

**1990**  
**ANNUAL REPORT**  
**OF THE**  
**PUBLIC EMPLOYEE RETIREMENT**  
**STUDY COMMISSION**

**Public Employee Retirement Study Commission**  
**Commonwealth of Pennsylvania**  
**March 1991**

## **PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION**

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COMMONWEALTH OF PENNSYLVANIA  
PUBLIC EMPLOYEE RETIREMENT STUDY COMMISSION  
HARRISBURG  
17120

March 1991

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 1990.

During 1990, the Commission authorized the attachment of nine actuarial notes to nine bills at the request of the various committees of the General Assembly. This 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. This report also describes research conducted during 1990 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 eighth 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 1990.

Sincerely,

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

Dale D. Stone  
Chairman



## **DEDICATION**

*The members of the Public Employee Retirement Study Commission and its staff dedicate this eighth annual public report to*

### **SUSAN B. ROSSMAN**

*a long time staff member of the Commission, who died on September 20, 1990. As a Legislative Analyst in the Department of Community Affairs and as Research Associate, Deputy Executive Director, and Acting Executive Director of the Commission, Mrs. Rossman rendered a valuable service to this Commonwealth by helping to establish the Commission on a firm foundation. Her Commission colleagues will miss her. We remember her not only for her time, efforts, and contributions but also for her dedication, assistance, friendship, and humor.*



## 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 \$115 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.

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 fifth 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 1990.



# TABLE OF CONTENTS

	PAGE
<b>LETTER OF TRANSMITTAL</b> .....	i
<b>DEDICATION</b> .....	iii
<b>INTRODUCTION</b> .....	v
<b>DUTIES AND RESPONSIBILITIES OF THE COMMISSION</b> .....	1
<b>Part I. Preparation of Actuarial Notes and Advisory Notes</b> .....	3
A. Statutory Provisions .....	5
B. Summary of 1990 Activity .....	6
C. Synopses of Actuarial Notes .....	6
● S. B. 898, P. N. 1027, SERS .....	7
● H. B. 16, P. N. 3441, Municipal - Second Class A through Eighth Class County Employees' Retirement Systems .....	9
● H. B. 452, P. N. 2968, SERS .....	15
● H. B. 718, P. N. 799, Municipal - PMRS .....	16
● H. B. 895, P. N. 3609, Municipal - Act 600 of 1956 Police Officers' Retirement Systems .....	18
● H. B. 1237, P. N. 1425, Municipal - Second Class County .....	20
● H. B. 1664, P. N. 1992, SERS .....	23
● H. B. 2343, P. N. 3171, Municipal - County Employees' Retirement Systems .....	26
● H. B. 2833, P. N. 3992, PSERS and SERS .....	28
<b>Part II. Public Employee Retirement System Administration</b> .....	31
A. Administration of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) .....	33
B. Administration of Act 293 of 1972 .....	34

**TABLE OF CONTENTS**  
(Continued)

	<b>PAGE</b>
<b>Part III. Public Employee Retirement System Policy Development and Coordination .....</b>	<b>35</b>
<b>A. Statutory Provisions .....</b>	<b>37</b>
<b>B. Research .....</b>	<b>37</b>
<b>C. Statewide Public Employee Retirement System Reviews .....</b>	<b>38</b>
State Employees' Retirement System Actuarial Valuation Review .....	39
Public School Employees' Retirement System Actuarial Valuation Review .....	44
Pennsylvania Municipal Retirement System Actuarial Valuation Review .....	50
<b>OTHER ACTIVITIES .....</b>	<b>53</b>
Sunset Performance Audit .....	55
<b>APPENDICES .....</b>	<b>57</b>
<b>A. Advisory Committees and Actuarial Services .....</b>	<b>59</b>
<b>B. Legislative Procedures .....</b>	<b>61</b>
<b>C. By Laws .....</b>	<b>63</b>
<b>D. Listing of Bills Regarding Public Employee Retirement Issues 1989-90 Session .....</b>	<b>65</b>
<b>E. Pennsylvania Public Employee Retirement Systems Fact Sheet .....</b>	<b>87</b>

**DUTIES AND RESPONSIBILITIES  
OF THE COMMISSION**



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PREPARATION OF  
ACTUARIAL NOTES  
AND  
ADVISORY NOTES

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## 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 1990 ACTIVITY.**

During 1990, the Commission authorized the attachment of nine actuarial notes to nine bills. In addition, the Commission's staff provided the General Assembly with four advisory notes.

#### **C. SYNOPSIS 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.

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**Bill and Printer's Number:** Senate Bill 898, Printer's Number 1027

**System:** State Employees' Retirement System

**Subject:** Purchase of Service Credit as a Public Educator in Another State or with the Federal Government

**SYNOPSIS OF BILL**

Senate Bill 898, Printer's Number 1027, would amend section 5304(c)(3) of the State Employees' Retirement Code to permit employees of the Pennsylvania Higher Education Assistance Agency to purchase service credit in the State Employees' Retirement System for service as a public educator in another state or with the federal government provided that the total of this service does not exceed the lesser of ten years or the number of years of active membership in the system.

**SUMMARY OF ACTUARIAL COST IMPACT**

The consulting actuary estimated that the unfunded actuarial accrued liability will increase by \$15,000 if the bill is enacted and indicates that the unfunded actuarial accrued liability increase will total \$31,000 if the three eligible participants elect option four at retirement. The actuary notes that the additional years of service credit also will have an additional cost if an employee retires under an early retirement "window" or if, after retirement, the employee becomes eligible for a special supplemental postretirement adjustment. The actuary also notes that because of the disparity between the statutory interest rate and the valuation interest rate, there is a potential for increased cost if an employee delays purchase of the service credit until just before retirement.

**POLICY CONSIDERATIONS**

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

- o Appropriateness of Pension Benefit Portability. In its June 1989 report on Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems, the Commission set forth its recommendations that form the framework for the Commission's review of legislative proposals for service purchase authorizations in public employee retirement systems. In the report, the Commission observed that public employees in the field of education currently enjoy greater pension benefit portability than those in other fields of employment. This is accomplished through the use of a single pension plan for employees of all of the Commonwealth's school districts; in the case of public employees in the field of higher education, through optional membership in an independent defined contribution plan that affords nationwide portability among higher education institutions offering the same coverage; and through the purchase of service credit for service as a public educator in another state or with the federal government.

The Commission favors pension credit portability among public employee retirement systems but has recommended that the objective be accomplished by means of a uniform portability mechanism rather than on an ad hoc basis.

POLICY CONSIDERATIONS - (Cont'd)

- o Recognition of Service to Remedy Inequities Created by Employer Actions. In its June 1989 report on service purchase authorizations, the Commission recommended that future authorization to purchase prior service in public employee pension systems be limited to four situations. One of these situations is to provide recognition of service to remedy inequities created by employer actions. If permitting only employees of the Department of Education, Commonwealth-owned institutions of higher education, and The Pennsylvania State University to purchase credit for out-of-state service in public education represents an inequity among Commonwealth employees in the field of public education created by the Commonwealth, then the use of a service purchase authorization for the purpose of remedying such an inequity is appropriate. However, a determination of whether an inequity exists entails an assessment of whether the employees of the Pennsylvania Higher Education Assistance Agency are engaged in the field of public education in a manner that warrants authorizing the purchase of out-of-state public education service for retirement benefit purposes.

COMMISSION RECOMMENDATION

On October 17, 1990, the Commission voted to attach this analysis to the bill emphasizing that the General Assembly and the Governor consider whether the duties and responsibilities of the affected employees of the agency reflect work in the field of public education that, as a matter of equity, requires that they be permitted to purchase out-of-state teaching service credit in the SERS.

FINAL LEGISLATIVE STATUS

Senate Bill 898, Printer's Number 1027, was re-referred to the Senate Appropriations Committee on November 14, 1990.

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**Bill and Printer's Number:** House Bill 16, Printer's Number 3441

**System:** County Pension Law

**Subject:** Various Changes

**SYNOPSIS OF BILL**

House Bill 16 would amend the County Pension Law to:

- o provide for exclusion from membership in the retirement system of those employed on a part-time basis and to define part-time as employment for less than 1000 hours per year;
- o authorize the payment of administrative expenses from the fund provided that the actuarial soundness of the fund will not be impaired;
- o authorize the retirement board to allow members individually to reduce member 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;
- o provide for the receipt of a fractional portion of a year of service credit for a member employed on a part-time basis who completes more than 1000 hours of work in any year;
- o further provide for the contributions required for the purchase of service credit for nonintervening military service;
- o clarify that discontinuance from service after eight or more years because of election to the General Assembly is to be considered an involuntary withdrawal; and
- o further provide for the payment of salary and retirement allowance to a retiree reemployed by the county on a part-time basis.

**BACKGROUND**

The County Pension Law applies to every county of the second class A through eighth class; that is, all counties except Allegheny and Philadelphia. In each county, the law provides for the establishment of a retirement system that is a combination of a county-funded defined benefit plan and a member-funded defined contribution plan.

BACKGROUND - (Cont'd)

A member of a county retirement system must contribute to the pension trust fund a percentage of that individual's salary based on the following schedule:

Member Class of Participation	Contribution Rate
1/120	5%
1/100	6%
1/80	7%
1/70	8%
1/60	9%

The class of participation represents the benefit accrual rate used in computing the county annuity. The county retirement board determines the class and may increase it at any time. The county retirement system's consulting actuary determines the amount to be contributed by the county to fund the county annuity.

Upon retirement, a member's retirement allowance is made up of two annuities: (1) a member's annuity that is the actuarial equivalent of the balance in that member's account; and (2) a county annuity that is a defined benefit plan annuity that is equal to 1/120 of that member's final salary multiplied by the period of total service for which the member contributed at the 1/120 rate, 1/100 of that member's final salary multiplied by the period of total service for which the member contributed at the 1/100 rate, and so on.

Each year the county retirement board must credit each member's account with investment earnings of not less than four nor more than five and one-half percent. Nearly all counties are currently providing the maximum 5.5% investment earnings credit. Any investment return in excess of the amount credited to members accounts is credited to the excess interest account and is available to pay for a portion of the county's contribution, or for cost-of-living postretirement adjustments for retirees, or both. On January 1, 1988, fifty-six county retirement systems maintained excess interest accounts, with balances ranging from \$6,428 to \$17,309,420. The total of all such balances was \$203,657,709. During 1987, twenty-six counties paid all employer contributions from excess interest.

