesting requirement, as proposed in this bill, reflects the goal of accommodating increased employment mobility.
- ♦ The proposed legislation allows the shorter vesting requirement to be implemented at the option of each third class city following the preparation of an actuarial cost estimate of the effect of the proposed change.
- ♦ In the actuary's view, the bill may be desirable from the standpoint of encouraging limited-duty police officers to accept a vested, deferred pension rather than remaining on the payroll until eligible for full retirement.

POLICY CONSIDERATIONS (Cont'd)

- ♦ The proposed benefit increase is not accompanied by a member contribution increase. Consideration should be given as to whether the magnitude of the benefit improvement is sufficient to warrant any increase in member contributions.

- ♦ The proposed definition of the salary as the total income paid to the police officer would affect not only twelve year vesting retirees but also all other police officer retirement system retirees under article 43(a), including regular retirees and disability retirees. This proposed statutory definition would supersede all city ordinance definitions. This proposed definition is at variance with the interpretation of "monthly average salary" under the Municipal Police Pension Law (Act 600). The Commonwealth Court of Pennsylvania has held that under that statute monthly average salary is only the monthly basic salary and does not include overtime or unused annual, personal, or sick leave. Adoption of the proposed definition of salary could have a material impact on the actuarial costs of third class city police officer retirement systems.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill, recommend that the General Assembly and the Governor consider the policy issues identified, and enthusiastically endorse the legislation, provided that the potentially harmful definition of salary is removed through the joint efforts of the Commission staff and the designees of the prime sponsor of the bill.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 253, Printer's Number 281, was reported by the House Urban Affairs Committee on October 4, 1989, and re-committed to the House Appropriations Committee on October 11, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 319, P. N. 351

SYSTEM: SERS

SUBJECT: Special Public Safety Benefit Coverage, Parole and Probation Agents of the Board of Probation and Parole

SYNOPSIS OF BILL

House Bill 319 would amend the State Employees' Retirement Code to expand the definition of enforcement officer to include parole and probation agents of the Pennsylvania Board of Probation and Parole. The affected employees would become eligible for increased retirement, early retirement, death, and other benefits.

SUMMARY OF ACTUARIAL COST IMPACT

	<u>Probation and Parole Employees</u>
- Estimated Number of Employees	239
- Estimated Covered Payroll	\$7,203,912
- Increase in Unfunded Actuarial Accrued Liability	\$3,371,431
- Increase in Annual Cost	
Normal Cost	\$ 188,022 (2.61% of payroll)
Amortization	<u>\$ 242,051 (3.36% of payroll)</u>
TOTAL ANNUAL COST INCREASE	\$ 430,073 (5.97% of payroll)

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- * Special public safety employee retirement coverage is typically provided for employees who are exposed to a high degree of hazard in the course of employment and who work in areas where it is necessary to maintain an exceptionally able and vigorous workforce. House Bill 319 would extend this coverage to parole and probation agents of the Board of Probation and Parole. The question of whether the special benefit coverage is warranted for this group of employees must be addressed.
- * The bill does not provide for any increase in the member contributions of the affected employees to finance a portion of the actuarial cost of the expanded benefit coverage.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 319, Printer's Number 351, was reported by the House State Government Committee on June 13, 1989, and re-committed to the House Appropriations Committee on September 27, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 328, P. N. 2144

SYSTEM: SERS

SUBJECT: Expansion of Special Public Safety Employee Benefit Coverage,
Certain Employees of Departments of Corrections and Public Welfare

SYNOPSIS OF BILL

House Bill 328 would expand the number of persons covered under the correction officer classification of the State Employees' Retirement System. The expansion would extend to members of the Departments of Corrections or Public Welfare who provide direct therapeutic treatment to inmates of a correctional institution, community treatment center, forensic unit in a state hospital or secure youth development facility operated by either department. The affected departments would be required to certify to the State Employees' Retirement System the names of the employees affected by the act within 30 days of its effective date.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial cost estimate presents a range of cost based on two potential interpretations of the number of employees who may be included under the expanded definition of "correction officer." The Office of Administration, Bureau of Personnel indicated that an additional 858 employees would be affected based on the least expansive interpretation of the bill's language and that under a more expansive interpretation 1,181 employees may be affected. The estimated actuarial cost is as follows:

	Least Expansive Interpretation	Most Expansive Interpretation
- Estimated Number of Employees	858	1,181
- Estimated Covered Payroll	\$19,636,000	\$27,254,000
- Increase in Unfunded Actuarial Accrued Liability	\$6,100,000	\$8,540,000
- Increase in Annual Cost		
Normal Cost	\$492,860 (2.51% of pay)	\$ 682,210 (2.51% of pay)
Amortization	<u>\$459,140 (2.34% of pay)</u>	<u>\$ 639,790 (2.34% of pay)</u>
TOTAL ANNUAL COST INCREASE	\$952,000 (4.85% of pay)	\$1,322,000 (4.85% of pay)

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ Special public safety employee retirement coverage is typically provided for employees who are exposed to a high degree of hazard in the course of employment and who work in areas where it is necessary to maintain an exceptionally able and vigorous workforce. House Bill 328 would extend this coverage to employees of the Departments of Corrections and Public Welfare providing direct therapeutic treatment of inmates. The question of whether the special benefit coverage is warranted for this group of employees must be addressed.
- ♦ The bill does not provide for any increase in the member contributions of the affected employees to finance a portion of the actuarial cost of the expanded benefit coverage.
- ♦ The language of the bill is not specific enough to allow a definitive determination of which employees are to be included in the expanded public safety employee benefit coverage. To avoid ambiguity, the employees to be covered should be more specifically described.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill and recommended that the General Assembly and the Governor consider the policy issues identified above. The Commission enthusiastically endorsed the concept of the legislation pending staff reexamination of a more definitive determination of the number of employees affected and instructed the Commission staff to work with the prime sponsor to draft a less ambiguous definition of the employees to be covered by the proposal.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 328, Printer's Number 2144, was reported by the House State Government Committee on June 21, 1989, and re-committed to the House Appropriations Committee on September 27, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 375, P. N. 2032

SYSTEM: SERS

SUBJECT: Continuation of Medical Insurance Coverage for Survivor-Spouse Annuitants

SYNOPSIS OF BILL

House Bill 375 would amend the Administrative Code of 1929 to permit a survivor-spouse annuitant of a retired member of the State Employees' Retirement System (SERS), in cases where the retired member had elected to convert medical insurance coverage to the insurance plan for SERS retirees, to continue that group insurance coverage at the survivor-spouse annuitant's expense.

SUMMARY OF ACTUARIAL COST IMPACT

This bill would have no actuarial impact or cost of the State Employees' Retirement System; however, if anti-selection occurs, the bill would have a cost to the Commonwealth's general fund.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ Many survivor-spouse annuitants do not have access to continuation of the group medical and hospitalization insurance that covered them while their retiree-spouses were alive and because those survivor-spouses may be more in need of group medical and hospitalization insurance than younger individuals, this bill will meet a need for many of these individuals.
- ♦ Currently, a survivor-spouse annuitant has the option to continue coverage for up to three years at 102% cost under the Internal Revenue Code.
- ♦ Survivor-spouses with anticipated high health care expenses will be most likely to be willing to pay high premiums for comprehensive coverage. It is then possible that anti-selection could occur.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above and indicating that the bill has no actuarial cost to the State Employees' Retirement System but may have cost to the Commonwealth's general fund assuming anti-selection occurs.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 375, Printer's Number 2031, was reported by the House State Government Committee on June 13, 1989, and re-committed to the House Appropriations Committee on September 27, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 388, P. N. 2509

SYSTEM: Optional Retirement System for Nonuniformed Employees
in Cities of the Third Class

SUBJECT: Cost-of-Living Adjustments for Retirees and Survivors

SYNOPSIS OF BILL

House Bill 388 would amend the statute relating to the optional retirement systems for nonuniformed employees in cities of the third class to add to the membership of the retirement system board a retired city employee chosen by the association of retired city employees and to permit adjustments in benefits paid by the system to reflect increases in the cost of living.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note presents cost estimates for a sample of five third class city nonuniformed pension plans. The note provides two estimates for these five plans. The first is based on a benefit increase equal to 100% of the increase in the cost-of-living (Consumer Price Index) which is the maximum permitted in the proposal. The second estimate uses 50% of the increase in the cost-of-living (Consumer Price Index) to provide a low end of the range of potential costs.

As summarized below, the cost of an ad hoc cost of living adjustment varies substantially from city to city depending upon the age of its pension plan, the average retirement age, the number of retired members in relation to the active membership, and the average length of time during which these individuals have been retired. When a commitment is made as to future updating of the COLAs, the long-range cost implications are seen to be fairly substantial, especially at the level of 100% of the increase in the consumer price index.

	<u>City 1</u>	<u>City 2</u>	<u>City 3</u>	<u>City 4</u>	<u>City 5</u>
Size of Active Workforce	Under 25	Under 25	150-249	150-249	250-499
			<u>100% CPI COLA</u>		
Ad Hoc Past COLA Only					
10 Year Level Dollar-UAL*	1.4%	3.1%	9.8%	3.2%	14.0%
Future COLA					
Present Retirees					
10 Year Level Dollar-UAL*	3.1%	5.5%	9.3%	2.5%	11.5%
Present Actives					
20 Year Level Dollar-UAL*	4.9%	7.1%	4.8%	2.9%	3.5%
Normal Cost	6.1%	4.0%	2.5%	1.9%	1.3%
Percentage of Payroll	15.5%	19.7%	26.4%	10.5%	30.3%

SUMMARY OF ACTUARIAL COST IMPACT (Cont'd)

	<u>50% CPI COLA</u>				
Ad Hoc Past COLA Only					
10 Year Level Dollar-UAL*	0.7%	1.4%	4.2%	1.3%	5.7%
Future COLA					
Present Retirees					
10 Year Level Dollar-UAL*	1.3%	2.2%	3.4%	0.9%	4.0%
Present Actives					
20 Year Level Dollar-UAL*	2.1%	3.3%	2.2%	1.3%	0.9%
Normal Cost	2.6%	1.7%	1.1%	0.9%	0.3%
Percentage of Payroll	6.7%	8.6%	10.9%	4.4%	10.9%

* Unfunded Actuarial Accrued Liability

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ Act 205 Requirement. Since the enactment of the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), any change in the provisions of a municipal pension plan must be actuarially valued prior to the municipality's enactment of the proposed change and paid for on an actuarial basis. The sentence "No cost-of-living increase shall be granted which would impair the actuarial soundness of the fund." should be deleted, and language should be added to ensure compliance with Section 305 of Act 205. A proposal to do this is attached.
- ♦ Board Membership. The ratio of municipal officials to employee representatives on the pension board will be changed by the proposed addition of the retired member.
- ♦ Uniformity and Equity Among Municipal Employees. As similar provisions are provided for uniformed employees in Third Class Cities the proposed change is a move toward establishing equity for Third Class City employees with regard to the authorization for cost-of-living increases. If this proposal is determined to be appropriate, the authorization should be extended to regular nonuniformed pension plans in Third Class Cities as well.
- ♦ Constitutional Problems. In its 1984 report on postretirement adjustments to the General Assembly and the Governor, the Commission pointed out that conventional wisdom has interpreted Section 26 of Article III (Legislation) of the Constitution of Pennsylvania as prohibiting the payment of postretirement

POLICY CONSIDERATIONS (Cont'd)

increases in public employee retirement system benefits to the survivors of retired public employees. To the extent that the bill would permit increases in the benefits paid to survivors of retirees it may be unconstitutional.

- ♦ **Consumer Price Index to be Used.** The Consumer Price Index for All Urban Consumers (CPI-U) calculated by the Bureau of Labor Statistics of the United States Department of Labor would provide greater precision than the phrase "cost-of-living".

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 388, Printer's Number 2509, was reported by the House Urban Affairs Committee on October 4, 1989, and re-committed to the House Appropriations Committee on October 11, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 575, P. N. 637
SYSTEM: SERS
SUBJECT: Special Public Safety Benefit Coverage, Enforcement
Employees of Office of Attorney General

SYNOPSIS OF BILL

House Bill 575 would amend the State Employees' Retirement Code to expand the definition of enforcement officer to include enforcement, investigative or administrative employees of the Attorney General who are vested with police powers and charged with administration or enforcement of criminal laws. The affected employees would become eligible for increased retirement, early retirement, death, and other benefits.

SUMMARY OF ACTUARIAL COST IMPACT

- Estimated Number of Employees	188
- Estimated Covered Payroll	\$6,258,794
- Increase in Unfunded Actuarial Accrued Liability	\$1,562,195
- Increase in Annual Cost	
Normal Cost	\$163,355 (2.61% of pay)
Amortization	<u>\$112,157 (1.79% of pay)</u>
TOTAL ANNUAL COST INCREASE	\$275,512 (4.40% of pay)

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ Special public safety employee retirement coverage is typically provided for employees who are exposed to a high degree of hazard in the course of employment and who work in areas where it is necessary to maintain an exceptionally able and vigorous workforce. House Bill 575 would extend this coverage to narcotics and drug control agents, special criminal investigation agents and medicaid fraud investigators in the Attorney General's Office. The question of whether the special benefit coverage is warranted for this group of employees must be addressed.
- ♦ The bill does not provide for any increase in the member contributions of the affected employees to finance a portion of the actuarial cost of the expanded benefit coverage.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 575, Printer's Number 637, was reported by the House State Government Committee on June 13, 1989, and re-committed to the House Appropriations Committee on September 27, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 615, P. N. 683

SYSTEM: PSERS

SUBJECT: Purchase of Nonschool Service Credit for Cadet Nurse Corps Service

SYNOPSIS OF BILL

House Bill 615 amends the Public School Employees' Retirement Code to authorize the purchase of nonschool service credit for service in the Cadet Nurse Corps.

SUMMARY OF ACTUARIAL COST IMPACT

	<u>Range of Actuarial Cost</u> <u>(32 to 50 Eligible Nurses)</u>
Increase in Unfunded Accrued Liability	\$ 700,000 to \$ 1,150,000
Increase in Annual Cost	
Normal Cost	\$ 0 to \$ 0
Amortization	<u>\$ 44,000</u> to <u>\$ 70,000</u>
TOTAL ANNUAL COST	\$ 44,000 to \$ 70,000 (4.88% to 4.96% of affected payroll)

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ Purchases of prior service in public employee retirement systems should be limited to situations where the service purchase is necessary for the purpose of equity.
- ♦ The use of service purchase authorizations on an ad hoc basis to recognize past education, training or experience requires policymakers to make arbitrary determinations concerning what types of past service should be purchasable and results in unfair treatment of public employees.
- ♦ Congress recently authorized federal employees with Cadet Nurse service to purchase service credit under the federal retirement system. For the federal government, this represented an authorization to purchase prior, previously unrecognized, civilian service with the same government. For the school districts and the Commonwealth, the service purchase authorization would represent permission to purchase credit for civilian service with another governmental entity.

POLICY CONSIDERATIONS (Cont'd)

- ✦ The bill does not limit the time within which the purchase payment must be made and does not exclude the purchase payment from Option 4 lump sum withdrawal. This enables an employee who is eligible to purchase creditable nonstate service to make the purchase payment very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal.
- ✦ The purchase of Cadet Nurse Service by members of the State Employees' Retirement System (SERS) was authorized by legislation enacted in October, 1988. Commonwealth policymakers have generally attempted to maintain parity of benefits between SERS and PSERS.