Although the actuarial cost method used by most county retirement systems does not permit a comparison between assets and actuarial accrued liability, it can be said that the systems are generally very well funded.

SUMMARY OF ACTUARIAL COST IMPACT

EXCLUSION OF PART-TIME EMPLOYEES

The provision would not be expected to have a significant actuarial impact on county retirement systems.

SUMMARY OF ACTUARIAL COST IMPACT - (Cont'd)

ADMINISTRATIVE EXPENSES PAYABLE FROM FUND

The provision should not have an actuarial cost impact on county retirement systems, since it is assumed that the actuary's determination of required employer contributions will include an amount sufficient to pay both the employer cost of the benefit plan and the administrative expenses of the fund.

MEMBER CONTRIBUTION REDUCATION

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 data is based on a 7% actual investment return. 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

FRACTIONAL SERVICE CREDIT FOR PART-TIME SERVICE

The provision would not be expected to have a significant actuarial impact on county retirement systems.

NONINTERVENING MILITARY SERVICE PURCHASE

Due to the absence of demographic data on individuals who may be able to purchase nonintervening military service in the future, quantification of the actuarial cost of this provision is not possible. The provision would have an actuarial cost impact to the extent that the portion of the purchase payment representing employer cost may be less than the employer cost amount payable under the current provision. Both the current and the proposed provisions require the purchase amount for each year of military service to be based on percentage rates representing employee and employer contributions applied to the average annual compensation for the first three years of county service following the military service. Under the existing provision, the rates are based on the member contribution rate and the county's normal cost rate at the time of the employee's entry into county service after the military service. House Bill 16 proposes to change the rates to a member contribution rate of 5% and a county contribution rate of 5%. Based on the most recent Act 293 reports submitted to the Commission, the 1988 employer normal cost rates for counties maintaining Act 96 benefit plans were distributed as follows:

SUMMARY OF ACTUARIAL COST IMPACT - (Cont'd)

Employer Normal Cost (% of Payroll)	Number of Counties
Less than 4.00%	3
4.00% to 4.99%	4
5.00% to 5.99%	13
6.00% to 6.99%	11
7.00% to 7.99%	16
8.00% to 8.99%	8
9.00% to 9.99%	3
10.00% or greater	3

As shown, 7 counties had employer normal cost less than 5% of payroll and 54 counties had employer normal cost greater than 5% of payroll. The average employer normal cost in 1988 was 6.81% of payroll.

**INVOLUNTARY WITHDRAWALS**

There is no actuarial cost impact associated with this provision, which appears to be a clarification of existing law.

**RETIREMENT ALLOWANCE PAYMENTS UPON REEMPLOYMENT**

The provision would result in actuarial cost savings to the extent that reduction or cessation of retirement allowances of reemployed retirees would occur in a broader range of circumstances than under the existing provision. Quantification of the potential cost savings under this provision is not possible due to the absence of data on retirees who may be reemployed in the future or who would be willing to be reemployed on the terms proposed in the amendment.

**POLICY CONSIDERATIONS**

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

**EXCLUSION OF PART-TIME EMPLOYEES**

- o The provision appears to be an attempt to clarify and set a uniform standard for the treatment of part-time employees.

**ADMINISTRATIVE EXPENSES PAYABLE FROM FUND**

- o The authorization to pay administrative expenses from the fund is common among Pennsylvania public employee retirement systems.
- o The bill would allow the payment of administrative expenses from the fund "unless it is determined by the actuary that such payment will impair the actuarial soundness of the fund." The term "actuarial soundness" has no specific meaning and this conditional phrase should be removed.

## SUMMARY OF ACTUARIAL IMPACT - (Cont'd)

### MEMBER CONTRIBUTION REDUCTION

- o 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.
- o 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 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.
- o 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.
- o 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.

### FRACTIONAL SERVICE CREDIT FOR PART-TIME SERVICE

- o The benefit calculation for employees granted fractional service credit for part-time employment under this provision will be subject to a practice termed "double proration" if the employees' actual part-time annual salaries are to be used to determine the final salary upon which the retirement benefit is based. Since both the service credit and the final salary would be prorated for part-time service, the benefit would be less than the benefit resulting from proration of only one element in the benefit formula. The practice of double proration is not permitted in IRS qualified public employee retirement plans. One means of resolving this situation is to provide for the annualization of the part-time salaries in determining the salary base for the benefit calculation.

### NONINTERVENING MILITARY SERVICE PURCHASE

- o The proposed change appears to be an attempt to simplify the calculation of contributions payable for the purchase of nonintervening military service. The bill does not use the specific method for determining the payment amount recommended in the Commission's study on service purchases, but does substantially conform, as does the current provision, 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.

SUMMARY OF ACTUARIAL IMPACT - (Cont'd)

- o Contributions under the proposed calculation may in many cases be less than those required under the current provision. The amount of the contributions would not be related to the value of the benefit increase gained through the service purchase.
- o The bill requires that the contributions include "regular interest," defined, except for the purpose of crediting interest to member contributions, as interest at the rate of 4% compounded annually. The Commission's study on service purchases recommends that interest on purchase payments be at the rate credited to member contributions, which for county retirement systems is generally 5.5%.

INVOLUNTARY WITHDRAWALS

- o The provision appears to be a clarification conforming to existing practice.

RETIREMENT ALLOWANCE PAYMENTS UPON REEMPLOYMENT

- o Under this provision, a retiree reemployed on a part-time basis would be subject to a reduction in the retirement allowance equal to the amount earned for the part-time service. Currently, a county retiree may be reemployed up to 30 days a year without affecting the retirement allowance. The proposed change would create a situation in which any part-time service by retired county employees would be performed on an essentially volunteer basis. It is possible that in some cases, reemployed county retirees would be replacing after tax income with before tax income. The provision would be expected to have a negative impact on the willingness of county retirees to seek or accept part-time reemployment.

COMMISSION RECOMMENDATION

On June 13, 1990, the Commission voted to attach the actuarial note to the bill and recommend that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

House Bill 16, Printer's Number 3441, was amended on second consideration in the Senate on September 26, 1990, and as Printer's Number 4102 was signed into law by the Governor on November 21, 1990, as Act 1990-136.

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**Bill and Printer's Number:** House Bill 452, Printer's Number 2968

**System:** State Employees' Retirement System

**Subject:** Mandatory Retirement Age for Justices, Judges, and District Justices

**SYNOPSIS OF BILL**

House Bill 452 would amend the Constitution of Pennsylvania to require justices, judges, and district justices to retire on the last day of the odd-numbered calendar year following the date on which they attain the age of 70 years rather than upon attaining the age of 70 years as the Constitution now requires.

On April 23, 1968, the electorate adopted Proposal No. 7 of the limited constitutional convention of 1967-68 to repeal the old and adopt a new Judiciary Article for the Constitution of Pennsylvania, Article 5. Since then Section 16(b) of Article 5 has provided in pertinent part that: "Justices, judges and justices of the peace shall be retired upon attaining the age of 70 years." Section 3351 of the Judicial Code, which is derived from this constitutional provision, provides that: "Judges and district justices shall be retired upon attaining the age of 70 years."

**SUMMARY OF ACTUARIAL COST IMPACT**

The consulting actuary indicated that, both under the actuarial assumptions used for the annual actuarial valuation of the State Employees' Retirement System and under more realistic actuarial assumptions, on average, there will be no advantage to the judicial employee or disadvantage to the Commonwealth by delaying retirement.

The December 31, 1988, actuarial valuation report of the State Employees' Retirement System indicates that this change in mandatory retirement age would affect 900 individuals with an average age of 52.3 years, average service of 11.5 years, and average salary of \$56,774.

**POLICY CONSIDERATIONS**

In reviewing this bill, the Commission staff has identified the following policy consideration:

- o The new mandatory retirement date could delay mandatory retirement for judges until age 72, but, on average, they will remain in office only one additional year.

**COMMISSION RECOMMENDATION**

On March 21, 1990, the Commission voted to attach the actuarial note to the bill and recommend to the General Assembly and the Governor passage of the proposed legislation.

**FINAL LEGISLATIVE STATUS**

House Bill 452 was reported as amended as Printer's Number 3769 by the Senate Judiciary Committee on June 19, 1990, and laid on the table on June 27, 1990.

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**Bill and Printer's Number:** House Bill 718, Printer's Number 799

**System:** Pennsylvania Municipal Retirement System

**Subject:** Various Changes

**SYNOPSIS OF BILL**

House Bill 718 would amend the Pennsylvania Municipal Retirement Law to permit municipalities to define the qualifications for disability retirement, to redefine the terms "municipal employee" and "retired member's reserve account," to change the provisions regarding crediting of regular and excess interest to the total disability reserve account, to change mandatory membership from permanent to full-time employees, to permit withdrawal of the balance in member's excess interest account upon termination before vesting, to change the provisions for the purchase of service credit for military service, and to make technical changes.

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 its individual benefit plan. Each participating municipal pension 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.

**SUMMARY OF ACTUARIAL COST IMPACT**

The consulting actuary indicated that the proposed change in the definition of eligibility for disability retirement may represent a significant increase in actuarial cost depending upon the definition of eligibility for disability retirement chosen by each member municipality. The consulting actuary further indicated that if each member municipality is given the option to choose its own definition of eligibility for disability retirement, a revised method of funding the disability risk should be developed to maintain equity in the allocation of cost among member municipalities providing a disability benefit under the Pennsylvania Municipal Retirement System.

The consulting actuary also indicated that the other changes proposed by the bill have no significant actuarial cost impact.

**POLICY CONSIDERATIONS**

In reviewing this bill, the Commission staff has identified the following policy considerations:

- o The bill would allow each municipality to define the qualifications for disability retirement as part of its contract with PMRS. Currently, a uniform standard is applicable to all member municipalities which offer a disability benefit. The implementation of less stringent definitions of disability permitted by the bill will have an actuarial cost associated with it. The amount of the actuarial cost associated with the proposed variable definition of disability will be a function of the number of individuals qualifying for disability under the less stringent definitions of disability who would be ineligible under current law.