COMMISSION RECOMMENDATION

On May 10, 1989, the Commission voted to attach the actuarial note to the bill and:

- (1) express the Commission's concern about the appropriateness of authorizing the purchase of this federal service as creditable nonschool service and the absence of restrictions on the time within which the purchase transaction must be made and withdrawal of the purchase amount under Option 4;
- (2) indicate that this benefit has already been made available to members of the State Employees' Retirement System; and
- (3) indicate that the Commission will issue a report in the near future on the subject of service purchase authorizations in public employee pension plans which sets forth policy recommendations on authorizing, funding and structuring service purchases.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 615, Printer's Number 683, was reported by the House Education Committee on April 11, 1989, and re-committed to the House Appropriations Committee on April 17, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 854, P. N. 1718

SYSTEM: PSERS and SERS

SUBJECT: Authorizing Purchase of Service by Annuitants, Removing a Limitation on Service Authorized to be Purchased

SYNOPSIS OF BILL

House Bill 854 would amend the Public School Employees' Retirement Code and the State Employees' Retirement Code to authorize annuitants to purchase credit for creditable nonschool or nonstate service. The bill would also remove the provision which prohibits the purchase of any service for which a member is receiving or is entitled now or in the future to receive retirement benefits under a retirement system administered by and wholly or partially funded by another public or any private employer.

SUMMARY OF ACTUARIAL COST

Each of the Commission's consulting actuaries indicated that it is not possible to determine the actuarial cost to the retirement systems because there is no available information on how many retirees will be eligible to purchase service credit, how much service they will be eligible to purchase and the extent to which they would utilize this opportunity.

Actuarial Notes prepared by William A. Reimert of Milliman & Robertson, Inc.; Conrad M. Siegel of Conrad M. Siegel, Inc.; and Gerard C. Mingione of Towers, Perrin, Forster and Crosby.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ The payment required for purchasing most categories of creditable nonschool or nonstate service is less than the full actuarial value of the benefit increase attributable to the additional service. The actuarial value of the increased benefits may be several times the value of the purchase payment, presenting a substantial economic incentive for the retired member to elect the service purchase option.
- ♦ If payments by annuitants for service purchases are considered to be part of the amount eligible for Option 4 withdrawal, an annuitant electing to purchase service may be able to receive a benefit increase without incurring any expense.
- ♦ It is not clear whether benefits purchased by retirees would be adjusted for prior cost-of-living increases and whether the prior increases would be reflected in the cost of purchasing the service. For any future cost-of-living increases in which years of service are used in the formula for determining the amount of the increase, any additional service purchased by annuitants will add to the cost of the COLA.

POLICY CONSIDERATIONS (Cont'd)

- ♦ The bill does not specifically address the appropriate manner of recalculating the retirement benefit of a member receiving an early retirement annuity payable subject to an actuarial reduction in cases where the additional service purchased would make the member eligible for unreduced superannuation retirement.
- ♦ Removal of the restriction on duplication of service credits will make it possible for some members to retire under PSERS or SERS with a minimal amount of service to the state or school system and could lead to significant additional costs to the systems. The public policy rationale for eliminating this restriction is unclear.
- ♦ The potential exists under the bill for a retired member of PSERS or SERS to purchase credit for service performed for another employer subsequent to retirement. Since the bill would also remove the restriction on duplication of service credits, the service would be purchasable under PSERS and SERS even if the subsequent service constituted a second career for which another pension benefit was earned. It is difficult to find any public policy justification for increasing retirement benefits based on service to another employer after retirement.
- ♦ Although the bill appears to provide for prospective payment of the benefit increase beginning as of the date the purchase payment is made, it may be wise to clarify that annuitants could not purchase benefit increases retroactive to their initial date of retirement. The provision making the bill retroactive to 1974 creates a high potential for varied interpretations and unintended results.
- ♦ The proposal raises a number of administrative concerns, including questions relating to the applicability to purchases by retirees of existing time limitations on service purchases, the potential for multiple incremental purchases requiring frequent benefit adjustments, the capacity of the systems to implement the adjustments and the accessibility of the information necessary to implement the adjustments.

COMMISSION RECOMMENDATION

On September 20, 1989, the Commission voted to attach the actuarial note to the bill, expressing the Commission's concern about the policy issues identified above, and advising the General Assembly and the Governor of the need for careful evaluation of the potentially far-reaching policy implications associated with the proposal. The Commission directed its staff to work with staff members of the prime sponsor and Legislative Reference Bureau to discuss the most appropriate means of accomplishing the limited intent of the proposed legislation and to develop amendatory language that would address the Commission's concerns.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 854, Printer's Number 1718, was reported by the House Military and Veterans Affairs Committee on May 22, 1989, and re-committed to the House Appropriations Committee on May 30, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 854, P. N. 1718
Amendment Number: A 3725

SYSTEM: PSERS and SERS

SUBJECT: Authorizing Special Postretirement Adjustment for
Annuitants with Certain Unpurchased Military Service

SYNOPSIS OF BILL

House Bill 854, as amended by A3725, would amend the Public School Employees' Retirement Code and the State Employees' Retirement Code to provide for the payment of a special supplemental postretirement adjustment to certain annuitants who have military service which was not considered to be purchasable nonschool or nonstate service at the time of their active service but which was subsequently determined, based on federal court decisions, to be eligible for purchase.

SUMMARY OF ACTUARIAL COST IMPACT

	PSERS	SERS	TOTAL
- Estimated Number Electing Benefit	200 to 600	100 to 300	300 to 900
- Annual Benefit Payment Increase	\$ 163,000 to \$ 489,000	\$ 122,000 to \$ 366,000	\$ 285,000 to \$ 855,000
- Increase in Unfunded Actuarial Accrued Liability	\$ 1,400,000 to \$ 4,200,000	\$ 1,100,000 to \$ 3,300,000	\$ 2,500,000 to \$7,500,000
- Increase in Annual Cost			
Normal Cost	\$ 0 to \$ 0	\$ 0 to \$ 0	\$ 0 to \$ 0
Amortization	\$ 117,000 to \$ 351,000	\$ 92,000 to \$ 276,000	\$ 209,000 to \$ 627,000
TOTAL ANNUAL COST INCREASE	\$ 117,000 to \$ 351,000	\$ 92,000 to \$ 276,000	\$ 209,000 to \$ 627,000

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- * The Commission directed its staff to work with staff members of the prime sponsor, the two statewide systems and the Legislative Reference Bureau to discuss the most appropriate means of accomplishing the limited intent of the proposed legislation and to develop amendatory language which would address the Commission's concerns. Amendment A3725 is the result of these efforts.

POLICY CONSIDERATIONS (Cont'd)

- ♦ The use of a postretirement adjustment for the purpose of benefit parity was endorsed by the Commission in its Report of the Public Employee Retirement Study Commission on Post Retirement Adjustments (1984).
- ♦ The use of a postretirement adjustment, rather than a service purchase authorization as proposed in the original version of the bill, reduces the administrative complexities for PSERS and SERS.

COMMISSION RECOMMENDATION

On December 13, 1989, the Commission voted to attach the actuarial note to the bill, expressed enthusiastic support for the legislation, and recommended that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 854, Printer's Number 1718, was reported by the House Military and Veterans Affairs Committee on May 22, 1989, and re-committed to the House Appropriations Committee on May 30, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 895, P. N. 2631

SYSTEM: Municipal - Act 600 Police Pension Plans

SUBJECT: Purchase of Service Credit for Intervening and Nonintervening Military Service

SYNOPSIS OF BILL

House Bill 895 amends the Municipal Police Pension Law (Act 600) to authorize the purchase of credit for up to five years of nonintervening military service. The purchase payment amount would be computed by applying the average normal cost rate for borough and township police pension plans, not exceeding ten percent, to the average annual compensation for the first three years of municipal service and multiplying by the number of years of service being purchased. The purchase payment would be required to include interest at the rate of four and three-quarters percent compounded annually from the date of initial entry into municipal service to the date of payment. The bill prohibits the receipt of service credit for either intervening or nonintervening military service for which a member is entitled to receive benefits under another retirement system funded by a governmental agency (with the exception of certain military retirement pay for non-regular service).

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note indicates that a reliable estimate of the overall actuarial cost of the legislation is not possible due to the lack of data concerning the number of members of Act 600 police pension plans who would be eligible to purchase nonintervening military service, the amount of service which could be purchased and the additional benefits which could be obtained by individual members through the purchase. The actuary indicates that there will generally be an increase in actuarial cost to the municipality whenever nonintervening military service is purchased, since the purchase option is likely to be exercised only in cases where the contribution required by the member is less than the additional benefit obligation created by the service purchase.

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- * In its study entitled *Service Purchase Authorizations for Public Employee Retirement Systems*, the Commission considered the use of service purchase authorizations for the purpose of providing compensation for periods of military service which interrupted or delayed the commencement of a career in public employment to be appropriate from a public policy standpoint.
- * The bill limits to five years the amount of nonintervening military service which may be purchased, but makes an exception to the five-year limit in the case of individuals receiving retirement pay under 10 U.S.C. ch. 67. The exception appears to be an attempt to comply with the federal statute which prohibits the exclusion of individuals from military service purchase eligibility solely because they are receiving

POLICY CONSIDERATIONS (Cont'd)

retirement pay under 10 U.S.C. ch. 67. However, there is no statutory requirement that these individuals be permitted to purchase an unlimited amount of nonintervening military service. The exception from the five-year limit is therefore unnecessary and should be removed.

- ♦ The bill requires the Commission to certify the average normal cost rate for borough and township police pension plans for use in calculating the purchase payment amount but does not specify the year for which the average rate should be determined.
- ♦ The bill provides for capping the normal cost rate used in determining the purchase payment amount at 10%. Based on Act 205 filings for the 1987 plan year, the average normal cost rate for borough and township police pension plans is 13.85%. Assuming that the rate certified by the Commission is based on the most current available data, the capped rate of 10% will be the effective rate used in calculating the purchase amount.
- ♦ Although the bill does not use the specific method for determining the payment amount which was recommended in the Commission's study on service purchases, the payment determination does substantially conform with the study's recommendation that members of public employee pension plans purchasing credit for nonintervening military service be required to pay an amount representing both member and employer cost.
- ♦ The service purchase authorization lacks any time limit on the exercise of the purchase option. This increases the potential actuarial cost exposure of the affected Act 600 pension plans.
- ♦ The bill mandates a benefit modification for certain municipal pension plans. The appropriateness of state-mandated benefit changes is questionable from a public policy standpoint.

COMMISSION RECOMMENDATION

On December 13, 1989, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 895, Printer's Number 2631, was reported by the House Local Government Committee on October 17, 1989, and re-committed to the House Appropriations Committee on October 23, 1989.

BILL AND PRINTER'S NUMBERS: H. Bs. 1054 and 1055, P. Ns. 1196 and 2632

SYSTEMS: Municipal-Second Class A City (Scranton) Police and Fire and Nonuniformed

SUBJECT: Removal of Statutory Time Limit for Purchase of Nonintervening Military Service

SYNOPSIS OF BILL

House Bill 1054 would amend the law governing the police and fire pension plans of the City of Scranton and House Bill 1055 would amend the law governing the nonuniformed employees' pension plan of the City of Scranton. The bills would remove the three-year time limit within which a member must commence employment with the City following military service in order to be eligible to purchase credit for nonintervening military service. The bills would authorize the governing body to establish a time limit by ordinance or resolution.

SUMMARY OF ACTUARIAL COST IMPACT

These bills represent general, enabling legislation. Specific provisions relating to the purchase of nonintervening military service would be set forth in the ordinance or resolution adopted by the city council of the City of Scranton to implement the authority granted under the bills. Under the Municipal Pension Plan Funding Standard and Recovery Act, actuarial cost estimates would be required to be prepared for the city council before it enacted the ordinances or resolutions. The Commission's consulting actuary has made the following general observations:

- ♦ Nonintervening military service purchase provisions do have material employer costs.
- ♦ The nonuniformed employees retirement system would be less affected by the nonintervening military service purchase provision than the police officers or paid firefighters systems.
- ♦ As an example of the potential military service existing in a city police officers retirement system, a recent survey of another city's police force found that 52 police officers out of 87 had military service with an average of three years each.
- ♦ While the additional liberalization caused by these two bills will not have a major effect on the pension funds, the cost of liberalization is not presently measurable due to the lack of data as to the number of persons who would benefit. The general funding condition of two out of the three pension funds is very poor.

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bills, the Commission identified the following policy issues:

- ♦ The extension of nonintervening military service purchase time authorized in these bills does not become effective unless implemented by ordinances or resolutions adopted by the city council after it has received actuarial cost estimates of the extensions.
- ♦ The cost of expanding eligibility for employees of the City of Scranton to purchase nonintervening military service credit is increased by the inadequacy of the purchase payment amount and the lack of a time limit on exercising the purchase option.
- ♦ The public employee retirement systems of the City of Scranton have substantial unfunded actuarial accrued liabilities, so substantial that the City has been determined to be a severely distressed municipality (Level III, the highest level of distress) under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984).

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bills and express the Commission's concern about the policy issues identified above, with particular concern expressed about the propriety of making benefit improvements in the pension plans of a municipality classified as severely distressed and participating in Level III of the Act 205 recovery program for financially distressed municipal pension systems.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bills 1054 and 1054, Brinter's Numbers 1196 and 2632, were reported by the House Local Government Committee on October 17, 1989, and re-committed to the House Appropriations Committee on October 23, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 1180, P. N. 1358

SYSTEM: Municipal-Act 600 Police Pension Plans

SUBJECT: Mandatory Survivor Benefit

SYNOPSIS OF BILL

House Bill 1180 would amend the Municipal Police Pension Law to make the survivor benefit mandatory rather than optional.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note presents a range of cost attributable to implementing the survivor benefit in an individual Act 600 police pension plan of 1.5% to 7.5% of covered payroll depending on the age of the plan's active membership and the retirement age. In order to estimate the potential Statewide cost attributable to the bill, the Commission staff surveyed a sample of 1987 Act 205 reports for borough and township police pension plans and determined that approximately one-third of the sample had not implemented the survivor benefit authorized under the Municipal Police Pension Law. Applying that ratio to the total statewide payroll for borough and township police pension plans in 1987 (\$161,704,000) permitted an estimation of the covered payroll (\$53,362,000) in borough and township police pension plans that have not implemented the survivor benefit option. The low end of the range reflects the cost assuming that all affected plans had an average present age of 30 years. The high end of the range reflects the costs assuming that all affected plans had an average present age of 45 years. Both the low end and the high end of the range were calculated assuming that the number of plans with age 50 retirement is equal to the number of plans with age 55 retirement. The best statewide estimate of the total cost of the bill would be nearer the midpoint of the range than either the low or high end.

Range of Potential Cost

	Younger Work Force	-	Older Work Force
Statewide Increase in Unfunded Actuarial Accrued Liability	\$3,121,000	-	\$14,861,000
Statewide Increase in Annual Cost			
Normal Cost	\$ 533,000	-	\$ 533,000
Amortization	<u>\$ 266,000</u>	-	<u>\$ 2,694,000</u>
	\$ 800,000	-	\$ 3,227,000
	(1.50% of pay)	-	(6.05% of pay)

Actuarial Note prepared by Conrad M. Siegel of Conrad M. Siegel, Inc.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ The bill mandates a benefit increase in certain municipal pension plans. The mandated benefit is currently authorized as an optional benefit subject to collective bargaining. The appropriateness of the state mandating municipalities to provide the benefit is questionable from a public policy standpoint.
- ♦ The design of the current Act 600 survivor benefit as an ancillary pension benefit rather than as an optional form of payment of the retirement benefit may not provide the appropriate degree of flexibility to accommodate the varying circumstances of individual employees. It may be preferable to consider an alternative benefit design rather than to mandate that all borough and township police pension plans implement the benefit as currently provided under the law.

COMMISSION RECOMMENDATION

On June 14, 1989, the Commission voted to attach the actuarial note to the bill and express the Commission's concern about the policy issues identified above. The Commission directed the staff to meet with the prime sponsor of the bill to discuss the most appropriate means of accomplishing the intent of the proposed legislation and to assist in the development of amendatory language. The Commission recommended that the General Assembly postpone further action on the bill pending the outcome of the meeting between the Commission staff and the bill's sponsor.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 1180, Printer's Number 1358, was reported by the House Local Government Committee on May 30, 1989, and re-committed to the House Appropriations Committee on June 5, 1989.