POLICY CONSIDERATIONS - (Cont'd)

- o The bill would continue the current practice of funding disability benefits through the pooled Disability Reserve Account financed by annual municipal contributions. Because the bill replaces the current standard definition of disability with a variable definition determined by each municipality, the appropriateness of the continued utilization of the current funding mechanism for disability benefits is questionable. Financing the proposed variable disability benefits using the current funding mechanism will result in local governments with more stringent definitions of disability subsidizing local governments with less stringent definitions of disability.
- o The phrase "full-time employee" is not defined in the Pennsylvania Municipal Retirement Law. The bill should be amended to provide such a definition to prevent problems in administration.

COMMISSION RECOMMENDATION

On March 21, 1990, the Commission voted to attach the actuarial note to the bill and recommend that the General Assembly and the Governor consider the Commission's policy issues involving:

- (1) the potential actuarial cost impact of the proposed change in the definition of disability; and
- (2) the absence of an appropriate revision to the current funding mechanism for disability benefits.

FINAL LEGISLATIVE STATUS

House Bill 718, Printer's Number 799, was re-committed to the House Appropriations Committee on December 5, 1989.

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**Bill and Printer's Number:** House Bill 895, Printer's Number 3609  
**System:** Municipal, Act 600 Police Pension Plans  
**Subject:** Purchase of 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).

**BACKGROUND**

The bill authorizes a purchase by members of Act 600 police pension plans of credit for military service occurring prior to municipal employment. The purchase is limited to five years of service credit and requires the member to pay, for each year of service purchases, an amount representing the average normal cost rate of Act 600 police pension plans, to a maximum of ten percent, applied to the average annual compensation for the first three years of municipal service, plus interest.

Currently Act 600 requires the grant of service credit for any intervening military service if the person was a regular appointed police officer for a period of at least six months, then entered the armed forces, and then returned to employment as a police officer with that municipality within six months of the separation from military service. No purchase payment amount by the member is required in order to obtain the credit for intervening military service.

A large number of municipal pension plans are affected by this legislation. Act 600 applies on a mandatory basis to all boroughs, towns, and townships that employ three or more police officers, or approximately 850 municipal police plans in 1987.

**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 that could be purchased, and the additional benefits that could be obtained by individual members through the purchase. The actuary indicates that there generally will 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. The proposed amendment has no effect upon the consulting actuary's actuarial note.

SUMMARY OF ACTUARIAL COST IMPACT - (Cont'd)

Under the Municipal Pension Plan Funding Standard and Recovery Act, before the governing body of a borough, town, or township adopts this benefit modification, the chief administrative officer of its Act 600 police officer pension plan must provide the governing body with a cost estimate.

POLICY CONSIDERATIONS

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

- o 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 that interrupted or delayed the commencement of a career in public employment to be appropriate from a public policy standpoint.
- o 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.
- o Although the bill does not use the specific method for determining the payment amount that 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.
- o 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.
- o The proposed amendment responds to policy concerns raised by the Commission in its Actuarial Note of December 15, 1989, by making the provision of the service purchase provision optional rather than mandatory for the local government and by removing a drafting problem regarding retirement pay under 10 U.S.C. ch. 67.

COMMISSION RECOMMENDATION

On June 13, 1990, the Commission voted to attach the actuarial note to the bill and recommend that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

House Bill 895, Printer's Number 3609, was signed into law by the Governor on December 19, 1990, as Act 1990-205.

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**Bill and Printer's Number:** House Bill 1237, Printer's Number 1425

**System:** Act 205, Municipal Pension Plan Funding Standard and Recovery Act

**Subject:** Extension of Eligibility for General Municipal Pension System State Aid, Second Class County with Firefighters' Private Pension Plan

**SYNOPSIS OF BILL**

House Bill 1237 would amend the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) to include among eligible recipients of General Municipal Pension System State Aid any county of the second class employing full-time firefighters who have established a private pension fund. Act 205 of 1984 provides for the distribution of state aid to municipalities to help offset the cost of municipal employee pension plans. General Municipal Pension System State Aid (GMPSSA) is derived from the proceeds of Commonwealth-imposed taxes on premiums of casualty and fire insurance policies sold in Pennsylvania by out-of-state companies. The aid is distributed annually to eligible municipalities based on the number of full-time employees participating in municipal retirement systems. A municipality's allocation under the formula may not exceed its total employer pension cost.

Eligible recipients of state aid under Act 205 are cities, boroughs, incorporated towns and townships maintaining employee pension plans and any county of the second class (Allegheny County) which had historically received allocations of the foreign casualty insurance premiums tax for its police pension plan. Counties other than Allegheny and municipal authorities are not eligible to receive GMPSSA. With the exception of Allegheny County, all municipalities receiving GMPSSA are subject to the actuarial reporting requirements and mandatory actuarial funding standard of Act 205.

The inclusion of Allegheny County as an eligible recipient of GMPSSA at the time Act 205 was enacted was an attempt to accommodate a unique, long-standing situation existing with the county's police officers. Allegheny County police officers were covered both by the regular county employee retirement system and by an independent pension fund maintained exclusively for the police officers. For many years, Allegheny County had received allocations of the foreign casualty insurance premiums tax which had been entirely committed to financing the independent pension plan for police officers and which had provided the sole source of employer financing for the plan. In order to avoid depriving this plan of its customary source of funding, the Municipal Pension Plan Funding Standard and Recovery Act was amended prior to passage to "grandfather" this unique situation and permit Allegheny County to receive state aid. Act 205 provided for only the police units in Allegheny County to be recognized in the aid formula.

Shortly after the enactment of Act 205, Allegheny County sought and obtained, through an informal agreement with the Department of the Auditor General, approval to use GMPSSA to finance the costs attributable to police employees in the county employee retirement system. Through the voluntary submission of actuarial valuation reports on the independent police pension plan and the voluntary construction and submission of actuarial valuation reports on the police component of the county employee retirement system, the aggregate costs for providing retirement coverage for Allegheny County police officers in both plans have been utilized in the allocation formula for General Municipal Pension System State Aid. The arrangement within the County initially provided that General Municipal Pension System State Aid first be used to cover 100% of the cost of the independent police pension plan and that the residual aid be allocated to the county employee retirement system. The current arrangement provides for the Aid to be divided in proportion to the employer cost of the two plans.

**SYNOPSIS OF BILL - (Cont'd)**

Since the enactment of Act 205 and the subsequent approval to allocate GMPSSA to the county employee retirement system, the County's aid has increased from \$277,893 in 1985 to \$1,418,618 in 1989, representing a 410% increase. During that same time period, the statewide total allocations of GMPSSA increased by only 95%. Prior to 1985, Allegheny County, like all other counties, received no state shared revenue for use in the county employee retirement system. In 1989, Allegheny County was able to allocate approximately \$730,000 in GMPSSA to the county employee retirement system.

House Bill 1237 proposes to include, as an eligible recipient of GMPSSA, a county of the second class employing full-time firefighters who have established a private pension fund. This appears to be an attempt to establish the same type of arrangement applicable to Allegheny County's paid firefighters as is currently in effect for the police, providing state aid to maintain a supplemental, independent, private pension plan for the firefighters and to offset a portion of the cost of the county employee retirement system.

**SUMMARY OF ACTUARIAL COST IMPACT**

House Bill 1237 does not propose any modifications in benefit plan provisions, actuarial cost calculations or funding requirements for public employee pension plans. The bill's effect is limited to the General Municipal Pension System State Aid Program, which provides funding to municipalities to assist with the payment of the cost of municipal employee pension plans. House Bill 1237, therefore, would not have an actuarial cost impact on any public employee pension plan.

Although there is no actuarial cost associated with the bill, the inclusion of an additional recipient of GMPSSA with approximately 104 units (52 paid firefighters) would be expected to cause a minor reduction in the value of a unit of state aid. For municipalities receiving allocations based on the unit value, those with pension plan cost exceeding the amount provided by the unit formula, the reduction in the unit value would result in a slight reduction in their aid allocations.

Based on the 1989 GMPSSA unit value of \$3,268.70, the potential annual increase in the state aid allocated to Allegheny County under the proposal is approximately \$340,000.

**POLICY CONSIDERATIONS**

In reviewing the bill, the Commission should consider the following policy issues:

- o There is no apparent public policy justification for allocating state revenue to finance a supplemental, private retirement system for one group of employees in one municipality.
- o Firefighters in counties of the second class already are covered by the county employee retirement system. The establishment of a private pension fund by these employees apparently would be solely for the purpose of deriving an additional retirement benefit which can be paid for by state aid. This additional benefit is proposed to be provided in the absence of any deliberative consideration of the retirement needs of these public employees or the appropriate level of retirement benefits to be provided by the public employer. If the current benefits applicable to these firefighters are considered to be inadequate, changes should be made within the framework of the public employee retirement system of which they are members.

POLICY CONSIDERATIONS - (Cont'd)

- o The provision of state pension aid to Allegheny County, except for the original "grandfather" provision that was intended to restrict the Aid to the independent police pension plan because of its prior receipt of foreign casualty insurance tax allocations, is questionable from an equality of treatment standpoint since no other county is eligible to receive state aid for its employee pension system.
- o The Municipal Pension Plan Funding Standard and Recovery Act established uniform, specific actuarial reporting requirements and a mandatory actuarial funding standard for municipal pension plans. The allocation formula for GMPSSA is heavily dependent on the actuarial cost data derived from the actuarial reports and high comparability of data is needed to assure fairness in the allocation process. Any new retirement system permitted to receive GMPSSA should be fully subject to Act 205, including the actuarial reporting requirements and the actuarial funding standard.
- o The bill, as currently drafted, would not result in the payment of additional GMPSSA to Allegheny County based on its firefighters since firefighters employed by a second class county are not recognized as units in the formula for allocating the aid. It is assumed that this is a drafting oversight.