BILL AND PRINTER'S NUMBERS: H. Bs. 1256 through 1272,
P. Ns. 1499 through 1455, 2635, and 1457 through 1465

SYSTEM: Municipal-Variou Municipal Pension Systems

SUBJECT: Technical Amendments for Conformance with
Municipal Pension Plan Funding Standard and Recovery Act

SYNOPSIS OF BILL

The bills represent a package of technical amendments to various Pennsylvania statutes governing municipal pension plans to effect conformity with the various provisions of Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act. A listing of each bill, the pension plan law affected, the type of municipality and type of plan involved and the general nature of the conforming change is included with the actuarial note. The bills listed on the actuarial note represent a portion of the Commission's package of conforming amendments, which have been reported from the House Local Government Committee. The remainder of the bills were referred to the House Labor Relations Committee and have not been acted upon.

SUMMARY OF ACTUARIAL COST IMPACT

As determined by the Commission the bills contain amendments of a technical nature to various laws governing municipal pension plans to reduce or eliminate conflict or overlap with Act 205 of 1984 and have no actuarial cost or impact within the meaning of Act 66 of 1981.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bills and recommended passage of the proposed legislation.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bills 1256 through 1272, Printer's Numbers 1499 through 1455, 2635, and 1457 through 1465, were reported by the House Local Government Committee on October 17, 1989, and re-committed to the House Appropriations Committee on October 23, 1989.

BILL AND PRINTER'S NUMBERS: H. B. 1332, P. N. 2636

SYSTEM: Municipal-All Local Government Employee Retirement Systems

SUBJECT: Fiduciary Responsibility and Liability

SYNOPSIS OF BILL

House Bill 1332 would enact a Local Government Employee Retirement System Fiduciary Act that would regulate the fiduciary affairs of local government employee retirement systems by providing for persons defined to be fiduciaries, fiduciary activities subject to regulation, general standards of fiduciary conduct, specific supplemental fiduciary standards, liability for fiduciary breaches including breaches by other fiduciaries, delegation and allocation of fiduciary activities, fiduciary insurance and bonding; by providing for penalties; and making repeals.

SUMMARY OF ACTUARIAL COST IMPACT

As determined by the Commission the bill would have no actuarial cost or impact within the meaning of Act 66 of 1981.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy issues:

- ♦ The subject of fiduciary responsibility and liability is not well addressed in Pennsylvania statutes governing local government employee retirement systems. From 1985 through 1988, the Commission and its staff studied the various aspects of this topic and drafted a report together with accompanying legislation. The staff memoranda, drafts of the report, and drafts of the legislation were reviewed and commented upon by the Commission's statutory advisory committees and other interested parties. At its December 14, 1988, meeting, the Commission publicly considered the report and legislation and voted unanimously to accept the report and legislation as presented. The report and legislation were issued in February 1989 as a publication entitled Fiduciary Responsibility and Liability for Pennsylvania Local Government Employee Retirement Systems. This bill is the proposed legislation that accompanied the report, with minor amendments.
- ♦ Fiduciary legislation is needed in Pennsylvania to establish, in one place, a clear standard for all administrative aspects of local government employee retirement systems. Specifically designed local government employee retirement system fiduciary standards protect the revenue payers by increasing the probability that the retirement systems they are funding will be prudently run thus preventing unexpected demands for additional revenues and by placing clear responsibility in the event of problems. Fiduciary standards also protect active and retired public employees by requiring that their retirement systems be operated exclusively for the purpose of providing retirement benefits, by increasing the probability that the retirement systems will be able to pay their retirement benefits, and by making it clear whom to hold responsible in the event of problems. In addition, fiduciary standards help public officials to know in advance what is to be done and what is acceptable behavior.

COMMISSION RECOMMENDATION

On November 8, 1989, the Commission voted to attach the actuarial note to the bill, express the Commission's concerns about the policy issues identified above, and strongly recommend passage of the proposed legislation.

LEGISLATIVE STATUS ON DECEMBER 31, 1989

House Bill 1332, Printer's Number 2636, was reported by the House Local Government Committee on October 17, 1989, and re-committed to the House Appropriations Committee on October 23, 1989.

PART II

PUBLIC EMPLOYEE

RETIREMENT

SYSTEM

ADMINISTRATION

PUBLIC EMPLOYEE RETIREMENT SYSTEM ADMINISTRATION

A. ACT 205 OF 1984

1987 FILING PERIOD

In May of 1989, the Commission issued its *Status Report on Local Government Pension Plans* based on the data contained in the 1987 Act 205 local government pension plan reports. In addition to statistical information, the report disclosed that in the initial year of mandatory compliance with the Act 205 actuarial funding standard, only 86 of the 2,432 (3.5%) local government pension plans were reported to have significant funding deficiencies. The Commission viewed a measured response to be appropriate and enforced compliance with the actuarial funding standard accordingly. The *Status Report on Local Government Pension Plans* also disclosed significant municipal pension policy issues for consideration by the Governor and the General Assembly.

1989 FILING PERIOD

In August of 1989, the Commission transmitted filing notices to the 4,500 local governments required to file employee pension plan reports pursuant to Act 205. Several follow up notices were sent to local governments that failed to respond to the filing notice in the fall of 1989. The filing deadline for the 1989 Act 205 reports will be March 31, 1990.

MUNICIPAL PENSION COST CERTIFICATION

In the summer of 1989, the Commission certified municipal pension cost data to the Department of the Auditor General for use in the 1989 allocation of General Municipal Pension System State Aid. In 1989, the state aid provided to municipalities to offset their employee pension costs totaled more than \$120 million. Over 90% of the individual municipal allocations were determined by the cost data certified by the Commission.

RECOVERY PROGRAM

The Commission calculated and certified distress determinations for the 51 municipalities participating in the Act 205 Recovery Program for Financially Distressed Municipal Pension Systems. The Commission calculated the 1989 allocations of Act 205 Supplemental State Assistance and certified the allocation amounts to the Department of the Auditor General to permit the disbursement of the \$17.6 million Supplemental State Assistance allocation in December of 1989.

B. ACT 293 OF 1972

1988 FILING PERIOD

Since the passage of the Municipal Pension Plan Funding Standard and Recovery Act, the actuarial reporting program under Act 293 has only been applicable to county employee retirement systems. The 1988 actuarial reports on these systems were filed in 1989. The financial, demographic, and actuarial data contained in the reports has been reviewed and will be summarized in the Status Report on Local Government Pension Plans to be published by the Commission in the spring of 1991.

AMENDMENT

Commission-drafted legislation to amend Act 293 was introduced early in the 1989-90 Sessions of the General Assembly. The proposed amendment would change the reporting year for the biennial actuarial reports on county employee retirement systems to odd numbered years. If the amendment is enacted, county employee retirement system actuarial reports submitted under Act 293 and all other local government employee retirement system reports submitted under the Municipal Pension Plan Funding Standard and Recovery Act will be filed for the same years.

PART III

PUBLIC EMPLOYEE RETIREMENT SYSTEM

POLICY DEVELOPMENT

AND

COORDINATION

PUBLIC EMPLOYEE RETIREMENT SYSTEM POLICY DEVELOPMENT AND COORDINATION

A. STATUTORY PROVISIONS.

The Public Employee Retirement Study Commission Act provides, in pertinent part:

Section 6. Powers and duties.

(a) In general.-The commission shall have the following powers and duties:

- (1) To study generally the subject of retirement, income after retirement, disability and death benefits and the retirement needs of public employees. The commission shall have responsibility to formulate principles and objectives applicable thereto and to recommend any new legislation it deems advisable.*
- (2) To analyze on its own or upon request from either the legislative or executive branch any bill relating to public employee retirement or pension policy and issue a report thereto in a timely fashion. Such report shall be submitted to the General Assembly and the Governor and shall include an assessment of the actuarial soundness, feasibility and cost of such legislation.*
- (9) To monitor and evaluate from time to time all the laws and systems thereunder which relate to public employee pension and retirement policy in the Commonwealth.*
- (10) To study the relationship of retirement and pension policy to other aspects of public personnel policy and to the effective operation of government generally.*
- (11) To examine the interrelationships among public employee pension and retirement systems throughout the State.*

B. RESEARCH COMPLETED.

STATUS REPORT ON LOCAL GOVERNMENT PENSION PLANS

During the second half of 1988, research began on the Commission's second report on the status of the Commonwealth's local government retirement systems since the enactment of the Municipal Pension Plan Funding Standard and Recovery Act. The research was completed during the first half of 1989 and issued as a report in May 1989. The report was a summary and analysis of municipal actuarial valuation reports as of January 1, 1987, submitted to the Commission under the Act and of county actuarial valuation reports as of January 1, 1986, submitted to the Commission under Act 293 of 1972. The data in the report were extracted from the individual pension plan reports containing actuarial, financial, and demographic information. The report noted that: the annual growth in unfunded actuarial accrued liabilities slowed from 10% between 1974 and 1985 to 1% between 1985 and 1987; in 256 instances a municipality failed to comply with the actuarial funding standard required by the Municipal Pension Plan Funding Standard and Recovery Act, 86 of which were significant; the 75% increase between 1985 and 1988 in the state shared revenue dedicated to the General Municipal Pension System State Aid Program altered the program

from one that assists municipalities in meeting public employee pension costs to one that now funds 100% of these costs for most recipient municipalities; and costs may have been unnecessarily incurred in 386 defined benefit pension plans with a substantial insurance component and in 16 fully-insured defined benefit plans.

SERVICE PURCHASE AUTHORIZATIONS FOR PENNSYLVANIA PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Among the more frequently recurring subjects in the proposed legislation that the Commission has been requested to review since 1982 are authorizations to purchase service credits in public employee retirement systems for various types of currently noncreditable service. In order to establish a consistent policy framework within which to evaluate these proposals, the Commission saw a need to study the subject in some depth. In the second half of 1988, therefore, the Commission began a study to analyze the issues associated with service purchase authorizations and to formulate policy recommendations relating to criteria for authorizing service purchases and standards for structuring the purchase transaction. The study was completed during the first half of 1989 and issued as a report in June 1989. The report included general information reviewing the current law and the policy issues associated with service purchase authorizations; a discussion of the public policy considerations in authorizing service purchases including compensation for time spent in military service, equity in employment transfer, restoration of service credits following break in service, retroactive recognition of service for equity purposes, retirement benefit portability, and indirect benefit of experience, education, or training; a discussion regarding determining the amount and source of purchase payments including both member and employer contributions; and a discussion of structuring service purchase authorizations including limits on length of service purchased, limits on time for electing purchase, time limit for payment of contributions, limit on number of purchases, restriction on withdrawal of purchase payments, and restrictions on duplication of service credit. The report also contained the Commission's recommendations, which it intended to be prospective in nature, providing suggested guidance to the policymakers in the executive and legislative branches in discussing, developing, and adopting future changes in purchase of service credit provisions.

C. RESEARCH BEGUN AND CONTINUED.

MUNICIPAL POSTRETIREMENT MEDICAL BENEFITS.

As part of a nationwide trend in employee benefits, local governments in Pennsylvania are beginning to provide their employees with non-pension postretirement benefits such as retiree health insurance. The statutory authority to do this is not clear, and there are no statutory provisions for pre-funding the liabilities associated with these benefits. The Commonwealth's experience with public employee retirement systems strongly suggests that paying for the costs of non-pension postretirement benefits will be extremely burdensome in the future if done on a "pay-as-you-go" basis rather than paying for these costs as they accrue. To help the Commonwealth's public policymakers in considering this issue, the Commission began research on its study in the second half of 1988. The Commission continued its study during 1989 and expects to issue this report in 1990.

STRUCTURE OF LOCAL GOVERNMENT RETIREMENT SYSTEMS.

The Commonwealth has an extraordinarily large number of local government employee retirement systems, and the growth in the number of these systems is likely to continue at a significant rate. The basic issue that the Commonwealth's public policymakers must face is whether the current structure of local government employee retirement systems should be maintained. If this structure is to be maintained, a comprehensive review and revision of all local government employee retirement systems statutes must be begun. If this structure is not to be maintained, a replacement structure must be designed and implemented. To facilitate the Commonwealth's resolution of this issue, during 1989 the Commission began a study of the current structure of local government retirement systems.

D. STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEM REVIEWS.

Under the Public Employee Retirement Study Commission Act, the Commission conducts periodic reviews of the actuarial and financial reports of the various public employee retirement systems. The Commission conducted a review of the State Employees' Retirement System (SERS) in September 1989, the Public School Employees' Retirement System (PSERS) in October 1989, and the Pennsylvania Municipal Retirement System (PMRS) in December 1989.

COMMISSION REVIEW OF SERS ACTUARIAL VALUATION REPORT.

At the September 20, 1989, meeting of the Commission, the staff presented a summary of the December 31, 1988, actuarial valuation report of the State Employees' Retirement System. The following are some significant facts contained in that report.

FUNDING FACTS

Since the prior valuation the employer contribution rate has decreased 0.06% to 13.03% of payroll.

Since the prior valuation the unfunded actuarial accrued liability decreased by \$35,292,992.

Since the prior valuation the funding ratio increased 2.37% to 76.38%

Since the prior valuation the current assets have increased \$794,420,304.

MEMBERSHIP

The active membership increased by 112 since the prior valuation.

The payroll increased by \$104,548,181 since the prior valuation.

The number of annuitants, 71,316, increased by 1,801 since the prior valuation.

SUMMARY OF CONTRIBUTION RATES

	<u>1987</u>	<u>1988</u>
Normal Cost	4.73%	4.68%
Amortization of Unfunded Actuarial Accrued Liability	6.79	6.11
Amortization of Supplemental Annuities	<u>1.57</u>	<u>2.24</u>
	13.09%	13.03%

The Commission reviewed the report with Mr. John R. Brosius, SERS Executive Director, Mr. Dale H. Everhart, SERS Assistant Executive Director, and Ms. Ann Palatis, SERS consulting actuary.

The following is a summary of the December 31, 1988, actuarial valuation of the SERS and a comparison of 1988 results with those of 1987.

**SUMMARY OF ACTUARIAL VALUATION
STATE EMPLOYEES' RETIREMENT SYSTEM
as of December 31, 1988**

The following is a summary of the December 31, 1988 actuarial valuation of the State Employees' Retirement System and a comparison of the 1988 results with those of 1987.

	<u>12/31/87</u>		<u>12/31/88</u>	
MEMBERSHIP				
Active	109,499		109,611	
Inactive Vested	2,871		3,243	
Retired	60,255		61,709	
Disabled	3,831		3,946	
Survivors and Beneficiaries	5,429		5,661	
PAYROLL AND ANNUITIES PAYABLE				
Total Annual Payroll	\$2,663,080,000		\$2,767,628,181	
Annual Annuities and Benefits	\$ 371,274,432		\$ 415,526,918	
VALUATION DATA				
Accrued Liability	\$9,074,590,214		\$9,833,717,526	
Assets ¹	<u>6,716,513,070</u>		<u>7,510,933,374</u>	
Unfunded Accrued Liability ²	\$2,358,077,144		\$2,322,784,152	
Funding Ratio	74.01%		76.38%	
FUNDING COSTS				
Normal Cost ³	\$292,406,184	10.98%	\$302,501,760	10.93%
Interest on UAL ⁴	<u>129,694,243</u>	<u>4.87</u>	<u>127,753,128</u>	<u>4.62</u>
Minimum Actuarial Funding	\$422,100,427	15.85%	\$430,254,888	15.55%
Normal Cost	\$292,406,184	10.98%	\$302,501,760	10.93%
Amortization ⁵	<u>222,633,488</u>	<u>8.36</u>	<u>231,096,953</u>	<u>8.35</u>
Full Actuarial Funding	\$515,039,672	19.34%	\$533,598,713	19.28%
SUPPORT				
Member ³	\$166,442,500	6.25%	\$172,976,761	6.25%
Commonwealth	<u>348,597,172</u>	<u>13.09</u>	<u>360,621,952</u>	<u>13.03</u>
Total Support	\$515,039,672	19.34%	\$533,598,713	19.28%
ADEQUACY OF SUPPORT				
Frozen Deficit Financing	\$422,100,427	15.85%	\$430,254,888	15.55%
Total Support	<u>515,039,672</u>	<u>19.34</u>	<u>533,598,713</u>	<u>19.28</u>
Deficiency (Surplus)	(\$ 92,939,245)	(3.49%)	(\$103,343,825)	(3.73%)
Full Amortization Financing	\$515,039,672	19.34%	\$533,598,713	19.28%
Total Support	<u>515,039,672</u>	<u>19.34</u>	<u>533,598,713</u>	<u>19.28</u>
Deficiency (Surplus)	\$ 0	0.00%	\$ 0	0.00%

12/31/87

12/31/88

INVESTMENT YIELD

Net Investment Income as Percent of Mean Assets ⁶	6.67%	6.73%
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EXPLANATORY FOOTNOTES

1. The figure is the actuarial asset value not the market value.
2. The unfunded accrued liability figure includes \$596,098,186 for the amortization of supplemental annuities.

The SERS unfunded accrued actuarial liability decreased between the 12/31/87 actuarial valuation and the 12/31/88 actuarial valuation. The SERS 1988 actuarial valuation states that the reduction was caused by the following:

- (a) Excess investment earnings
- (b) Change in demographic profile of new entrants

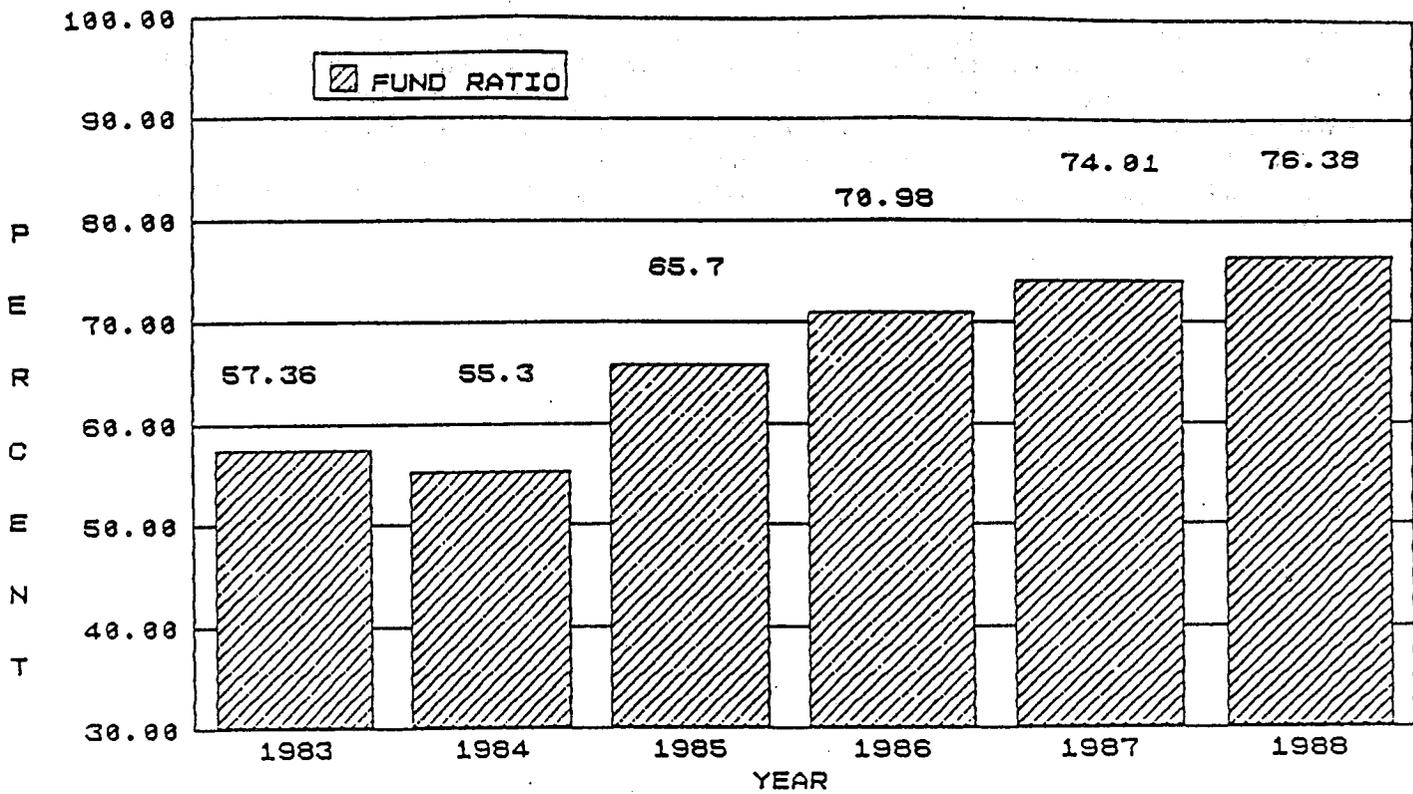
3. The State Employees' Retirement Code requires that the employer normal contribution rate be based on the level percentage of payroll normal cost determined under the entry age normal actuarial cost method for the average new active member less the portion of the cost to be funded by member contributions. The normal cost and member support data therefore assume a member contribution rate of 6.25% of payroll which is the rate applicable to members entering State service on or after July 22, 1983. Actual member contributions to the State Employees' Retirement System are based on member contribution rates of 5% for members entering service prior to July 22, 1983 and 6.25% for members entering service on or after July 22, 1983.
4. The figure represents interest on amount of the unfunded accrued liability at the 5.5 percent interest rate prescribed by law.
5. Different portions of the unfunded accrued liability are required by law to be amortized over various periods. The unfunded accrued liability is divided into a portion attributable to previously granted cost-of-living post retirement adjustments and a portion attributable to all other sources.

The following is the remaining unfunded accrued liability and the required amortization contribution and time period:

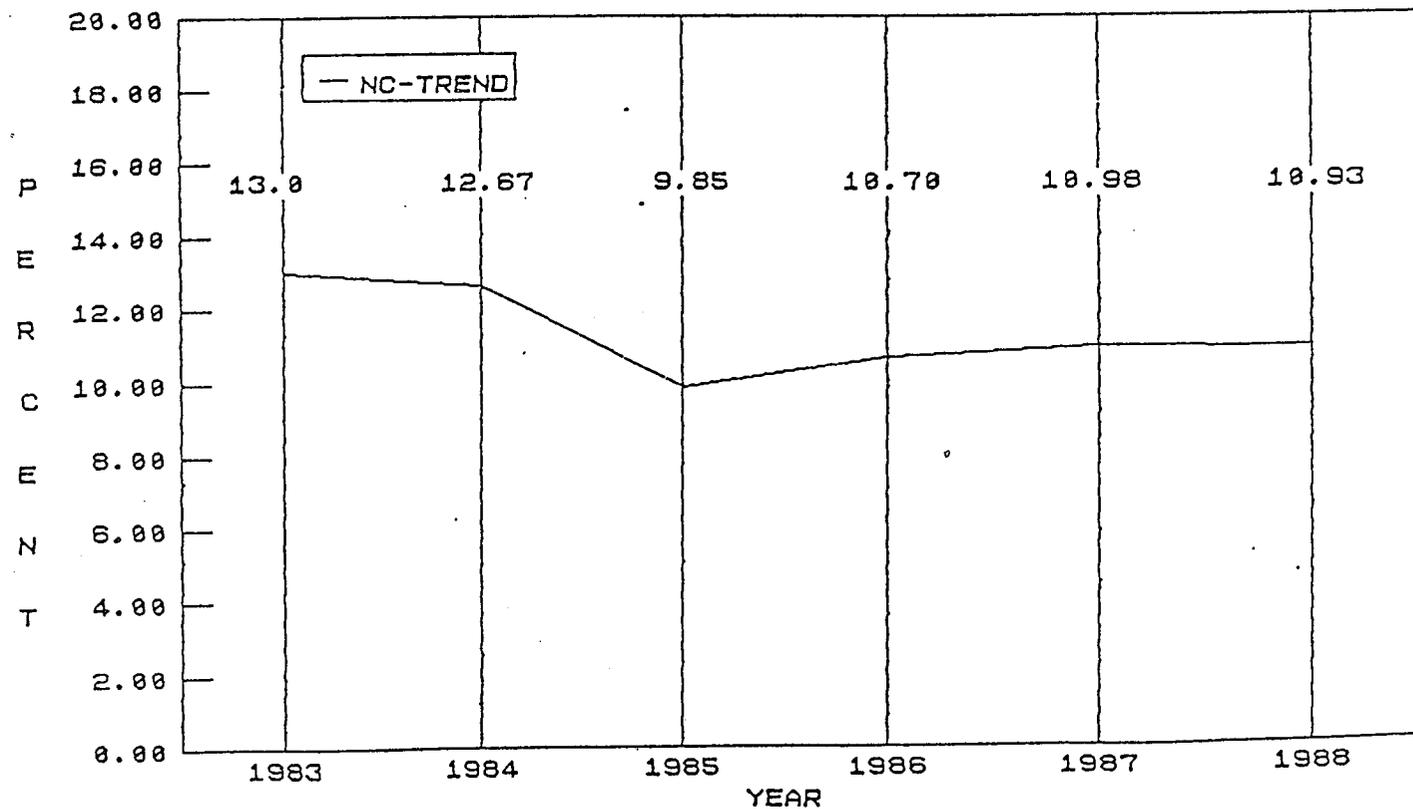
UNFUNDED ACCRUED LIABILITY	<u>12/31/87</u>	<u>12/31/88</u>
1. PORTION ATTRIBUTABLE TO PRIOR COST-OF-LIVING POST RETIREMENT ADJUSTMENTS		
1969 POST RETIREMENT ADJUSTMENT		
Amount	\$ 914,163	\$ 307,808
Amortization Contribution	\$ 620,221	\$ 307,808
Amortization Period	1.5 years	.5 years
1974 POST RETIREMENT ADJUSTMENT		
Amount	\$ 40,554,555	\$ 34,928,389
Amortization Contribution	\$ 7,199,574	\$ 7,146,473
Amortization Period	6.5 years	5.5 years
1979 POST RETIREMENT ADJUSTMENT		
Amount	\$ 160,292,011	\$ 148,811,639
Amortization Contribution	\$ 18,183,841	\$ 18,048,713
Amortization Period	11.5 years	10.5 years
1984 POST RETIREMENT ADJUSTMENT		
Amount	\$ 167,606,265	\$ 159,911,227
Amortization Contribution	\$ 14,898,507	\$ 14,787,426
Amortization Period	16.5 years	15.5 years
1989 POST RETIREMENT ADJUSTMENT		
Amount	\$ 0	\$ 252,139,123
Amortization Contribution	\$ 0	\$ 19,998,344
Amortization Period	\$ 0	20 years
2. PORTION ATTRIBUTABLE TO OTHER SOURCES		
1969 BENEFIT INCREASE		
Amount	\$1,357,574,249	\$1,167,644,570
Amortization Contribution	\$ 131,732,982	\$ 123,195,249
Amortization Period	11.5 years	10.5 years
1974 BENEFIT INCREASE		
Amount	\$ 631,135,901	\$ 559,041,396
Amortization Contribution	\$ 44,231,264	\$ 41,413,541
Amortization Period	16.5 years	15.5 years

6. The investment yield rate represents the net dividend and interest earnings of the system taken as a percentage of the average actuarial value of the assets of the system for the year. The investment yield figure should not be confused with the total rate of return earned by the system, which recognizes all realized and unrealized investment gains and losses based on the market value of the total investment portfolio of the system. The figures for net dividend and interest earnings of the system were obtained from the State Employees' Retirement System based on the December 31, 1987 and 1988 audited financial statements.

SERS FUNDING RATIO TREND



SERS NORMAL COST TREND



COMMISSION REVIEW OF PSERS ACTUARIAL VALUATION REPORT

At the October 11, 1989, meeting of the Commission, the staff presented a summary of the June 30, 1988, actuarial valuation report of the Public School Employees' Retirement System. The following are some significant facts contained in that report.

FUNDING FACTS

Since the prior valuation the employer contributions rate had increased 0.41% to 19.68% of payroll.

Since the prior valuation the unfunded actuarial accrued liability increased by \$696,771,000.

Since the prior valuation the funding ratio increased 0.28%.

Since the prior valuation the current assets had increased \$1,393,143,000.

MEMBERSHIP

The active membership decreased by 5,573 since the prior valuation.

The total payroll increased by \$263,261,090 since the prior valuation.

The number of annuitants, 92,921, increased by 2,547 since the prior valuation.

SUMMARY OF CONTRIBUTIONS

The increases in the employer contribution rate included a rate of 0.75% of payroll due to Act 112 of 1988 (an additional monthly supplemental annuity).

The employers' contribution rate would have been 18.93% if Act 112 had not been passed. This would have resulted in a decrease of 0.34% over the prior year.

There was a \$882,900,000 increase from the expected unfunded actuarial accrued liability of \$6,074,400,000. The following is an explanation of the net increase:

EXPERIENCE

Interest Surplus	(\$348.9)
Salary Increase Above Expected	616.3
Retirement and Other Separation	93.0
Pensioners' Mortality Experience	<u>9.6</u>
Net Experience Loss (Gain)	\$370.0

AMENDMENTS

Cost-of-Living Increases	\$ 412.9
Current Window Extensions	100.0
Amendment Increases	<u>\$ 512.0</u>
TOTAL NET INCREASE	\$ 882.9

The Commission reviewed this report with Mr. James A. Perry, PSERS Executive Director, and Mr. John Thompson, PSERS consulting actuary.

The following is a summary of the June 30, 1988, actuarial valuation of PSERS and a comparison of the 1988 results with those of 1987.

**SUMMARY OF ACTUARIAL VALUATION
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
as of June 30, 1988**

The following is a summary of the June 30, 1988 actuarial valuation of the Public School Employees' Retirement System¹ and a comparison of the 1988 results with those of 1987.