COMMISSION RECOMMENDATION

On April 18, 1990, the Commission voted to attach the actuarial note to the bill and recommend to the General Assembly and the Governor that the bill, in its current form, not receive further consideration due to the serious pension policy concerns discussed above, particularly the use of public funds to finance a private pension plan providing a supplemental benefit to one employee group in one municipality, the provision of benefits outside the framework of the public employee retirement system covering the employees, and the provision of General Municipal Pension System State Aid to a municipality which is not subject to the pension plan reporting requirements and actuarial funding standard of Act 205. The Commission offered the assistance of its staff in working with the bill's sponsor, representatives of Allegheny County and the Allegheny County firefighters to develop an alternative approach to achieving the bill's objective of parity in pension benefits between the police officers and the firefighters. The Commission suggested that the alternative approach entail the provision, within the Allegheny County Retirement System, of a supplemental benefit for firefighters equivalent to the benefit provided to police officers through their independent retirement system and that Act 205 be amended for Allegheny County to receive General Municipal Pension System State Aid to help offset the employer cost of the additional firefighters' pensions and for Allegheny County to be subject to the reporting requirements and actuarial funding standard of Act 205 with regard to the additional firefighters' pension coverage.

FINAL LEGISLATIVE STATUS

House Bill 1237, Printer's Number 1425, was re-committed to the House Appropriations Committee on March 13, 1990.

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**Bill and Printer's Number:** House Bill 1664, Printer's Number 1992

**System:** State Employees' Retirement System

**Subject:** Portability of Public Employee Retirement System Service Credit  
from Municipalities to the Commonwealth

**SYNOPSIS OF BILL**

House Bill 1664 would amend the State Employees' Retirement Code to authorize the purchase, under certain conditions, of nonstate service credit for up to five years of previous service with a borough, city, county, incorporated town, or township.

Members of the State Employees' Retirement System currently are able to purchase credit for a small number of categories of non-state service. These include approved leaves of absence without pay, intervening and nonintervening military service, service as public educators in another state or with the federal government, service as a temporary federal employee assigned to a Commonwealth agency, service in a community college under the Community College Act, service in the Cadet Nurse Corps during World War II, and service with a government agency other than the Commonwealth which employment was terminated because of the transfer by law of the administration of the service or of the entire agency to the Commonwealth.

The bill proposes to amend the State Employees' Retirement Code to permit a SERS member to purchase up to five years of nonstate service credit for the member's previous full-time service with a borough, city, county, incorporated town or township provided either that, at the time of the municipal service, the individual was a member of the municipality's employee retirement system or, if there was no such system that the individual was eligible to join, that the municipality now has such a system that the individual would be eligible to join if the individual were still a municipal employee.

**SUMMARY OF ACTUARIAL COST IMPACT**

The consulting actuary indicated that it is not possible to determine the actuarial cost to the Commonwealth because there is no available information on how many members will be eligible to purchase this service credit, how much service credit they will be eligible to purchase, and the extent to which they would utilize this opportunity. The actuary did indicate that there will be an increase in actuarial cost to the Commonwealth and made the following general observations:

- o service credit would be purchased at less than full actuarial cost;
- o members with previous municipal service would be treated unequally;
- o the bill proposes an unusual public employee pension plan provision;

## POLICY CONSIDERATIONS

In reviewing this bill, the Commission staff has identified the following policy considerations:

- o The granting of service purchase authorizations on an ad hoc basis to recognize past education, training, or experience results in inequitable treatment of Commonwealth employees. A service purchase for past education, training, or experience frequently serves no public pension policy goals but merely is used as a means of allowing certain members to acquire a benefit from the State Employees' Retirement System with potentially minimum service to the Commonwealth. This represents a departure from the conventional view of the role of the State Employees' Retirement System as an employment related benefit maintained principally in the interest of those devoting a substantial career to the Commonwealth.
- o The amount of the required purchase payment is less than the full actuarial value of the increased benefit. A purchase transaction that favors the member at the expense of the retirement system is appropriate only in cases where necessary for the purposes of equal treatment.
- o The bill does not limit the time within which the purchase must be requested and does not exclude the purchase payment from Option 4 lump sum withdrawal. This would enable an eligible employee to purchase creditable nonstate service 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.
- o The public policy reason for restricting the service purchased to municipal employee service with municipalities that had or have retirement systems of which the employee would have been or would be eligible to join is unclear since the purchase of previous service credit is made without any transfer of assets from the municipality's public employee pension trust fund.
- o The bill does not clearly state whether only Pennsylvania municipal service or municipal service in any state is to be made purchasable.
- o This bill may serve as a precedent for Commonwealth employees with previous similar municipal service in Pennsylvania municipal authorities or with previous similar municipal service in other states to request portability of that service.
- o The bill is open-ended regarding timeframes for the municipal service for which nonstate service credit may be purchased. The State Employees' Retirement System, municipalities and the member applying to purchase service will encounter difficulty in demonstrating that the municipal service was full time or that the municipality had a retirement system at that time of which the employee was a member.
- o The Public Employee Retirement Study Commission in June of 1989 published a report recommending standards for authorizing, funding and structuring service purchases (Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems). The bill does not conform to the recommendations in this report.

**POLICY CONSIDERATIONS - (Cont'd)**

- o The bill has two drafting difficulties. First, the titles indicates that the bill modifies eligibility for special early retirement, when it amends the Code by making certain municipal service creditable nonstate service. Second, section 5304(b) of the State Employes' Retirement Code already places limitations on eligibility for creditable nonstate service to prevent receiving two pensions for the same service, Therefore, proposed Section 5304(c)(8)(iii) should be deleted from the bill.

**COMMISSION RECOMMENDATION**

On March 21, 1990, the Commission voted to attach the actuarial note to the bill and recommend to the General Assembly and the Governor that while the Commission endorses the concept of portability among public employee retirement systems, it strongly opposes the bill. The Commission specifically noted that the bill has several drafting deficiencies, contains questionable technical provisions and does not conform with the policy guidelines contained in the Commission's June 1989 report on Service Purchase Authorization for Pennsylvania Retirement Systems

**FINAL LEGISLATIVE STATUS**

House Bill 1664, Printer's Number 1992, was re-committed to the House Appropriations Committee on January 29, 1990.

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**Bill and Printer's Number:** House Bill 2343, Printer's Number 3171

**System:** County Employee Retirement System

**Subject:** Technical Amendment for Conformance with Act 205 and Act 66

**SYNOPSIS OF BILL**

The bill would amend Act 293 of 1972 to require every local government unit not covered by the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205) and that maintains a pension system for its employees to file an actuarial valuation report as of the beginning of the plan year occurring in odd-numbered years with the Public Employee Retirement Study Commission not later than the last business day of March of the following calendar year.

**BACKGROUND**

Section 6(a)(15) of the Public Employee Retirement Study Commission Act gave the Public Employee Retirement Commission the power and duty "[t]o perform the functions and have all the powers and duties heretofore vested in the Department of Community Affairs pursuant to the act of December 6, 1972 (P.L. 1383, No. 293)." Act 293, however, has never been amended to conform to this change.

The Municipal Pension Plan Funding Standard and Recovery act requires all affected local government employee retirement systems to file their actuarial valuation reports as of the beginning of plan years occurring in odd-numbered years with the Public Employee Retirement Study Commission not later than the last business day of March of the following calendar year. Act 293, however, has never been amended to conform to this schedule and continues to require affected local governments to follow a schedule of reports dated the beginning of plan years occurring in even-numbered years to be filed not later than the last business day of March of the following calendar year.

**SUMMARY OF ACTUARIAL COST IMPACT**

As determined by the Commission staff, the bill contains amendments of a technical nature to Act 293 of 1972 to reduce or eliminate the conflict or overlap with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205) and the Public Employee Retirement Study Commission Act (Act 1981 -66) and has no actuarial cost or impact within the meaning of the Public Employee Retirement Study Commission Act.

**POLICY CONSIDERATIONS**

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

- o The effect of the bill is to require the actuarial valuation reports of all local government employee retirement systems to be prepared and filed on the same cycle, thus providing comparable data to the General Assembly, the Governor, and the public and facilitating the administrative procedures performed by the Public Employee Retirement Study Commission.

**Policy Considerations (Cont'd)**

- o The bill will make Act 293 clear on its face that the required actuarial valuation reports must be filed with the Public Employee Retirement Study Commission, thus eliminating confusion in understanding and complying with the act.

**COMMISSION RECOMMENDATION**

On June 13, 1990, the Commission voted to attach the actuarial note to the bill recommending to the General Assembly and the Governor the passage of this proposed legislation.

**FINAL LEGISLATIVE STATUS**

House Bill 2343, Printer's Number 3171, was re-committed to the House Appropriations Committee on June 5, 1990.

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**Bill and Printer's Number:** House Bill 2833, Printer's Number 3992

**System:** Public School Employees' Retirement System and  
State Employees' Retirement System

**Subject:** Part Time Service Without Suspension or Reduction of Annuity

**SYNOPSIS OF BILL**

House Bill 2833, Printer's Number 3992, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to allow annuitants to return to service in an institution of higher education without having their annuity suspended, provided that this is permitted by the collective bargaining agreement between the institution and its employees and the annuitant would render service as an academic and degreed professional for a period of not more than half-time service.

**SUMMARY OF ACTUARIAL COST IMPACT**

The actuarial note indicates that there will be no material additional actuarial cost associated with this bill because the current contribution rates are based on the assumption that all annuitants will receive their full retirement benefits for their entire lives, without any periods where payments might be suspended due to a return to service. The proposed provision, which merely exempts covered annuitants from this suspension, would not have any additional cost above that already anticipated in the actuarial valuations.

**POLICY CONSIDERATIONS**

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

**MANAGEMENT FLEXIBILITY**

- o The bill provides managerial flexibility in obtaining and retaining the services of experienced older academic or degreed professionals. The effect of the demographic composition of the population as shown in work force studies is that employers are going to have increasing difficulty in recruiting younger and retaining older employees. The proposal would enable institutions of higher education to obtain and retain the services of needed experienced academic or degreed professionals.

**RESTRICTED AREA OF REEMPLOYMENT**

- o The bill authorizes continued payment of annuities to PSERS and SERS retirees who return to part-time employment only if they are employed as academic or degreed professionals in an institution of higher education. There may be functional areas other than higher education where part-time employment of retirees may be warranted to satisfy work force needs in the future.