	<u>6/30/87</u>		<u>6/30/88</u>	
MEMBERSHIP				
Active Members	201,415		195,842	
Inactive and Vested Members	23,252		27,851	
Retired Members	83,043		85,273	
Disabled Members	3,614		3,738	
Survivors and Beneficiaries	3,717		3,910	
PAYROLL AND ANNUITIES PAYABLE				
Total Annual Payroll	\$ 4,378,680,591		\$ 4,641,941,681	
Annual Annuities and Benefits	\$ 608,388,448		\$ 635,422,248	
VALUATION DATA				
Accrued Liability	\$17,411,779,000		\$19,501,693,000	
Assets ²	<u>11,151,231,000</u>		<u>12,544,374,000</u>	
Unfunded Accrued Liability ³	\$ 6,260,548,000		\$ 6,957,319,000	
Funding Ratio	64.04%		64.32%	
FUNDING COSTS				
Normal Cost	\$ 613,015,283	14.00%	\$ 648,479,253	13.97%
Interest on UAL ⁴	<u>344,330,140</u>	<u>7.86</u>	<u>382,652,545</u>	<u>8.24</u>
Minimum Actuarial Funding	\$ 957,345,423	21.86%	\$1,031,131,798	22.21%
Normal Cost	\$ 613,015,283	14.00%	\$ 648,479,252	13.97%
Amortization ⁵	<u>465,891,615</u>	<u>10.64</u>	<u>521,754,245</u>	<u>11.24</u>
Full Actuarial Funding	\$1,078,906,898	24.64%	\$1,170,233,497	25.21%
SUPPORT				
Member ⁶	\$ 235,135,148	5.37 %	\$ 256,699,375	5.53%
School District	421,885,875	9.635	456,767,061	9.84
Commonwealth	<u>421,885,875</u>	<u>9.635</u>	<u>456,767,061</u>	<u>9.84</u>
Total Support	\$1,078,906,898	24.64 %	\$1,170,233,497	25.21%
ADEQUACY OF SUPPORT				
Frozen Deficit Financing	\$ 957,345,423	21.86%	\$1,031,131,798	22.21%
Total Support	<u>1,078,906,898</u>	<u>24.64</u>	<u>1,170,233,497</u>	<u>25.21</u>
Deficiency (Surplus)	(\$ 121,561,475)	(2.78%)	(\$ 139,101,699)	(3.00%)
Full Amortization Financing	\$1,078,906,898	24.64%	\$1,170,233,497	25.21%
Total Support	<u>1,078,906,898</u>	<u>24.64</u>	<u>1,170,233,497</u>	<u>25.21</u>
Deficiency (Surplus)	\$ 0	0.00%	\$ 0	0.00%

EXPLANATORY FOOTNOTES

1. The actuarial valuation report was prepared by John W. Thompson of Buck Consultants, Inc. The actuarial valuation is based on the entry age normal actuarial cost method with level percentage of payroll normal cost and an open-end unfunded accrued liability. The average entry age of new plan members is used in determining normal cost. The valuation is based on a 5.5 percent annual compound interest rate assumption as specified by law and a salary increase assumption which varies by age.
2. The assets of the system for actuarial valuation purposes are valued at their book value.
3. The figure for unfunded accrued liability increased by \$696,771,000 between 6/30/87 and 6/30/88.
4. The figure represents interest on the amount of the unfunded accrued liability at the 5.5 percent interest rate prescribed by law.
5. The various portions of the unfunded accrued liability are required by law to be amortized over different periods and different procedures. Broadly, the unfunded accrued liability is separated into that portion attributable to previously granted cost-of-living post retirement adjustments and that portion attributable to all other sources (prior benefit increase for active members, actuarial gains and losses, prior funding deficiencies, etc). The portion attributable to cost-of-living post retirement adjustments granted prior to 1979 is required by law to be amortized on a level percentage of increasing total payroll (4 percent increase in total payroll assumed) over a 30-year period from the date on which the adjustment was granted. The portions attributable to the 1979, 1984 and 1989 cost-of-living post retirement adjustments are required by law to be amortized on a level dollar basis over a 20-year period from the date each adjustment was granted. The remaining portion is apportioned based on the source of the unfunded accrued liability and each subportion is required by law to be amortized on a level percentage of increasing total payroll (4 percent increase in total payroll assumed) over a 30-year period from the date on which the unfunded accrued liability was recognized.

These portions by source of the unfunded accrued liability, the remaining unfunded accrued liability and the applicable amortization period with the comparable figures for 6/30/87 are as follows:

UNFUNDED ACCRUED LIABILITY

6/30/87

6/30/88

1. PORTION ATTRIBUTABLE TO PRIOR COST-OF-LIVING POST RETIREMENT ADJUSTMENTS

PRE 1979 POST RETIREMENT ADJUSTMENTS

Amount	\$289,400,000	\$242,492,000
Amortization Period	5 years	4 years

1979 POST RETIREMENT ADJUSTMENTS

Amount	\$506,801,000	\$479,088,000
Amortization Period	13 years	12 years

1984 POST RETIREMENT ADJUSTMENTS

Amount	\$306,305,000	\$294,959,000
Amortization Period	17 years	16 years

1989 POST RETIREMENT ADJUSTMENTS

Amount	\$ 0	\$412,900,000
Amortization Period	0	20 years

2. PORTION ATTRIBUTABLE TO OTHER SOURCES

PRE-1975 BENEFIT INCREASE

Amount	\$4,094,232,000	\$4,368,127,000
Amortization Period	18.2 years	18.4 years

1975 BENEFIT INCREASE

Amount	\$592,708,000	\$584,161,000
Amortization Period	17 years	16 years

1982 BENEFIT INCREASE

Amount	\$47,854,000	\$47,928,000
Amortization Period	23 years	22 years

1983 UNISEX MORTALITY FACTORS

Amount	\$44,138,000	\$44,436,000
Amortization Period	26 years	25 years

1986 BENEFIT INCREASE

Amount	\$37,445,000	\$37,851,000
Amortization Period	29 years	28 years

1986 ASSUMPTION CHANGE

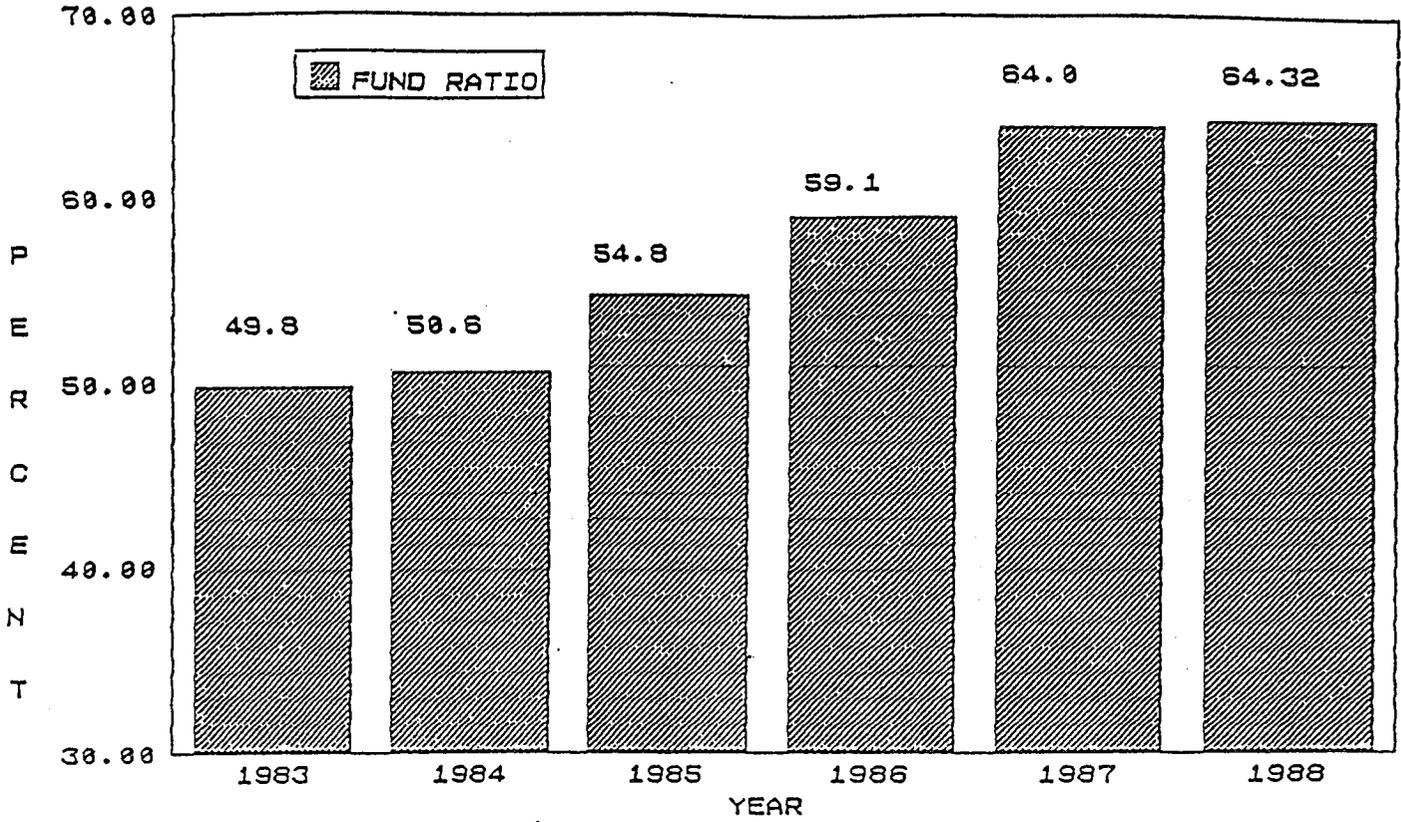
Amount	\$341,665,000	\$345,377,000
Amortization Period	29 years	28 years

1989 BENEFIT INCREASE

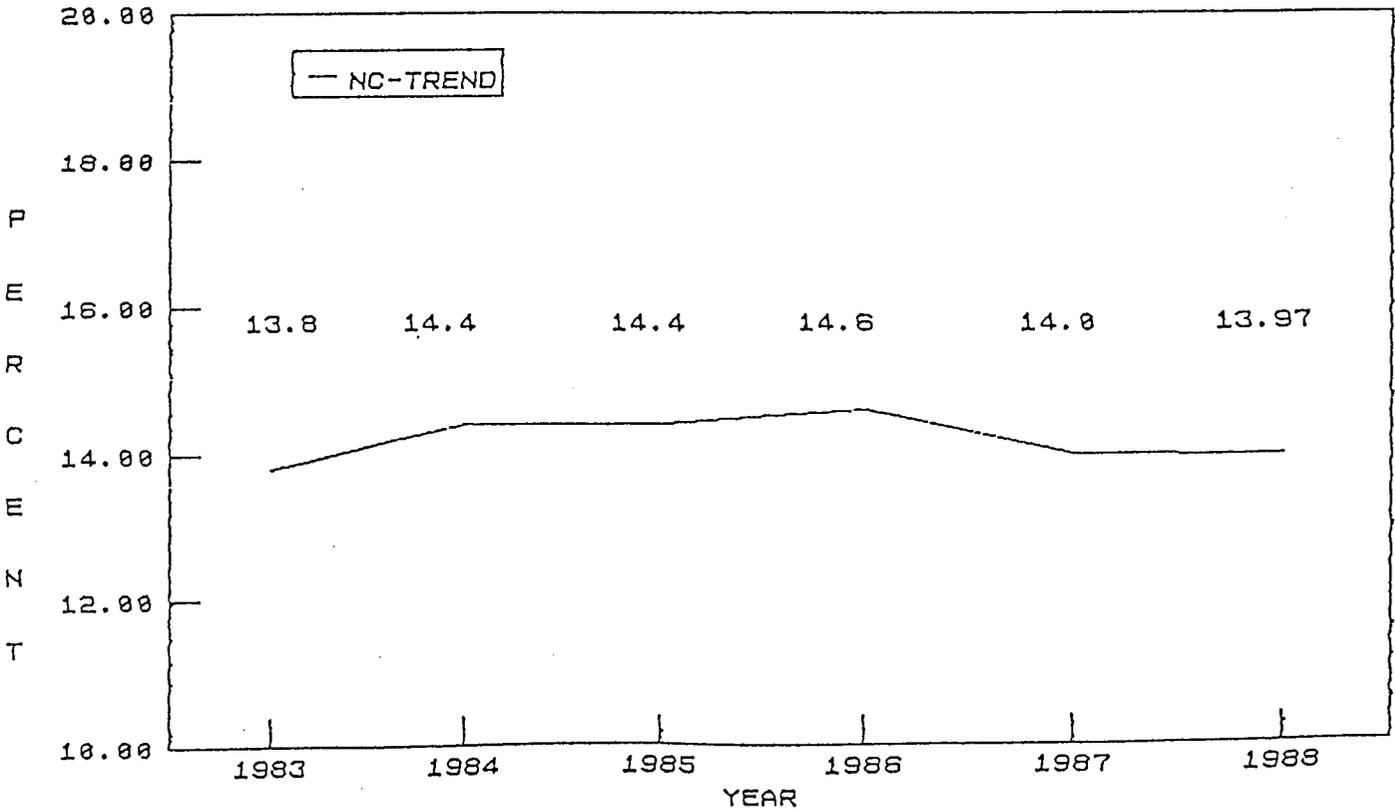
Amount	\$ 0	\$100,000,000
Amortization Period	0	30 years

6. The indicated member contribution for 6/30/88 reflects a member contribution rate increase enacted on July 22, 1983, which was subsequently determined by the Pennsylvania Supreme Court to be unconstitutional as it applied to PSERS members hired prior to July 22, 1983. The PSERS member contribution rate reverted to the prior 5.25 percent rate for the affected PSERS members, but is 6.25 percent for all PSERS members initially employed on or after July 22, 1983. The indicated member contribution for 6/30/88 is the average of those two groups as presently constituted.

PSERS FUNDING RATIO TREND



PSERS NORMAL COST TREND



COMMISSION REVIEW OF PMRS ACTUARIAL VALUATION REPORT.

At the December 13, 1989, meeting of the Commission, the staff presented summaries of the January 1, 1988 and 1989, actuarial valuation reports of the Pennsylvania Municipal Retirement System. The following are some significant facts contained in those reports.

The Pennsylvania Municipal Retirement System (PMRS) was established to provide pension administrative services to any municipality or authority within the Commonwealth that elected to join the system. While PMRS is referred to as a "retirement system" each member municipality has considerable flexibility in constructing the benefit plan it prefers. Each participating municipal plan is maintained as a separate entity and is self-insured except in the areas of investment return experience, one year term disability cost, administrative expenses, and common risk of mortality loss or gain on retired life reserves.

The PMRS actuarial valuations broadly cover the condition of the system. They serve primarily to summarize information. Because each actuarial item is calculated separately for each municipality, the actuary for the system decided not to include in the valuations data on the accrued liability and the funding costs of the system.

The Commission reviewed these reports with Mr. James B. Allen, PMRS Secretary, and Mr. Eli Greenblum, PMRS consulting actuary.

The actuarial valuations summarize the following information:

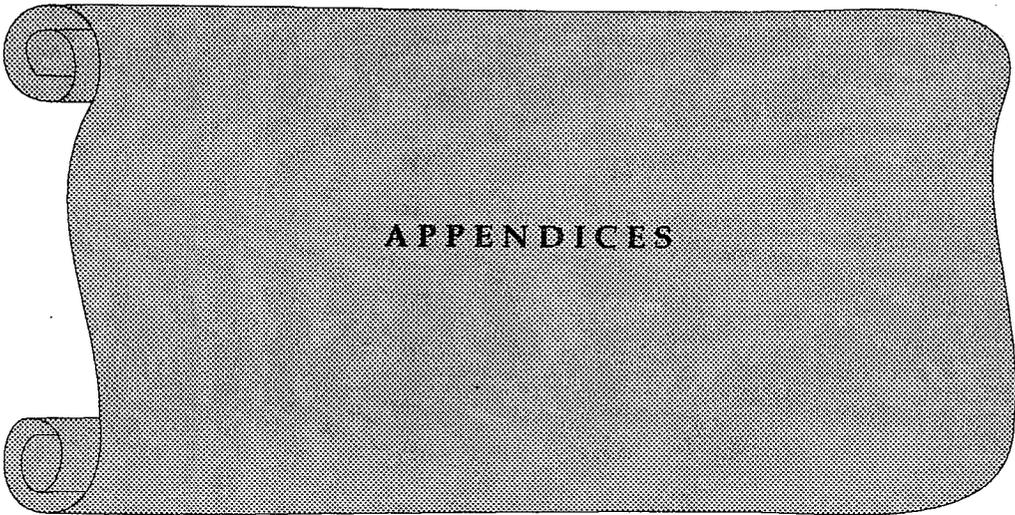
1. the demographic data of all PMRS active members and benefit recipients;
2. the actuarial assumptions and methods used;
3. the actuarial value of the PMRS assets and the changes in the assets since the prior valuation;
4. the investment status of the assets; and
5. the excess interest to be allocated to municipalities.

**SUMMARY OF ACTUARIAL VALUATION
PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)**

	<u>1/1/87</u>	<u>1/1/88</u>	<u>1/1/89</u>
MEMBERSHIP			
Active Members	6,847	6,887	6,979
Number of Municipalities			
Defined Benefit	427	434	452
Deferred Vested Members	77	91	91
Retired Members	1,469	1,526	1,590
Survivors & Beneficiaries	223	213	227
PAYROLL AND ANNUITIES			
Total Annual Payroll	\$132,103,400	\$138,269,100	\$146,262,900
Annual Annuities and Benefits	\$ 6,362,481	\$ 6,728,500	\$ 7,895,500
FUNDING COSTS			
	N/R	N/R	N/R
VALUATION DATA			
Accrued Liability	N/R	N/R	N/R
Assets	\$172,797,162	\$199,861,934	\$222,990,000
Unfunded Accrued Liability	N/R	N/R	N/R
SUPPORT			
Member	\$ 5,419,728	\$ 5,570,496	\$ 5,630,152
Municipal	\$ 15,318,226	\$ 24,190,551	\$ 13,850,799
ACTUARIAL INVESTMENT RATE OF RETURN ¹	9.79%	6.3%	8.92%

^{N/R} Indicates that the data item was not included in the actuarial valuation report.