**POLICY CONSIDERATIONS - (Cont'd)**

**AMBIGUOUS LANGUAGE CLARIFICATION**

- o The bill should be amended to clarify the effect of the return to service upon retirement system contributions by the annuitant and upon recomputation of the annuity based on the additional service. The prime sponsor has prepared appropriate amendatory provisions that are a satisfactory solution to this concern.

**UNLIMITED AND NON EMERGENCY EMPLOYMENT**

- o The bill departs from traditional public employee retirement system policy by permitting a return to part time work with the former employer on an unlimited and non emergency basis.

**COMMISSION RECOMMENDATION**

On October 17, 1990, 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.

**FINAL LEGISLATIVE STATUS**

House Bill 2833, Printer's Number 3992, was referred to the House Education Committee on July 1, 1990.



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**PUBLIC EMPLOYEE  
RETIREMENT SYSTEM  
ADMINISTRATION**

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## PART II

### PUBLIC EMPLOYEE RETIREMENT SYSTEM ADMINISTRATION

#### A. ACT 205 of 1984

##### 1989 FILING PERIOD

March 31, 1990, was the filing deadline for the 1989 municipal pension plan reports. Of the 4,500 local governments submitting questionnaire responses, over 1,600 indicated that they had established one or more pension plans. About 300 of the local governments required to submit employee pension plan reports failed to meet the statutory filing deadline. Through transmitting multiple delinquency notices, the Commission was able to significantly reduce the number of delinquent local governments that were not included in the initial certification to the Department of the Auditor General on August 15th. Only 84 local governments remained delinquent as of the date of initial certification, representing a 54% reduction from the number of delinquent local governments occurring in the previous filing period. As of December 31, 1990, only 12 local governments remained delinquent in submitting their 1989 employee pension plan reports, and the Commission was actively engaged in enforcing the reporting requirements.

With 75% of the over 2,400 municipal pension plan actuarial valuation reports received near the filing deadline, the Commission enhanced its computer assisted review procedures and improved other processing techniques to expedite the review of the incoming reports. The data extracted from the reporting forms was verified using electronic data Processing. The Commission will issue its Status Report on Local Government Pension Plans based on the 1989 Act 205 data early in 1991.

##### MUNICIPAL PENSION COST CERTIFICATION

In the summer of 1990, the Commission certified municipal pension cost data to the Department of the Auditor General for use in the 1990 allocation of General Municipal Pension System State Aid. In 1990, the State aid provided to municipalities to offset their employee pension costs totalled more than \$115 million. Calculation of the municipal pension cost data for more than 1,200 municipalities was accomplished through the municipal employee pension plan data base that is maintained by the Commission through the data extracted from the over 2,400 pension plan reports submitted by municipalities.

##### RECOVERY PROGRAM

The Commission determined the 1990 distress scores for over 50 municipalities participating in the Financially Distressed Municipal Pension System Recovery Program and transmitted distress determination notices to the affected municipalities. In December of 1990, the Commission also certified the payment of over \$17 million in Supplemental State Assistance for 1990 and notified the Governor and General Assembly that a \$16 million appropriation would be needed to provide the Supplemental State Assistance payable in December of 1991.

In the fall of 1990, the Commission transmitted filing notices and reporting forms to the 24 municipalities required to submit 1990 actuarial valuation reports for their employee pension plans due to their participation in the Supplemental State Assistance Program.

## **AMENDMENTS**

The Commission endorsed legislation to amend Act 205 in the spring of 1990. The Commission recommended the amendment to correct a flaw in the mandated actuarial funding standard that permitted significant funding deficiencies to occur. The amendment was contained in Senate Bill 1307, P.N. 1825, which was enacted as Act 189 on December 18, 1990.

## **B. ACT 293 of 1972**

### **1990 FILING PERIOD**

The Commission transmitted filing notices and reporting forms to the 66 counties required to submit employee pension plan reports for 1990. The reports are due March 31, 1991.

## **AMENDMENTS**

Commission-drafted legislation to amend Act 293 was introduced early in the 1989-90 Session of the General Assembly. The proposed amendment would have changed the reporting year for the biennial reports on county employee pension plans to odd numbered years. If the amendment had been enacted, county employee pension plan reports submitted under Act 293 and all other local government employee pension plan reports submitted under Act 205 would have been filed for the same years. In an effort to synchronize the Commonwealth's local government pension plan reporting programs, the Commission will again seek introduction and passage of the necessary amendment to Act 293 of 1972 in the 1991-92 Session of the General Assembly.

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**PUBLIC EMPLOYEE RETIREMENT SYSTEM**

**POLICY DEVELOPMENT**

**AND COORDINATION**

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## PART III

### 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

##### 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 1990 the Commission continued its study of the current structure of local government retirement systems.

## **Status Report on Local Government Pension Plans**

During the second half of 1990, research began on the Commission's third 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 will be completed during the first half of 1991 and issued as a report by June of 1991. The report will be a summary and analysis of municipal employee retirement system actuarial valuation reports as of January 1, 1989, submitted to the Commission under the Act and of county employee retirement system actuarial valuation reports as of January 1, 1988, submitted to the Commission under Act 293 of 1972. The data in the report will be extracted from the individual pension plan reports containing actuarial, financial, and demographic information. The report will contain both the Commission's comments on trends or conditions and the associated recommendations of the Commission.

## **Study of Method for Setting Employer Contribution Rate to Alternate Retirement Programs**

In response to the Commission's March 1987 study, the State Employees' Retirement Code was amended by the act of October 30, 1987 (P. L. 380, No. 1987- 78) to set for all years after fiscal year 1986-87 the employer contribution rate at 8.95% for employees who have elected membership in an independent retirement program approved by the employer. Section 2 of the act directs the Commission to study this rate in 1991 and to recommend to the Governor and the General Assembly a rate for the following five years designed to produce parity of contributions between the alternate retirement program and the State Employees' Retirement System program. The Commission began work on this study in late 1990 and expects to issue its report before the deadline of March 31, 1992.

## **C. 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 1990, the Public School Employees' Retirement System (PSERS) in October 1990, and the Pennsylvania Municipal Retirement System (PMRS) in December 1990. Summaries of the reviews follow.

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**COMMISSION REVIEW OF SERS ACTUARIAL VALUATION REPORT.**

At the September 13, 1990, meeting of the Commission, the staff presented a summary of the December 31, 1989, 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 0.71% to 12.32% of payroll.
- Since the prior valuation the funding ratio increased 3.5% to 79.88%.
- Since the prior valuation the market value of assets has increased by \$1,472,743,837.

**MEMBERSHIP**

The active membership increased by 208 since the prior valuation.  
The payroll increased by \$230,445,051 since the prior valuation.  
The number of annuitants increased by 1,514 since the prior valuation.

**SUMMARY OF CONTRIBUTION RATES**

The three pieces composing the employer contribution rate are shown in the following table:

	<u>1990</u>	<u>1989</u>
Normal Cost	4.68%	4.66%
Amortization of Unfunded Actuarial Accrued Liability	6.11	5.62
Amortization of Supplemental Annuities	<u>2.24</u>	<u>2.04</u>
	13.03%	12.32%

- The normal cost rate is the level percentage of compensation that would be required for new active members over their period of active service to fund the liability for any benefits earned by these members.
- The unfunded actuarial accrued liability of \$1,584,905 is composed of two parts: one part is to be funded over 30 years from July 1, 1969, and the other part over 30 years from July 1, 1974.
- The accrued liability for supplemental annuities is composed of four separate parts, which are detailed in the following summary.

The Commission reviewed the report with Mr. John R. Brosius, SERS Executive Director, Mr. Dale H. Everhart, SERS Assistant Executive Director, and Mr. Edwin C. Husted, SERS consulting actuary.

The following is a summary of the December 31, 1989, actuarial valuation of the SERS and a comparison of 1989 results with those of 1990.

**SUMMARY OF ACTUARIAL VALUATION  
STATE EMPLOYES' RETIREMENT SYSTEM**

as of  
December 31, 1989

The following is a summary of the December 31, 1989 actuarial valuation of the State Employees' Retirement System and a comparison of the 1989 results with those of 1988.

	<u>12/31/88</u>		<u>12/31/89</u>
<b><u>Membership</u></b>			
Active	109,611		109,819
Inactive Vested	3,243		3,336
Retired	61,709		62,884
Disabled	3,946		4,067
Survivors and Beneficiaries	5,661		5,879
<b><u>Payroll and Annuities Payable</u></b>			
Total Annual Payroll	\$2,767,628,181		\$2,998,073,232
Annual Annuities and Benefits	\$ 415,526,918		\$ 435,544,979
<b><u>Valuation Data</u></b>			
Accrued Liability	\$9,833,717,526		\$10,672,929,181
Assets <sup>1</sup>	<u>7,510,933,374</u>		<u>8,526,209,374</u>
Unfunded Accrued Liability <sup>2</sup>	\$2,322,784,152		\$ 2,146,719,807
Funding Ratio	76.38%		79.88%
<b><u>Funding Costs</u></b>			
Normal Cost <sup>3</sup>	\$302,501,760	10.93%	\$327,089,790 10.91%
Interest on UAL <sup>4</sup>	<u>127,753,128</u>	<u>4.62</u>	<u>118,069,589</u> <u>3.94</u>
Minimum Actuarial Funding	\$430,254,888	15.55%	\$445,159,379 14.85%
Normal Cost	\$302,501,760	10.93%	\$327,089,790 10.91%
Amortization <sup>5</sup>	<u>231,096,953</u>	<u>8.35</u>	<u>229,652,410</u> <u>7.66</u>
Full Actuarial Funding	\$533,598,713	19.28%	\$556,742,200 18.57%
<b><u>Support</u></b>			
Member <sup>3</sup>	\$172,976,761	6.25%	\$187,379,577 6.25%
Commonwealth	<u>360,621,952</u>	<u>13.03</u>	<u>369,362,622</u> <u>12.32</u>
Total Support	\$533,598,713	19.28%	\$556,742,199 18.57%
<b><u>Adequacy of Support</u></b>			
Frozen Deficit Financing	\$430,254,888	15.55%	\$445,159,379 14.85%
Total Support	<u>533,598,713</u>	<u>19.28</u>	<u>556,742,199</u> <u>18.57</u>
Deficiency (Surplus)	(\$103,343,825)	(3.73%)	(\$111,582,820) (3.72%)
Full Amortization Financing	\$533,598,713	19.28%	\$556,742,199 18.57%
Total Support	<u>533,598,713</u>	<u>19.28</u>	<u>556,742,199</u> <u>18.57</u>
Deficiency (Surplus)	\$ 0	0.00%	\$ 0 0.00%

12/31/88

12/31/89

Investment Yield

Net Investment Income as Percent of Mean Assets <sup>6</sup>

6.73%

6.88%

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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 \$561,814,700 for the amortization of supplemental annuities.

The SERS unfunded accrued actuarial liability decreased between the 12/31/88 actuarial valuation and the 12/31/89 actuarial valuation. The SERS 1989 actuarial valuation states that the reduction was caused by excess investment earnings.

- 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

12/31/88

12/31/89

1. Portion Attributable to Prior Cost-of-living Post Retirement Adjustments

1974 Post Retirement Adjustment

Amount	\$34,928,389	\$29,130,299
Amortization Contribution	\$ 7,146,473	\$ 7,102,353
Amortization Period	5.5 years	4.5 years

1979 Post Retirement Adjustment

Amount	\$148,811,639	\$137,109,448
Amortization Contribution	\$ 18,048,713	\$ 17,938,280
Amortization Period	10.5 years	9.5 years

**1984 Post Retirement Adjustment**

Amount	\$159,911,227	\$152,167,322
Amortization Contribution	\$ 14,787,426	\$ 14,697,329
Amortization Period	15.5 years	14.5 years

**1989 Post Retirement Adjustment**

Amount	\$252,139,123*	\$243,407,631
Amortization Contribution	\$ 19,998,344	\$ 19,876,339
Amortization Period	20 years	18.5 years

**2. Portion Attributable to Other Sources**

**1969 Benefit Increase**

Amount	\$1,167,644,570	\$1,059,712,727
Amortization Contribution	\$ 123,195,249	\$ 122,673,233
Amortization Period	10.5 years	9.5 years

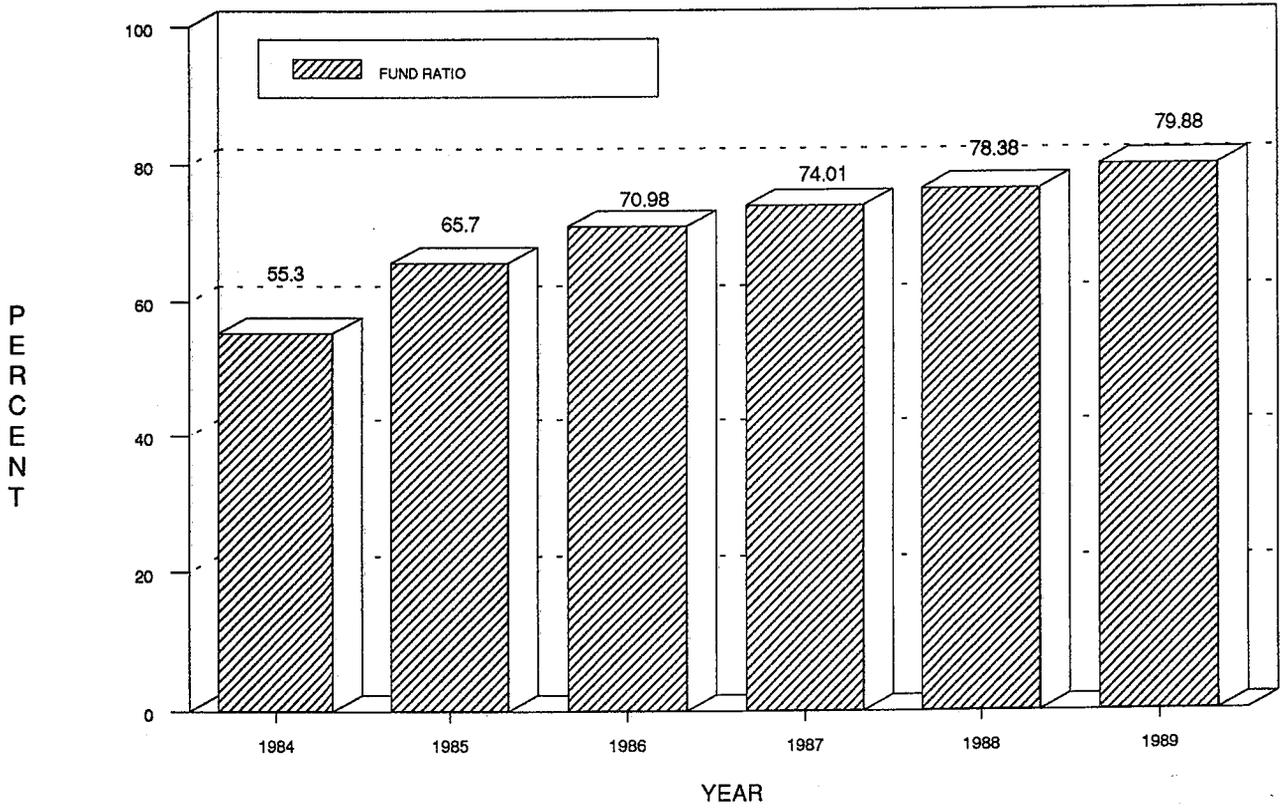
**1974 Benefit Increase**

Amount	\$559,041,396	\$525,192,380
Amortization Contribution	\$ 41,413,541	\$ 41,296,826
Amortization Period	15.5 years	14.5 years

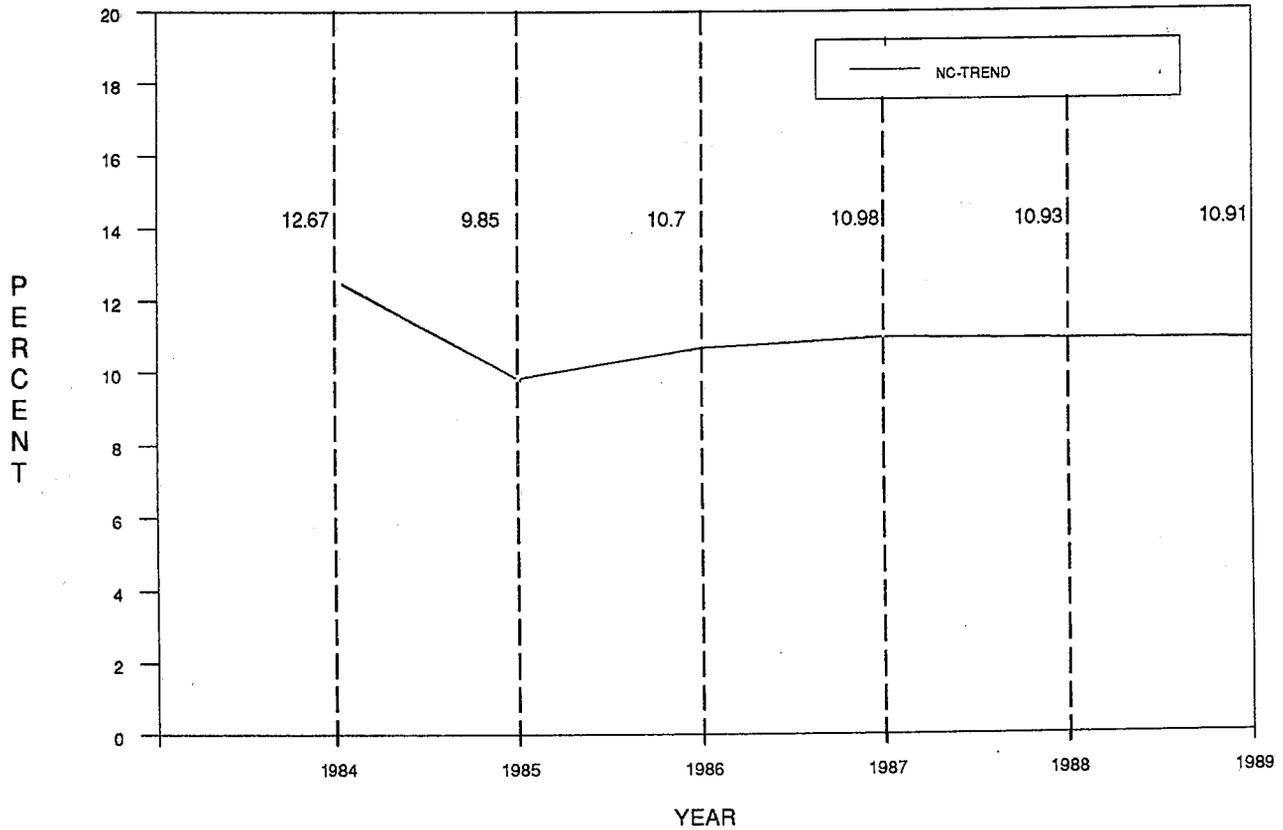
\* 1989 Post Retirement adjustment figures are for 6/30/88.

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, 1988 and 1989 audited financial statements.

### SERS FUNDING RATIO TREND



### SERS NORMAL COST TREND



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**COMMISSION REVIEW OF PSERS ACTUARIAL VALUATION REPORT**

At the October 17, 1990, meeting of the Commission, the staff presented a summary of the June 30, 1989, actuarial valuation report of the Public School Employees' Retirement System. The following are some significant facts contained in that report.

**FUNDING FACTS**

- o Since the prior valuation the employer contributions rate had decreased 0.50% to 19.18% of payroll.
- o Since the prior valuation the unfunded actuarial accrued liability increased by \$1,715,107,000.
- o Since the prior valuation the funding ratio increased 2.18%.
- o Since the prior valuation the current assets had increased \$1,564,711,000.

**MEMBERSHIP**

- o The active membership increased by 4,588 since the prior valuation.
- o The total payroll increased by \$413,851,436 or 8.91% since the prior valuation.
- o The number of annuitants, 95,458, increased by 2,537 since the prior valuation.