¹ The actuarial investment rate of return represents the net dividend and interest earnings of the system taken as a percentage of the average actuarial value of the assets of the system for the year. This figure should not be confused with the total market value rate of return earned by the system, which considers all assets and total investment income on the market value of the system. The total market value rates of return for 1986, 1987, and 1988 were 11.68%, 2.76%, and 11.29%.



APPENDICES

APPENDIX A

ADVISORY COMMITTEES AND CONSULTING ACTUARIES

ADVISORY COMMITTEES

Under Section 8 of the Public Employee Retirement Study Commission Act, the Commission appoints a Municipal Pension Advisory Committee and a Municipal Employee Pension Advisory Committee. Both advisory committees are appointed annually from nominations submitted by organizations of municipalities and municipal employees and meet with the Commission at least once each year to discuss the activities of the Commission and to present information or recommendations. The members of the advisory committees for calendar year 1989 and their sponsoring organizations were as follows:

MUNICIPAL PENSION ADVISORY COMMITTEE

Mr. Lee J. Janiczek - Chairman
PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP COMMISSIONERS

Mr. John E. Gardner - Vice-Chairman/Secretary
PENNSYLVANIA STATE ASSOCIATION OF BOROUGHES

Mr. John A. Garner, Jr.
PENNSYLVANIA LEAGUE OF CITIES

Mr. B. Kenneth Greider
PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP SUPERVISORS

Mr. Douglas E. Hill
PENNSYLVANIA STATE ASSOCIATION OF COUNTY COMMISSIONERS

Mr. William J. Woll
PENNSYLVANIA MUNICIPAL AUTHORITIES ASSOCIATION

MUNICIPAL EMPLOYEE PENSION ADVISORY COMMITTEE

Mr. Francis W. Walker - Chairman
PENNSYLVANIA FRATERNAL ORDER OF POLICE

Mr. Barry J. Buskey - Vice-Chairman
PENNSYLVANIA STATE FIREFIGHTERS ASSOCIATION

Mr. James W. Stevens - Secretary
PENNSYLVANIA STATE EDUCATION ASSOCIATION

Mr. Patrick B. McCabe
PENNSYLVANIA CHIEFS OF POLICE ASSOCIATION

Mr. Richard Toth - Commission Liaison
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

CONSULTING ACTUARIES

The actuarial services committee developed and adopted guidelines for providing actuarial services to the Commission on June 2, 1982. The guidelines establish the educational and experience standards for the selection of consulting actuaries. The engagement of multiple actuarial consultants was considered appropriate to provide the Commission with an enhanced scope of actuarial experience and a greater response capacity, and to avoid potential conflicts of interest. The actuarial consultants engaged by the Commission during 1989 were:

Towers, Perrin, Forster & Crosby
Mr. Gerard Mingione

Conrad M. Siegel, Inc.
Mr. Conrad M. Siegel

Milliman & Robertson, Inc.
Mr. William A. Reimert

APPENDIX B
LEGISLATIVE PROCEDURES
UNDER SECTION 7 OF THE
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION ACT

I. IMPLEMENTATION BY THE GENERAL ASSEMBLY.

- A. At the beginning of each legislative session of the General Assembly, the Speaker of the House and the President Pro Tempore of the Senate formally advise the chairmen of each standing committee in their respective chamber of the actuarial review provisions implemented by Act No. 1981-66.
- B. Both chambers of the General Assembly adopt procedures most consistent with their operating rules to ensure that committee approved bills or floor amended bills are not considered prior to receipt of an actuarial note from the Commission or the passage of 25 legislative days from the date of first consideration or adoption of the floor amendment.

1. Actuarial Note Requests for Committee Approved Bills.-

The Committee chairman in either chamber of the General Assembly shall notify the Commission upon reporting a bill to the floor which proposes any change relative to a public employee pension system and request preparation of an actuarial note.

2. Actuarial Note Requests for Floor Amended Bills.-

The majority leader of either chamber of the General Assembly shall request preparation of an actuarial note for the floor amended bill on behalf of the respective chamber. The Commission shall provide the actuarial note as expeditiously as possible.

3. Actuarial Note Requests for Bills Referred by Other Chamber.-

When a committee in either chamber of the General Assembly approves without amendment a bill to the floor which has had an actuarial note attached in the other chamber, preparation of a new actuarial note is unnecessary. Where an amendment to the bill has been approved by the committee, the chairman shall notify the Commission and request preparation of a new actuarial note. The Commission shall provide the actuarial note as expeditiously as possible.

4. Actuarial Note Requests from the House or Senate Appropriations Committees.-

Whenever a request is received by the Commission from the chairman of either the House Appropriations Committee or the Senate Appropriations Committee for an actuarial note on a bill in the possession of the committee, the Commission shall formally authorize preparation of the actuarial note, as opposed to an advisory note, and transmit the actuarial note to the requesting committee as expeditiously as possible.

II. RESPONSE BY THE COMMISSION.

- A. The Commission acknowledges receipt of requests for the preparation of actuarial notes for committee approved bills and floor amended bills to the presiding officer of the requesting chamber of the General Assembly within 48 hours.
- B. The Commission transmits the requested actuarial notes to the presiding officer of each chamber of the General Assembly as promptly as possible, recognizing that the 25 legislative days permitted for the preparation of actuarial notes is a maximum rather than a norm. Where there are no substantive actuarial or policy implications, the Commission will communicate that fact as the requested actuarial note.
- C. The Commission provides copies of the transmittals of the requested actuarial notes to the following:
 - 1. the chairman and minority chairman of the requesting committee;
 - 2. the majority and minority leaders;
 - 3. the majority and minority whips;
 - 4. the majority and minority caucus chairmen;
 - 5. the majority and minority appropriation committee chairmen;
 - 6. the prime sponsor of the bill;
 - 7. the Secretary of the Senate;
 - 8. the Chief Clerk of the House; and
 - 9. the Director of the Legislative Reference Bureau.
- D. Upon the request of the committee chairman, the Commission staff may whenever possible provide supplemental reviews for bills prior to consideration by a committee. The information is transmitted to the committee chairman and minority chairman. Such assistance may contain actuarial data, but is considered to be an "advisory note" not constituting or substituting for the required actuarial note.
- E. The Commission staff provides advice and counsel to members of the General Assembly on relevant matters pertaining to retirement plan design, financing, and administration.
- F. The Commission provides actuarial notes or advisory notes only to appropriate officials of the legislative and executive branches.
- G. The Commission transmits notice of its meetings to the Secretary of the Senate and Chief Clerk of the House for publication on the Senate and House daily meeting calendars.

Adopted April 10, 1985.

APPENDIX C
BY-LAWS OF THE
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION ACT

Title 4. Administration

Part XII. Public Employee Retirement Study Commission

Section 401.1. Definitions.

The following words and terms, when used in this part shall have the following meanings, unless the context clearly indicates otherwise:

Act - the act of July 9, 1981 (P.L. 208, No. 66), known as the "Public Employee Retirement Study Commission Act."

Advisory Committee - a municipal pension advisory committee established under the provisions of Section 8 of the Act.

Commission - the Public Employee Retirement Study Commission created under the Act.

Member - a member of the Commission.

Chapter 402. By-Laws

Section 402.1. Meetings

Meetings of the Commission shall be held as necessary at the call of the Chairman, but in no case less than six times per year. Meeting shall be held on the dates and at the times and locations specified by the Chairman in the notice of the meeting. Notices of meetings shall contain an itemized agenda in reasonable detail. Notice of meetings shall be given to all members in writing at least seven days prior thereto; provided that such notice may be given at least twenty-four hours prior to such meeting where deemed necessary by the Chairman under the circumstances. The Chairman shall call a meeting upon the request in writing of five or more members.

Section 402.2. Quorum and Voting.

Five members shall constitute a quorum for meetings. The majority vote of the members present at a meeting or otherwise entitled to vote pursuant to these By-Laws shall constitute official action of the Commission. In the event that one or more vacancy or long term disability exists four members shall constitute a quorum. A Commission member who is a member of the Senate or House of Representatives of the Commonwealth of Pennsylvania may, from time to time, appoint a designee in writing. A designee may cast a vote for a member on any matter pending before the Commission relating to an agenda item; provided that the member has set forth in writing with reasonable particularity the position of the member on the agenda item and the vote of the designee is not inconsistent therewith. Otherwise, a member may only vote in person. The Commission may take official action on any matter properly before a meeting whether or not mentioned in the notice of the meeting.

Section 402.3. Open Meetings.

Meetings of the Commission shall be held and notice thereof shall be given in accordance to Act No. 1986-84 relating to public meetings, as applicable.

Section 402.4. Minutes.

Minutes shall be kept of all meetings of the Commission and shall be filed in the office of the Commission, subject to the act of June 21, 1957 (P.L. 390) §§1-4, as amended, (65 P.S. §§66.1 - 66.4) relating to the inspection and copying of public records, as applicable.

Section 402.5. Officers.

The Commission shall annually elect a Chairman, a Vice-Chairman and such other officers as it finds necessary or desirable at the first meeting of the Commission occurring in each calendar year. All such officers shall be members and shall serve until the election of a successor. Election shall also occur in the event of a vacancy in any office. The Chairman shall preside over all meetings of the Commission at which he is present, or in his absence the Vice-Chairman, or in both of their absence a member chosen by the Commission. In the event that the Chairman is unable to act hereunder for any reason, the Vice-Chairman may do so.

Section 402.6. Office.

The Commission may establish an office for the use of the Commission in the conduct of its official business.

Section 402.7. Committees.

The Commission may, from time to time, establish such committees as it deems necessary or desirable in the conduct of its official business. Appointments to committees shall be made by the Chairman. The term of each committee shall be coterminous with that of the Chairman. For the purposes of this section, any liaison shall be deemed to be a committee.

Section 402.8. Advisory Committees.

The Commission shall appoint each advisory committee pursuant to the applicable law no later than the third meeting of the Commission occurring in each calendar year. The term of each advisory committee shall be for one calendar year or until the appointment of a successor, whichever occurs later.

Section 402.9. Budget.

The executive director of the Commission shall annually submit a proposed budget to the Commission for approval prior to the submission date under budget guidelines applicable to Commonwealth agencies.

Section 402.10. Miscellaneous.

The Commission may, from time to time, do such other things and take such other actions as it deems necessary or desirable in the conduct of its official business.

Section 402.11. Amendment.

The Commission may, from time to time, amend these By-Laws by majority vote of the members present at a meeting or otherwise entitled to vote pursuant to these By-Laws; provided that notice of the meeting shall have set forth at least the general nature of the amendment.