**SUMMARY OF CHANGE IN UNFUNDED ACCRUED LIABILITY**

- o There was a \$328,100,000 increase from the expected unfunded actuarial accrued liability. The following is an explanation of the net increase:

<u>Experience</u>	<u>Millions</u>
Interest Surplus	(\$467.1)
Salary Increase Above Expected	677.3
Retirement and Other Separations	100.0
Pensioners' Mortality Experience	<u>17.9</u>
Net Experience Loss (Gain)	\$328.1

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

The following is a summary of the June 30, 1989, actuarial valuation of PSERS and a comparison of the 1989 results with those of 1988.

**SUMMARY OF ACTUARIAL VALUATION  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

as of  
June 30, 1989

The following is a summary of the June 30, 1989 actuarial valuation of the Public School Employees' Retirement System<sup>1</sup> and a comparison of the 1989 results with those of 1988.

	<u>6/30/88</u>		<u>6/30/89</u>	
<b><u>Membership</u></b>				
Active Members	195,842		200,430	
Inactive and Vested Members	27,851		30,800	
Retired Members	85,273		87,504	
Disabled Members	3,738		3,798	
Survivors and Beneficiaries	3,910		4,156	
<b><u>Payroll and Annuities Payable</u></b>				
Total Annual Payroll	\$4,641,941,681		\$5,055,793,117	
Annual Annuities and Benefits	\$ 635,422,248		\$ 710,166,608	
<b><u>Valuation Data</u></b>				
Accrued Liability	\$19,501,693,000		\$21,216,800,000	
Assets <sup>2</sup>	<u>12,544,374,000</u>		<u>14,109,085,000</u>	
Unfunded Accrued Liability <sup>3</sup>	\$ 6,957,319,000		\$ 7,107,733,000	
Funding Ratio	64.32%		66.50%	
<b><u>Funding Costs</u></b>				
Normal Cost	\$ 648,479,253	13.97%	\$ 706,294,298	13.97%
Interest on UAL <sup>4</sup>	<u>382,652,545</u>	<u>8.24</u>	<u>390,925,315</u>	<u>7.73</u>
Minimum Actuarial Funding	\$1,031,131,798	22.21%	\$1,097,219,613	21.7 %
Normal Cost	\$ 648,479,252	13.97%	\$ 706,294,298	13.97 %
Amortization <sup>5</sup>	<u>521,754,245</u>	<u>11.24</u>	<u>551,081,450</u>	<u>10.90</u>
Full Actuarial Funding	\$1,170,233,497	25.21%	\$1,257,375,748	24.87%
<b><u>Support</u></b>				
Member <sup>6</sup>	\$ 256,699,375	5.53%	\$ 287,674,628	5.69%
School District	456,767,061	9.84	484,850,560	9.59
Commonwealth	<u>456,767,061</u>	<u>9.84</u>	<u>484,850,560</u>	<u>9.59</u>
Total Support	\$1,170,233,497	25.21%	\$1,257,375,748	24.87%

Adequacy of Support

Frozen Deficit Financing	\$1,031,131,798	22.21%	\$1,097,219,613	21.7 %
Total Support	<u>1,170,233,497</u>	<u>25.21</u>	<u>1,257,375,748</u>	<u>24.87</u>
Deficiency (Surplus)	(\$ 139,101,699)	(3.00%)	(\$ 160,156,133)	(3.17%)
Full Amortization Financing	\$1,170,233,497	25.21	\$1,257,375,748	24.87%
Total Support	<u>1,170,233,497</u>	<u>25.21</u>	<u>1,257,375,748</u>	<u>24.87</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 \$150,414,000 between 6/30/88 and 6/30/89.
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 6/30/88 are as follows:

<u>Unfunded Accrued Liability</u>	<u>6/30/88</u>	<u>6/30/89</u>
<b>A. Portion Attributable to Prior Cost-of-living Post Retirement Adjustments</b>		
Pre 1979 Post Retirement Adjustments		
Amount	\$242,492,000	\$190,492,000
Amortization Period	4 years	3 years
1979 Post Retirement Adjustments		
Amount	\$479,088,000	\$449,849,000
Amortization Period	12 years	11 years
1984 Post Retirement Adjustments		
Amount	\$294,959,000	\$282,989,000
Amortization Period	16 years	15 years
1989 Post Retirement Adjustments		
Amount	\$412,900,000	\$401,058,000
Amortization Period	20 years	19 years
<b>B. Portion Attributable to Other Sources</b>		
Pre-1975 Benefit Increase		
Amount	\$4,368,127,000	\$4,629,171,000
Amortization Period	18.4 years	17.5 years
1975 Benefit Increase		
Amount	\$584,161,000	\$573,498,000
Amortization Period	16 years	15 years
1982 Benefit Increase		
Amount	\$47,928,000	\$47,903,000
Amortization Period	22 years	21 years

**1983 Unisex Mortality Factors**

<b>Amount</b>	<b>\$44,436,000</b>	<b>\$44,665,000</b>
<b>Amortization Period</b>	<b>25 years</b>	<b>24 years</b>

**1986 Benefit Increase**

<b>Amount</b>	<b>\$37,851,000</b>	<b>\$38,214,000</b>
<b>Amortization Period</b>	<b>28 years</b>	<b>27 years</b>

**1986 Assumption Change**

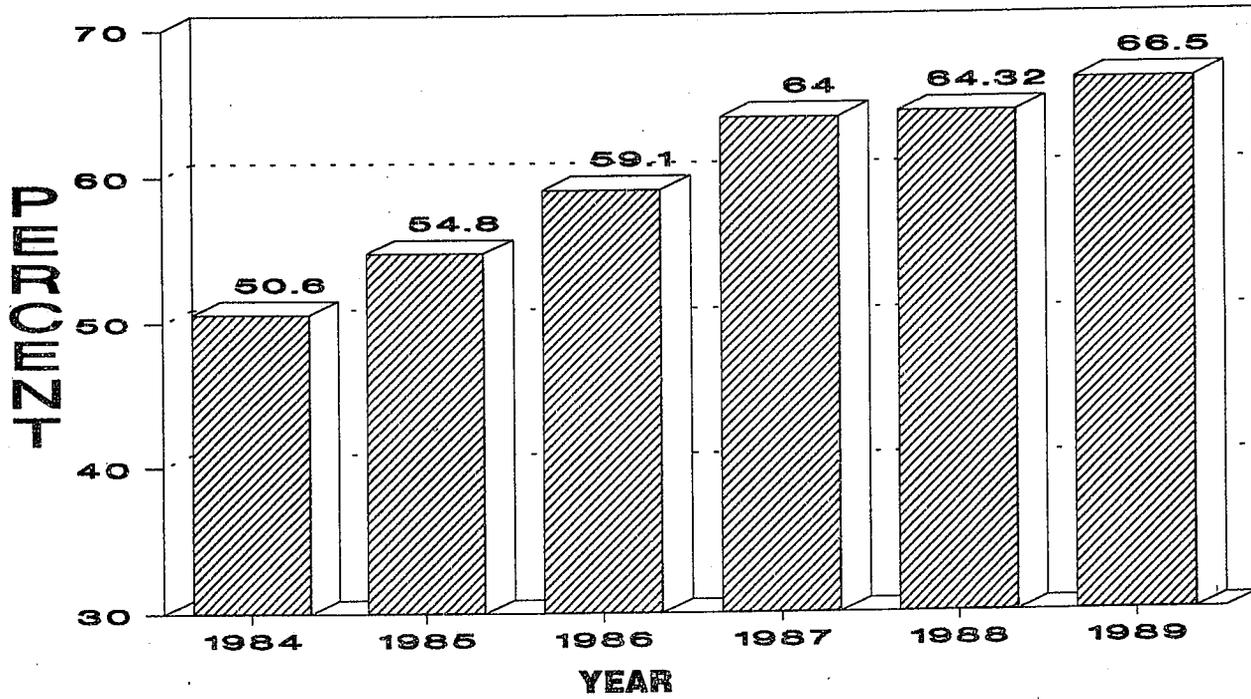
<b>Amount</b>	<b>\$345,377,000</b>	<b>\$348,689,000</b>
<b>Amortization Period</b>	<b>28 years</b>	<b>27 years</b>

**1989 Benefit Increase**

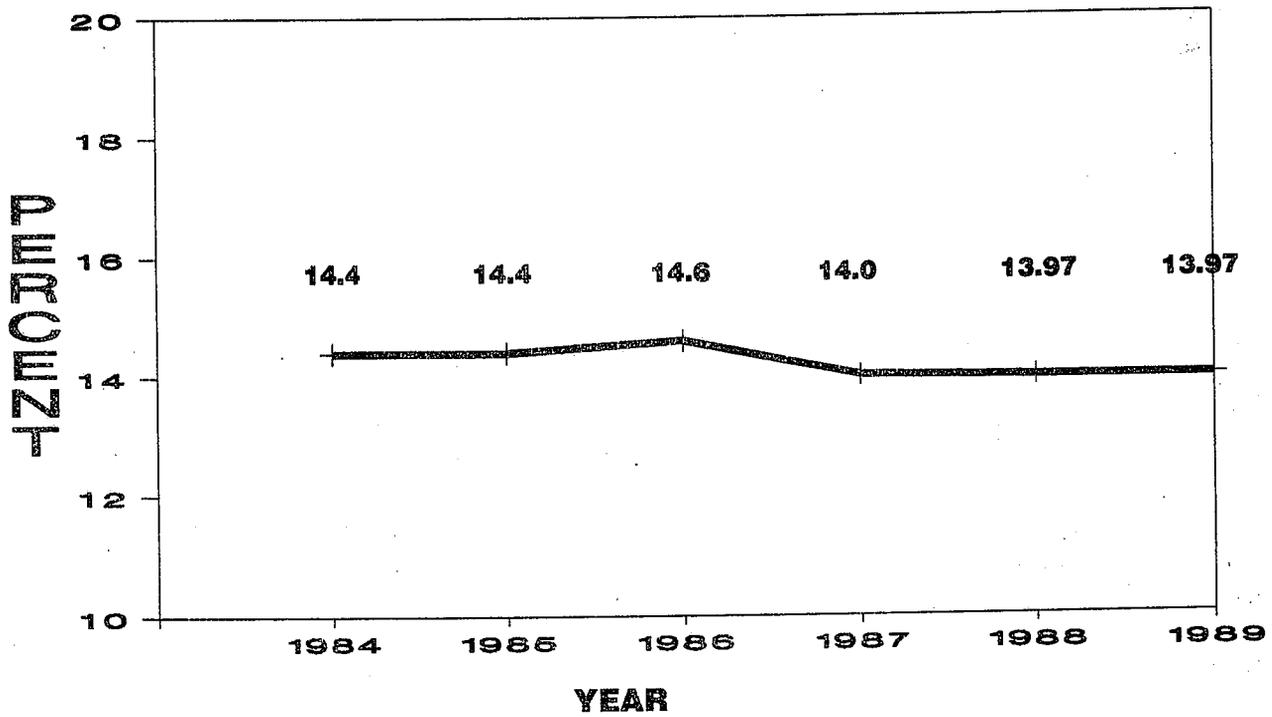
<b>Amount</b>	<b>\$100,000,000</b>	<b>\$101,205,000</b>
<b>Amortization Period</b>	<b>30 years</b>	<b>29 years</b>

6. The indicated member contribution for 6/30/89 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 6/30/89 is the average of those two groups as presently constituted.