Revised November 17, 1987

APPENDIX D
LISTING OF LEGISLATION REGARDING
PUBLIC EMPLOYEE RETIREMENT ISSUES

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
S. B. 7 P. N. 7 (Greenleaf)	County Pension Law, providing for the transfer to PSERS of both a former employee's and the county's contributions to the Philadelphia County Pension Fund	Referred to Senate Finance Committee, 1/20/89
S. B. 58 P. N. 58 (Holl)	SERS, permitting appointment by the Board, with Senate approval, of six managers to assist board with its responsibilities	Referred to Senate Finance Committee, 1/23/89
S. B. 122 P. N. 1153 (Holl)	Second Class County (Allegheny) Code, providing for the publication of the controller's report, the standard of care and liability of retirement board members, payment into the pension trust fund, the amount of allowances, interest on contributions, and requirements for credit for previous service	Act 1989-75, signed by the Governor, 2/14/89
S. B. 165 P. N. 165 (Holl)	SERS, including various employees of the Departments of Corrections and Public Welfare in the definition of "correction officer"	Referred to Senate Finance Committee, 1/23/89
S. B. 242 P. N. 242 (Greenleaf)	PSERS, further defining "approved leave of absence" to include maternity leave of absence, and defining "maternity leave of absence" as an involuntary leave of absence required by an employer because of member's pregnancy prior to May 17, 1975	Referred to Senate Finance Committee, 1/23/89
S. B. 252 P. N. 1414 (Hess)	Public School Code of 1949, permitting PSERS regular retirees with 30 or more years of service and disability retirees to purchase coverage under employers group health plan until age 65 on the same basis as before retirement	Act 1989-43, signed by the Governor, 7/8/89
S. B. 258 P. N. 1311 (Hess)	PSERS, increasing from 75 to 90 days the number of days an annuitant may return to school service during an emergency, and providing that time less than 3 consecutive hours be counted as 1/2 day	Passed Senate, 10/24/89; referred to House Education Committee, 10/25/89
S. B. 266 P. N. 1701 (Stout)	PSERS, authorizing purchase of service credit for service in the Cadet Nurse Corps	Reported from Senate Finance Committee 11/14/89; re-referred to Senate Appropriations Committee, 11/28/89
S. B. 287 P. N. 294 (Loeper)	SERS, authorizing purchase of service credit for service as a justice of the peace prior to 1970	Passed Senate, 6/14/89; reported by House State Government Committee, 6/20/89; re-referred to House Appropriations Committee, 6/27/89
S. B. 334 P. N. 345 (Holl)	PSERS, providing for regular cost-of-living adjustments for disability retirees	Referred to Senate Finance Committee, 1/30/89
S. B. 364 P. N. 1345 (Armstrong)	SERS, including enforcement officers and investigators in the Office of Attorney General and parole agents and parole warrant officers of the Board of Probation and Parole within the definition of "enforcement officer" for retirement purposes	Passed Senate, 6/27/89; referred to House State Government Committee, 6/29/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
S. B. 392 P. N. 405 (Pecora)	SERS, requiring State Treasurer to determine which SERS investments impact negatively on fair employment in Northern Ireland and authorizing reinvestment in companies that subscribe to the MacBride Principles	Referred to Senate Finance Committee, 2/3/89.
S. B. 403 P. N. 1766 (Helfrick)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Passed Senate 12/12/89; referred to House Local Government Committee, 12/13/89
S. B. 537 P. N. 570 (Fumo)	Administrative Code of 1929, providing for accrual of sick leave without limit and payment for 30% of unused sick leave at retirement up to 60 days, and 20% of the rest	Referred to Senate State Government Committee, 2/15/89
S. B. 581 P. N. 619 (Fisher)	PSERS, placing limitations on investments in companies doing business in or with Northern Ireland	Referred to Senate Finance Committee, 2/21/89
S. B. 582 P. N. 620 (Fisher)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), imposing restrictions on investments in Northern Ireland	Referred to Senate Finance Committee, 2/21/89
S. B. 583 P. N. 621 (Fisher)	PMRS, imposing restrictions on investments in Northern Ireland	Referred to Senate Finance Committee, 2/21/89
S. B. 584 P. N. 622 (Fisher)	State Deposits and Depositories, providing limitations on investments in Northern Ireland	Referred to Senate Finance Committee, 2/21/89
S. B. 585 P. N. 623 (Fisher)	SERS, placing limitations on investments in companies doing business in or with Northern Ireland	Referred to Senate Finance Committee, 2/21/89
S. B. 608 P. N. 646 (Afflerbach)	SERS, prohibiting unlimited annuities by eliminating the exception for members of the General Assembly who served as constitutional officers of the General Assembly prior to January 1, 1973	Referred to Senate Finance Committee, 2/21/89
S. B. 708 P. N. 771 (Hess)	PSERS, increasing the number of members of the board from 15 to 16 by adding a second annuitant elected by the annuitants	Referred to Senate Finance Committee, 3/20/89
S. B. 802 P. N. 882 (Regoli)	Administrative Code of 1929, providing for the continuation of medical insurance coverage for SERS survivor-spouse annuitants	Referred to Senate Finance Committee, 4/10/89
S. B. 820 P. N. 905 (Rocks)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, providing for interest @ 1 1/2% month on postretirement adjustment payments to retirees	Referred to Senate Finance Committee, 4/11/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
S. B. 821 P. N. 915 (Rocks)	PSERS and SERS, providing for venture capital investments of not more than two percent of the book value of the total assets	Referred to Senate Finance Committee, 4/13/89
S. B. 832 P. N. 926 (Scanlon)	Second Class County (Allegheny) Code, providing for the standard of care and liability of retirement system board members, payments into the pension trust fund, amount of retirement allowances, interest on contributions, and requirements for credit for previous service [See S. B. 122]	Referred to Senate Local Government Committee, 4/17/89
S. B. 886 P. N. 1010 (Mellow)	Home Rule Charter and Optional Plans Law, authorizing cities of the second class A (Scranton) to permit, by ordinance, all employees to purchase prior military service time as a credit for pension purposes	Referred to Senate Local Government Committee, 5/2/89
S. B. 890 P. N. 1019 (Shaffer)	Constitution of Pennsylvania, amending section 26 of article 3 to authorize the General Assembly to increase retirement benefits or pensions to retirees and survivor-spouses	Referred to Senate Finance Committee, 5/8/89
S. B. 892 P. N. 1021 (Shaffer)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Referred to Senate Finance Committee, 5/8/89
S. B. 898 P. N. 1027 (Hess)	SERS, providing that creditable nonstate service may include service with the Pennsylvania Higher Education Assistance Agency	Referred to Senate Finance Committee, 5/8/89
S. B. 906 P. N. 1035 (Tilghman)	SERS, 1989-90 appropriations bill of \$6,805,000	Act 1989-5A, signed by the Governor, 7/1/89
S. B. 907 P. N. 1816 (Tilghman)	PSERS, 1990-91 appropriations bill of \$13,757,000	Passed Senate, 6/12/89; re-reported by Senate Appropriations Committee, 12/12/89
S. B. 922 P. N. 1051 (Madigan)	SERS, requiring the Commonwealth to make contributions to State Police Officers who retire after December 31, 1963, to fully pay medical, major medical, and hospitalization insurance	Referred to Senate Finance Committee, 5/10/89
S. B. 928 P. N. 1057 (Fumo)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, extending the provisions of the act to include survivors of police officers and firefighters	Referred to Senate Finance Committee, 5/10/89
S. B. 929 P. N. 1058 (Hess)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), providing that the minimum amount of foreign fire insurance premium tax applicable to paid firefighters in a municipality shall not be less than the smaller of the amount of the tax applicable to the municipality or \$1,100 a paid firefighter	Passed Senate, 10/17/89; referred to House Finance Committee, 10/23/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
S. B. 985 P. N. 1132 (Shumaker)	PSERS and SERS, extending 1988 COLA to those who retired on or before January 1, 1989	Referred to Senate Finance Committee, 5/31/89
S. B. 1046 P. N. 1665 (Greenleaf)	Judicial Code, providing for automatic retirement of judges and district justices on December 31 of the year in which they attain age 70 rather than upon attaining age 70	Passed Senate, 11/15/89; reported by House Judiciary Committee, 12/6/89; re-referred to House Appropriations Committee, 12/12/89
S. B. 1159 P. N. 1431 (Rhoades)	PSERS and SERS, increasing the amount of permitted venture capital investments from 1% to 2% of book value of total assets	Referred to Senate Finance Committee, 7/7/89
S. B. 1237 P. N. 1526 (Andrezeski)	Optional Third Class City Retirement Law, adding to the board the city business administrator and a retiree receiving retirement pay chosen by an association of retired employees, requiring the two board members who are active employees to be elected by fellow contributory employees, and permitting cost-of-living increases not to exceed the increase in the Consumer Price Index	Referred to Senate Local Government Committee, 9/26/89
S. B. 1284 P. N. 1600 (Fumo)	Constitution of Pennsylvania, adding section 18 to article 8 that would relate to laws that require political subdivisions to spend money or that limit the ability of political subdivisions to raise revenue excluding laws requiring funding of existing pension benefits but including laws regarding future pension benefit changes	Referred to Senate Local Government Committee, 10/11/89
S. B. 1307 P. N. 1637 (Armstrong)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), making the minimum municipal obligation a function of the active payroll on the date on determination and providing that after 1995 the general municipal pension system state aid shall be the greater rather than the lesser of the adjusted amount or the revised amount	Reported by Senate Finance Committee, 11/14/89; re-referred to Senate Appropriations Committee, 11/28/89
S. B. 1311 P. N. 1641 (Greenleaf)	SERS, changing the annuity for retired justices and judges and requiring member and employer contributions for these retirees	Referred to Senate Finance Committee, 10/23/89
S. B. 1314 P. N. 1644 (Rhoades)	PSERS and SERS, providing for an annual, automatic COLA for retirees equal to the increase in the CPI-U but not to exceed 3%	Referred to Senate Finance Committee, 10/23/89
S. B. 1325 P. N. 1673 (Armstrong)	Local Government Employee Retirement System Fiduciary Act	Referred to Senate Local Government Committee, 10/26/89
S. B. 1327 P. N. 1676 (Rhoades)	SERS, increasing permitted venture capital investments from 1% to 2%	Referred to Senate Finance Committee, 10/30/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
S. B. 1404 P. N. 1838 (Andrezeski)	SERS, increasing permitted venture capital investments from 1% to 2%, requiring other factors are equal, and requiring that at least 50% of the trust fund's venture capital investments be in Pennsylvania	Referred to Senate Finance Committee, 12/21/89
H. B. 15 P. N. 17 (Lloyd)	County Pension Law, increasing the county retirement board from 5 to 7 members by adding an active county employee and a retired county employee	Referred to House Local Government Committee, 1/18/89
H. B. 16 P. N. 2628 (Lloyd)	County Pension Law, authorizing payment of administrative expenses out of the pension trust fund, removing the 5 1/2% limit on interest on member contribution accounts, and authorizing members to reduce their contribution rate to that of a lower class	Passed House, 10/17/89; referred to Senate Local Government Committee, 10/26/89
H. B. 94 P. N. 177 (Burns)	PSERS, providing for creditable nonschool service for previous work experience of the type required for permanent certification as a vocational teacher	Reported by House Education Committee, 1/31/89; re-committed to House Appropriations Committee, 2/6/89
H. B. 95 P. N. 178 (Burns)	PSERS, providing for creditable nonschool service for previous service in an accredited nonpublic school or college	Reported by House Education Committee, 1/31/89; re-committed to House Appropriations Committee, 2/6/89
H. B. 96 P. N. 179 (Burns)	PSERS, defining "approved leave of absence" to include "maternity leave of absence," and "maternity leave of absence" as involuntary leave required by an employer because of a member's pregnancy prior to May 17, 1975	Reported by House Education Committee, 1/31/89; re-committed to House Appropriations Committee, 2/6/89
H. B. 131 P. N. 142 (Richardson)	An act providing priorities for the reinvestment of public moneys currently invested in the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 132 P. N. 143 (Richardson)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), prohibiting investments in corporations doing business in the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 133 P. N. 144 (Richardson)	PMRS, providing for divestiture of investments with corporations doing business in the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 134 P. N. 145 (Richardson)	Act regulating state deposits and depositories, prohibiting state depositories from maintaining financial transactions with the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 135 P. N. 146 (Richardson)	SERS, prohibiting investments in corporations doing business in the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 136 P. N. 147 (Richardson)	An act requiring cities to enact responsible investment ordinances requiring the withdrawal of city funds from banks and businesses doing business with the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 137 P. N. 148 (Richardson)	PSERS, prohibiting investments in corporations doing business in the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 138 P. N. 149 (Richardson)	An act requiring state-related universities and member institutions of the State System of Higher Education to divest themselves of investments in the Republic of South Africa and Namibia	Referred to House Finance Committee, 1/25/89
H. B. 148 P. N. 161 (Lashinger)	Municipal Police Pension Law (Act 600), providing for retirement with 25 years service and age 55 in towns and townships and with at least 20 years service in boroughs	Referred to House Local Government Committee, 1/30/89
H. B. 157 P. N. 170 (Lashinger)	Judicial Code, providing for retirement of judges and district justices on December 31 of the year in which they attain the age of 70 rather than upon attaining age 70	Referred to House Judiciary Committee, 1/30/89
H. B. 213 P. N. 239 (Colafella)	PSERS, providing for the Commonwealth to pay superannuation annuitants, annuitants with 25 or more years of service, or disability annuitants an amount equal to the cost of a Medicare supplement, major medical and hospitalization insurance coverage	Reported by House Education Committee 4/25/89; re-committed to House Appropriations Committee, 5/1/89
H. B. 253 P. N. 281 (Caltagirone)	Third Class City Code, permitting vesting in police officer retirement systems after 12 years, providing for the vested amount, and defining "salary" as total income from which employee contributions to the retirement system have been deducted	Reported by House Urban Affairs Committee, 10/4/89; re-committed to House Appropriations Committee, 10/11/89
H. B. 319 P. N. 351 (Evans)	SERS, defining parole and probation agents employed by Pennsylvania Board of Probation and Parole as "correction officers"	Reported by House State Government Committee, 6/13/89; re-committed to House Appropriations Committee, 9/27/89
H. B. 321 P. N. 356 (Vroon)	An act prohibiting investments of public employee retirement system assets based upon sociological, ideological, or political grounds	Referred to House State Government Committee, 2/8/89
H. B. 328 P. N. 2144 (Michlovic)	SERS, defining "correction officer" to include certain full-time employees of the Departments of Corrections and Public Welfare	Reported by House State Government Committee, 6/2/89; re-committed to House Appropriations Committee, 9/27/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 375 P. N. 2032 (Mowery)	Administrative Code of 1929, providing for the continuation of medical insurance coverage for survivor-spouses of SERS annuitants	Reported by House State Government Committee, 6/13/89; re-committed to House Appropriations Committee, 9/27/89
H. B. 388 P. N. 2509 (Dombrowski)	Optional Third Class City Retirement Law, providing for membership on the retirement board of a retiree and authorizing cost-of-living increases for retirees	Reported by House Urban Affairs Committee, 10/4/89; re-committed to House Appropriations Committee, 10/11/89
H. B. 452 P. N. 494 (Godshall)	Constitution of Pennsylvania, providing for retirement of justices, judges, and district justices on the last day of the calendar year in which they attain the age of 70 rather than upon attaining 70	Referred to House Judiciary Committee, 2/14/89
H. B. 467 P. N. 509 (Nahill)	State-Mandated Local Programs Reimbursement Law, requiring the Commonwealth to provide full funding to local governments for new or increased levels of responsibilities, programs, or services	Referred to House Education Committee, 2/14/89
H. B. 499 P. N. 561 (Corrigan)	PSERS, providing for creditable nonschool service for previous service as a school employee, teacher, or instructor in any private or parochial school in Pennsylvania or any other state, territory, or area under the jurisdiction of the United States	Referred to House Education Committee, 2/15/89
H. B. 575 P. N. 637 (Levdansky)	SERS, including enforcement officers and investigators in the Office of Attorney General within the definition of "enforcement officer" for retirement purposes	Reported by House State Government Committee, 6/13/89; re-committed to House Appropriations Committee, 9/27/89
H. B. 615 P. N. 683 (Josephs)	PSERS, including certain service in the Cadet Nurse Corps as creditable nonschool service	Reported by House Education Committee, 4/11/89; re-committed to House Appropriations Committee, 4/17/89
H. B. 678 P. N. 746 (Trello)	SERS, authorizing creditable service for certain individuals who were justices of the peace	Referred to House Judiciary Committee, 3/7/89
H. B. 681 P. N. 749 (Trello)	Municipal Police Pension Law, providing for a credit for service on a police force in another borough, town, or township	Referred to House State Government Committee, 3/7/89
H. B. 707 P. N. 788 (Mowery)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' money purchase deferred benefit plans	Referred to House Local Government Committee, 3/13/89
H. B. 718 P. N. 799 (Stuban)	PMRS, redefining "municipal employee" and "retired member's reserve account;" further providing for qualifications for disability and purchase of military time; changing provisions relating to payout of contributions and excess investment moneys; and making technical changes	Reported by House Local Government Committee, 11/29/89; re-committed to House Appropriations Committee, 12/5/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 721 P. N. 802 (Pistella)	Pittsburgh Nonuniformed Employees Retirement System, repealing provisions relating to reduction of amount of pension	Referred to House Labor Relations Committee, 3/13/89
H. B. 796 P. N. 887 (D. R. Wright)	PSERS, establishing a procedure for payment of PSERS benefits under a court-ordered division of marital property	Referred to House Education Committee, 3/14/89
H. B. 800 P. N. 891 (D. R. Wright)	SERS, establishing a procedure for payment of SERS benefits under a court-ordered division of marital property	Referred to House State Government Committee, 3/14/89
H. B. 811 P. N. 902 (Van Horne)	Philadelphia Employees Retirement System technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 812 P. N. 903 (Van Horne)	Act 293 of 1972, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 813 P. N. 904 (Van Horne)	First Class Township Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 814 P. N. 905 (Van Horne)	Scranton Police Officers and Firefighters Retirement Systems, technical amendments bringing them into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 815 P. N. 906 (Van Horne)	Scranton Police Officers Retirement System, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 816 P. N. 907 (Van Horne)	Public Auditorium Authorities Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 817 P. N. 908 (Van Horne)	Scranton Nonuniformed Employees Retirement System, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 818 P. N. 909 (Van Horne)	Act 293 of 1972, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89
H. B. 819 P. N. 910 (Van Horne)	PMRS, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Referred to House Labor Relations Committee, 3/14/89

**BILL NUMBER
 PRINTER'S NUMBER
 (PRIME SPONSOR)**

SUBJECT

STATUS AS OF DECEMBER 31, 1989

H. B. 854 P. N. 1718 (Kosinski)	PSERS and SERS, providing for creditable nonstate service purchases by retirees and repealing restriction on receiving pensions from two different systems for the same service	Reported by House Military and Veterans Affairs Committee, 5/22/89; re-committed to House Appropriations Committee, 5/30/89
H. B. 866 P. N. 2630 (Foster)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), revising the allocation of General Municipal Pension System State Aid commencing in 1996 from the lesser to the greater of the adjusted or the revised amount amount, and providing that the minimum amount of foreign fire insurance premium tax applicable to paid firefighters in a municipality shall not be less than the smaller of the amount of the tax applicable to the municipality or \$1,100 a paid firefighter	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 867 P. N. 985 (Murphy)	PSERS, placing limitations on investments in companies doing business in or with Northern Ireland	Referred to House Finance Committee, 4/3/89
H. B. 868 P. N. 986 (Murphy)	SERS, placing limitations on investments in companies doing business in or with Northern Ireland	Referred to House Finance Committee, 4/3/89
H. B. 869 P. N. 987 (Murphy)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), imposing restrictions on investments in Northern Ireland	Referred to House Finance Committee, 4/3/89
H. B. 870 P. N. 988 (Murphy)	PMRS, imposing restrictions on investments in Northern Ireland	Referred to House Finance Committee, 4/3/89
H. B. 871 P. N. 989 (Murphy)	State Deposits and Depositories, providing limitations on investments in Northern Ireland	Referred to House Finance Committee, 4/3/89
H. B. 895 P. N. 2631 (Mayernik)	Municipal Police Pension Law (Act 600), providing for purchase of service credit for up to 5 years of intervening or nonintervening active military service	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 988 P. N. 1123 (Mayernik)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Referred to House Local Government Committee, 4/4/89
H. B. 1005 P. N. 1147 (Cornell)	Constitution of Pennsylvania, amending section 26 of article 3 to authorize the General Assembly to increase retirement benefits or pensions to retirees and survivor-spouses	Referred to House State Government Committee, 4/5/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 1054 P. N. 1196 (Cawley)	Scranton Police Officers and Firefighters Retirement System, providing for purchase of credit for nonintervening military service within time fixed by city council	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1055 P. N. 2632 (Cawley)	Second Class A City Employee Pension Law (Scranton Nonuniformed Employees), providing for purchase of credit for nonintervening military service within time fixed by city council	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1069 P. N. 2914 (Pievsky)	PSERS and SERS, providing for the compensation and classification of individuals appointed by the boards to be fixed by the boards	Passed House, 6/20/89; reported by Senate Finance Committee, 6/27/89; re-referred to Senate Appropriations Committee, 12/13/89
H. B. 1155 P. N. 1326 (Wilson)	SERS, providing for the recomputation of a retiree's annuity where a survivor annuitant predeceases the retiree	Referred to House State Government Committee, 4/12/89
H. B. 1180 P. N. 1358 (McNally)	Municipal Police Pension Law (Act 600), requiring benefits for survivors of employees and retirees	Reported by House Local Government Committee, 5/30/89; re-committed to House Appropriations Committee, 6/5/89
H. B. 1212 P. N. 1395 (Saloom)	PSERS, extending 1988 COLA to members who retire before July 1, 1990	Referred to House Education Committee, 4/18/89
H. B. 1213 P. N. 1396 (Saloom)	SERS, extending 1988 COLA to members who retire before July 1, 1990	Referred to House State Government Committee, 4/18/89
H. B. 1236 P. N. 1424 (Argall)	State Employees Group Life Insurance Law, providing that benefits shall continue and not be reduced upon retirement	Reported by House Insurance Committee, 10/17/89; re-committed to House State Government Committee, 10/17/89
H. B. 1237 P. N. 1425 (Trello)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), providing for eligible recipients of General Municipal Pension System State Aid to include paid full-time firefighters private pension fund in counties of the second class (Allegheny)	Referred to House Urban Affairs Committee, 4/19/89
H. B. 1256 P. N. 1449 (Van Horne)	Borough, town, and township police officer retirement systems with less than 3 police officers, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1257 P. N. 1450 (Van Horne)	Pittsburgh Nonuniformed Employees Retirement System, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 1258 P. N. 1451 (Van Horne)	Parking Authority Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1259 P. N. 1452 (Van Horne)	Second Class City (Pittsburgh) Employee Pension Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1260 P. N. 1453 (Van Horne)	Second Class City (Pittsburgh) Firemen Relief Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1261 P. N. 1454 (Van Horne)	Second Class A City (Scranton) Employee Pension Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1262 P. N. 1455 (Van Horne)	Philadelphia Police Officers Retirement System, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1263 P. N. 2635 (Van Horne)	Foreign Casualty Insurance Premium Tax Allocation Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1264 P. N. 1457 (Van Horne)	Cities of the third class optional retirement systems for nonuniformed employees, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1265 P. N. 1458 (Van Horne)	Municipal Police Pension Law (Act 600), technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1266 P. N. 1459 (Van Horne)	Second Class City (Pittsburgh) Policeman Relief Law, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1267 P. N. 1460 (Van Horne)	Third Class City Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 1268 P. N. 1461 (Van Horne)	Municipality Authorities Act of 1945, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1269 P. N. 1462 (Van Horne)	Pittsburgh Police Officers Retirement System, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1270 P. N. 1463 (Van Horne)	Borough Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1271 P. N. 1464 (Van Horne)	Second Class Township Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1272 P. N. 1465 (Van Horne)	Scranton Public Safety Officers Retirement Systems, technical amendments bringing them into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1297 P. N. 1501 (Gigliotti)	Pittsburgh Nonuniformed Employees Retirement System, adding two pensioners to the pension board	Referred to House Urban Affairs Committee, 4/25/89
H. B. 1332 P. N. 2636 (Mowery)	Local Government Employee Retirement System Fiduciary Act	Reported by House Local Government Committee, 10/17/89; re-committed to House Appropriations Committee, 10/23/89
H. B. 1354 P. N. 1575 (Evans)	PSERS, extending the 75 day period to 95 days during which a retiree may return to school service without loss of annuity, and adding shortage of appropriate subject qualified teachers to work load that seriously impairs service as a justification for return	Reported by House Education Committee, 5/22/89; re-committed to House Appropriations Committee, 5/30/89
H. B. 1363 P. N. 1584 (Micozzie)	PSERS and SERS, providing for cost-of-living adjustments for survivor annuitants of 5% of the December 31, 1989, monthly annuity	Referred to House Education Committee, 5/1/89
H. B. 1397 P. N. 1858 (Cowell)	Public School Code of 1949, permitting PSERS retirees to continue coverage under the school unit's group health plan beginning July 1, 1989, at their own expense	Reported by House Education Committee, 5/30/89; re-committed to House Appropriations Committee, 6/5/89
H. B. 1408 P. N. 1646 (Veon)	Third Class City Code, deleting provision requiring permission of council for police officer or firefighter to purchase noninterfering military service	Referred to House Urban Affairs Committee, 5/22/89
H. B. 1409 P. N. 1647 (Veon)	Constitution of Pennsylvania, amending section 26 or article 3 to permit the General Assembly to increase retirement benefits or pensions of government retirees and their beneficiary spouses	Referred to House State Government Committee, 5/22/89

BILL NUMBER	PRINTER'S NUMBER	(PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 1414	P. N. 1652	(Markosek)	Constitution of Pennsylvania, amending section 26 of article 3 to permit the General Assembly to increase retirement benefits or pensions of government retirees and their beneficiary spouses	Referred to House State Government Committee, 5/22/89
H. B. 1428	P. N. 1666	(Micozzie)	PSERS and SERS, making the January 1, 1989, supplemental annuity effective July 1, 1987	Referred to House Education Committee, 5/22/89
H. B. 1450	P. N. 2195	(Pievsky)	Philadelphia Regional Port Authority Act, establishing the authority and providing for its powers and duties, including permitting its employees to join SERS or to retain their membership in prior system	Act 1989-50, signed by the Governor, 7/10/89
H. B. 1519	P. N. 2228	(Pievsky)	SERS, 1989-90 appropriations bill of \$6,805,000 [See S. B. 906]	Passed House, 6/13/89; reported by Senate Appropriations Committee, 6/27/89; re-committed to Senate Appropriations Committee, 9/18/89
H. B. 1520	P. N. 1774	(Pievsky)	PSERS, 1989-90 appropriations bill of \$13,757,000	Act 1989-8A, signed by the Governor, 7/1/89
H. B. 1531	P. N. 1792	(Piccola)	SERS, providing for purchase of creditable nonstate service for up to 10 years service with a redevelopment authority	Referred to House State Government Committee, 5/23/89
H. B. 1557	P. N. 1818	(Veon)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Referred to House Local Government Committee, 5/23/89
H. B. 1576	P. N. 1846	(Pitts)	SERS, providing for eligibility for disability annuities for enforcement officers and investigators of the Office of Attorney General	Referred to House State Government Committee, 5/23/89
H. B. 1631	P. N. 2674	(Belfanti)	SERS, increasing permitted venture capital investments from 1% to 2% of assets	Passed House, 12/5/89; referred to Senate Finance Committee, 12/7/89
H. B. 1664	P. N. 1992	(Coy)	SERS, making previous service with a county, city, borough, town, or township creditable nonstate service	Reported by House State Government Committee, 12/13/89
H. B. 1688	P. N. 2026	(Pievsky)	SERS, transferring the pension service credit of certain Philadelphia Regional Port Authority employees to the SERS	Passed House, 6/27/89; referred to Senate Finance Committee, 6/28/89
H. B. 1720	P. N. 2098	(Herman)	SERS, providing for purchase of creditable nonstate service of up to 10 years as a manager in the field of education	Referred to House State Government Committee, 6/19/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	STATUS AS OF DECEMBER 31, 1989
H. B. 1777 P. N. 2231 (Evans)	Permitting investment by administrative departments, boards, commissions, and officers of the Commonwealth in debt instruments of the African Development Bank	Referred to House Finance Committee, 6/28/89
H. B. 1855 P. N. 2382 (Freind)	County Pension Law, removing 5 1/2% as the upper limit on interest rate used in crediting member contribution accounts	Referred to House Urban Affairs Committee, 9/18/89
H. B. 1856 P. N. 2383 (Freind)	Second Class County Code, changing interest rate used in crediting member contribution accounts from 5% to not less than 5%	Referred to House Urban Affairs Committee, 9/18/89
H. B. 1865 P. N. 2391 (Wogan)	Constitution of Pennsylvania, amending section 26 of article 3 to authorize the General Assembly to increase retirement benefits or pensions to retirees and survivor-spouses	Referred to House State Government Committee, 9/18/89
H. B. 1987 P. N. 2575 (Pistella)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, extending the provisions of the act to include survivors of police officers and firefighters	Referred to House Local Government Committee, 10/11/89
H. B. 1988 P. N. 2599 (Dempsey)	Third Class City Code, requiring payment of pensions to nonuniformed employees who retire at age 60 or above with more than 12 years service, permitting COLAs in nonuniformed employees' pensions, and requiring return of employee contributions with 3% annual interest to terminating, nonvested, nonuniformed employees	Referred to House Urban Affairs Committee, 10/16/89
H. B. 1998 P. N. 2609 (Pressman)	Public School Code of 1949, requiring community colleges to give option to retiring employees who are members of PSERS and their dependents to purchase group health insurance coverage in plan to which they belonged as employees	Referred to House Education Committee, 10/16/89
H. B. 2044 P. N. 2682 (McCall)	PSERS, enlarging nonschool service to include previous work experience as a federal employee on a 1 year for every 3 basis not to exceed 3 years total, providing that the contribution for this shall be the increase in the present value at the time of purchase using the average compensation during the 1st 3 years of credited school service after the federal service, and prohibiting option 4 withdrawal of this	Referred to House Education Committee, 10/24/89
H. B. 2092 P. N. 2755 (Mowery)	Municipal Pension Plan Funding Standard and Recovery Act, providing for maintenance of local effort by municipalities utilizing remedies in the recovery program for financially distressed municipal pension systems	Referred to House Local Government Committee, 11/15/89
H. B. 2166 P. N. 2870 (Lashinger)	PSERS, providing for investments by PSERS in housing programs administered by the Pennsylvania Housing and Finance Agency	Referred to House Education Committee, 12/6/89

BILL NUMBER

PRINTER'S NUMBER

(PRIME SPONSOR)

SUBJECT

STATUS AS OF DECEMBER 31, 1989

H. B. 2167

P. N. 2871

(Lashinger)

SERS, providing for investments by SERS in housing programs administered by the Pennsylvania Housing and Finance Agency

Referred to House Urban Affairs Committee, 12/6/89

APPENDIX E

PENNSYLVANIA

PUBLIC EMPLOYEE RETIREMENT SYSTEMS

FACT SHEET

A. FUNDING.

1. Total actuarial accrued liabilities and actuarial assets for local government, state, and public school employee retirement systems are approximately \$37.8 billion and \$25.4 billion respectively.

<u>Retirement System</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Assets</u>	<u>Funding Ratio</u>
Local Government Employees	\$ 6,577,805,514	\$ 3,777,670,341	57%
State Employees	9,833,717,526	7,510,933,374	76
Public School Employees	<u>21,429,043,000</u>	<u>14,109,085,000</u>	<u>66</u>
Total	\$37,840,566,040	\$25,397,688,715	67%

2. Total unfunded actuarial accrued liabilities for local government, state, and public school employee retirement systems are approximately \$12.4 billion.

<u>Retirement System</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</u>
Local Government Employees	\$ 2,994,186,313	124.38%
State Employees	2,322,784,152	83.93
Public School Employees	<u>7,107,733,000</u>	<u>140.59</u>
Total	\$12,424,703,465	121.45%

3. The unfunded actuarial accrued liabilities of these public employee retirement systems represent a debt of \$1,047 for each citizen of the Commonwealth or \$1,682 for each individual Pennsylvania income taxpayer.
4. Pennsylvania public employers contribute approximately \$1.6 billion to their public employee retirement systems.

<u>Retirement System</u>	<u>Public Employers' Contributions</u>	<u>Public Employers' Contributions as a Percent of Covered Payroll</u>
Local Government Employees	\$ 311,109,142	12.92%
State Employees	360,613,602	13.03
Public School Employees	<u>969,701,120</u>	<u>19.18</u>
Total	\$1,641,423,864	16.04%

5. Total public employer contributions to their public employee retirement systems represents an annual cost of \$222 to each individual Pennsylvania income taxpayer for providing pensions to public employees.
6. The per member unfunded actuarial accrued liability in the State Employees' Retirement System (SERS) increased 248.2% from 1973 to 1988.
7. The per member unfunded actuarial accrued liability in the Public School Employees' Retirement System (PSERS) increased 279.3% from 1973 to 1989.
8. The per member unfunded actuarial accrued liability in the local government retirement systems increased 98.1% from 1977 to 1987.

B. BENEFITS.

1. From 1973 to 1988, the total benefits paid by the SERS increased by 443.4%, and from 1973 to 1989, those paid by the PSERS by 236.6%.
2. A 1987 report showed that a state employee retiring at age 62 with 30 years of service and final salary of \$25,000 would have (if the social security benefit was included) a 112% replacement of final net earnings. The same employee would have a 80% replacement of final gross salary.
3. The same report showed that a public school employee retiring at age 62 with 30 years of service and a final salary of \$25,000 would receive the same replacement of net and gross final salary as the state employee.
4. In 1988, the average SERS member was age 57 years 11 months at retirement; and in 1988-89, the average PSERS member was about age 65 at retirement.

C. PLANS AND MEMBERSHIP.

1. The total active membership of local government, state, and public school employee retirement systems is 425,082. The total number of benefit recipients is 222,076.

<u>Retirement System</u>	<u>Active Members</u>	<u>Benefit Recipients</u>	<u>Total</u>	<u>Ratio of Active to Benefit Recipients</u>
Local Government Employees	115,041	55,299	170,340	2.080/1
State Employees	109,611	71,316	180,927	1.537/1
Public School Employees	<u>200,430</u>	<u>95,461</u>	<u>295,891</u>	<u>2.100/1</u>
Total	425,082	222,076	647,158	1.914/1

2. Pennsylvania's over 2,500 public employee pension plans represent more than one-fourth of all public employee pension plans in the United States.

<u>Retirement System</u>	<u>Number of Plans</u>
Local Government Employees	2,510
State Employees	1
Public School Employees	<u>1</u>
Total	12,512

3. Approximately 70% of Pennsylvania's local government employee pension plans have 12 or fewer members. Approximately 30% of the local government employee pension plans are one, two, or three-member plans.

	<u>Active Members</u>	<u>Number of Plans</u>	<u>Percent of Total</u>
0 - 3		749	29.8%
4 - 12		1,027	40.9
13 - 20		250	10.0
21 - 30		170	6.8
31 - 40		73	2.9
41 - 50		48	1.9
<u>Over 50</u>		<u>193</u>	<u>7.7</u>
Total		2,510	100.0%

D. LEGISLATION.

1. More than 400 bills affecting public employee retirement systems were introduced in the Pennsylvania General Assembly in the last seven years, from 1983 through 1989. Of these, 44 were enacted into law.
2. Five of the enactments of the last seven years had significant public employer pension cost impacts.

Act 95 of 1984 - Cost-of-living adjustments for retired state and public school employees (\$520 million increase in unfunded actuarial accrued liability); one-year early retirement window for state and public school employees (\$68 million increase in unfunded actuarial accrued liability).

Act 91 of 1986 - One-year extension of early retirement window for state and public school employees.

Act 69 of 1987 - Two-year extension of early retirement window for state and public school employees.

Act 112 of 1988 - Cost-of-living adjustments for retired state and public school employees; 1¼ year extension of early retirement window for state and public school employees.

Act 147 of 1988 - Cost-of-living adjustment for all retired municipal police officers and firefighters (estimated \$70.5 million increase in unfunded actuarial accrued liability).

3. Other significant enactments have had the effect of improving the funded condition of public employee retirement systems.

Act 31 of 1983 - Increases employee contributions by state and public school employees (applicable to those employed after July 21, 1983).

Act 205 of 1984 - Mandates an actuarial funding standard for municipal pension plans and establishes a recovery program for financially distressed municipal pension plans.