### PSERS FUNDING RATIO TREND



### PSERS NORMAL COST TREND



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## Commission Review of PMRS Actuarial Valuation Report.

At the December 12, 1990, meeting of the Commission, the staff presented summaries of the January 1, 1989, actuarial valuation report and the December 31, 1989, comprehensive annual financial report of the Pennsylvania Municipal Retirement System. The following are some significant facts contained in these reports.

### VALUATION INFORMATION

The January 1, 1990, actuarial valuation for the Pennsylvania Municipal Retirement System will not be completed until March, 1991. The following summary data is from the January 1, 1989 valuation.

<u>Membership</u>	<u>1/1/89</u>
Active Members	6,979
Number of Municipalities with Defined Benefit	452
Deferred Vested Members	91
Retired Members	1,590
Survivors & Beneficiaries	227

### Payroll and Annuities

Total Annual Payroll	\$146,262,900
Annual Annuities & Benefits	\$ 7,895,500

### Valuation Date

Assets	\$222,990,000
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### Support

Member	\$ 5,630,152
Municipal	\$13,850,799

The Pennsylvania Municipal Retirement System (PMRS) was established to provide pension administrative services to any municipality or authority within the Commonwealth the 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. Because each actuarial item is calculated separately for each municipality and affects only the contribution rate for that municipality, the PMRS actuary does not include data on the accrued liability and the funding costs of the system in the valuation.

**ANNUAL FINANCIAL REPORT**

In addition to its annual valuation, the Pennsylvania Municipal Retirement System prepares a yearly Comprehensive Financial Report for the fiscal year. The financial report for December 31, 1989, was published in May of 1990. The following information was contained in that report.

**FINANCIAL DATA**

	<u>12/31/1989</u>	<u>12/31/1988</u>
Assets	\$261,912,372	\$236,219,802
Liabilities	<u>2,233,935</u>	<u>2,377,124</u>
Fund Balance		
Member Reserve	62,045,550	57,499,012
Municipal Accounts	99,618,111	85,847,260
Retired Members' Reserves	80,350,902	72,587,960
Disability Reserve	1,263,475	1,082,840
Undistributed Earnings	16,400,399	16,825,606
Operating Revenues		
Member Contributions	\$ 5,983,693	\$ 5,630,152
Municipal Contributions	17,457,290	13,657,999
Assessment	198,460	192,800
Investment Income	<u>20,488,089</u>	<u>14,620,070</u>
	\$44,127,532	\$34,101,021
Operating Expenses		
Annuity Benefits	\$ 8,365,751	\$ 7,406,401
Disability Benefits	659,164	489,130
Terminations	7,545,265	6,465,019
Administrative	<u>1,721,593</u>	<u>1,461,123</u>
	\$18,291,773	\$15,821,673

**ADDITIONAL ACTUARIAL DATA**

Changes to the Pension Benefit Obligation Since the Prior Year

	Increase/Decrease
Plans Joining System	2,542,500
Plans Withdrawing from System	(2,784,200)
Legislated Police/Fire Postretirement Adjustment	883,000

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



**OTHER ACTIVITIES**



## OTHER ACTIVITIES

### Sunset Performance Audit.

Under the Public Employee Retirement Study Commission Act and the Sunset Act, the Legislative Budget and Finance Committee of the General Assembly conducted a sunset performance audit of the Commission beginning in late 1989 and continuing through the first half of 1990. The auditing team carried out its audit in accordance with the standards for performance and financial and compliance auditing developed by the United States General Accounting Office. This involved obtaining sufficient competent evidential material in order to permit the auditors to express an opinion in a written report evaluating the management and performance of the Commission based on the statistics of its operations. The audit had to determine whether the Commission is conducting authorized activities or programs in a manner consistent with accomplishing the objectives intended by the General Assembly and is conducting programs and activities and expending funds made available in a faithful, efficient, economical and effective manner. The Commission, its staff, and its advisory committees devoted considerable time and effort to responding to the requests of the auditors for various kinds of information, material, and data.

In its June 1990 report, the auditors expressed the following opinion regarding the Commission's relationship to public health, safety, and welfare:

The operation of public employee retirement plans is an important governmental function. Public pensions constitute a significant element of employee compensation for both state and local governments and require the commitment of billions of dollars of public revenue for extended periods of time. The Public Employee Retirement Study Commission (PERSC) was created in 1981 in response to growing unfunded pension liabilities and potential insolvencies in many of the Commonwealth's public pension plans. By statute, the Commission is responsible for reviewing proposed pension legislation, studying public pension issues, coordinating policy development, and monitoring the fiscal stability and costs of Pennsylvania's estimated 2,600 public pension systems. The Commission also has responsibilities which relate to the annual allocation of more than \$139 million in state aid to municipal pension systems. Public pension reforms and improvements in pension management, funding, and benefit practices have occurred in Pennsylvania in recent years. The municipal unfunded liability situation also appears to have been stabilized. The Commission has played a direct role in these developments, and its operations and performance have been in the public interest. Termination of the Commission without the continuation of most or all of its functions by another agency or agencies could significantly harm the public welfare by jeopardizing pension benefits for many Commonwealth citizens and potentially increasing taxpayer costs for public pensions.

Copies of the report, A Sunset Performance Audit of the Public Employee Retirement Study Commission, may be obtained from the Legislative Budget and Finance Committee.



**APPENDICES**

• *Staphylococcus aureus* (Staph aureus)  
• *Staphylococcus epidermidis* (Staph epidermidis)  
• *Staphylococcus saprophyticus* (Staph saprophyticus)  
• *Staphylococcus sciuri* (Staph sciuri)  
• *Staphylococcus carnosus* (Staph carnosus)  
• *Staphylococcus hyicus* (Staph hyicus)  
• *Staphylococcus saprocyticus* (Staph saprocyticus)  
• *Staphylococcus epidermidis* (Staph epidermidis)  
• *Staphylococcus aureus* (Staph aureus)  
• *Staphylococcus saprophyticus* (Staph saprophyticus)  
• *Staphylococcus sciuri* (Staph sciuri)  
• *Staphylococcus carnosus* (Staph carnosus)  
• *Staphylococcus hyicus* (Staph hyicus)  
• *Staphylococcus saprocyticus* (Staph saprocyticus)

## **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 1990 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. Barry J. Buskey - Chairman  
PENNSYLVANIA STATE FIREFIGHTERS ASSOCIATION

Mr. Richard Toth - Vice-Chairman  
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

Ms. Annette Palutis - Secretary  
PENNSYLVANIA STATE EDUCATION ASSOCIATION

Mr. W. Ronald Smeal  
PENNSYLVANIA CHIEFS OF POLICE ASSOCIATION

Mr. Francis P. Bascelli  
PENNSYLVANIA FRATERNAL ORDER OF POLICE

### **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 1990 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	FINAL LEGISLATIVE STATUS
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, 01/20/89
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, 01/23/89
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, 12/14/89
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, 01/23/89
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, 01/23/89
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, 07/08/89
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 (50-0), 10/24/89; Reported as committed by House Education Committee, 05/22/90; Re-referred to House Appropriations Committee, 06/11/90
S. B. 266 P. N. 2480 (Stout)	PSERS and SERS; in PSERS authorizing purchase of service credit for service in the Cadet Nurse Corps and extending from 75 to 95 days the number of days an annuitant may return to full time service without loss of annuity; in SERS defining new and redefining existing words, amending certain purchase of service provisions, making retirement counselors SERS employees, providing for information to be given to terminating members, and prohibiting arbitration awards from changing SERS benefits; in both PSERS and SERS removing statutory interest assumption, authorizing additional investments, and permitting boards to employ own legal counsel and fix compensation of own employees	Passed Senate (48-0), 12/12/89; Reported as committed by House Education Committee, 04/03/90; Re-reported as amended by House Appropriations Committee, 09/24/90; Re-committed to House Appropriations Committee, 11/14/90

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

**SUBJECT**

**FINAL LEGISLATIVE STATUS**

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 (50-0), 06/14/90; Reported as committed by House State Government Committee, 06/26/89; Referred to House Appropriations Committee, 06/27/89
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 (50-0), 06/27/89; Reported as committed by House State Government Committee, 03/13/90; Referred to House Appropriations Committee, 03/19/90
S. B. 374 P. N. 2392 (Corman)	Act providing that where Commonwealth payment to a municipality is over 30 days overdue, Commonwealth must pay interest at the rate for taxes overdue to the Commonwealth	Passed Senate (49-0), 06/29/90; Referred to House Finance Committee, 06/30/90
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, 02/03/89
S. B. 403 P. N. 1766 (Helfrick)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Passed Senate (48-0), 12/12/89; Referred to House Local Government Committee, 12/13/89
S. B. 537 P. N. 570 (Fumo)	The 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, 02/15/89
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, 02/21/89
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, 02/21/89
S. B. 583 P. N. 621 (Fisher)	PMRS, imposing restrictions on investments in Northern Ireland	Referred to Senate Finance Committee, 02/21/89
S. B. 584 P. N. 622 (Fisher)	State Deposits and Depositories, providing limitations on investments in Northern Ireland	Referred to Senate Finance Committee, 02/21/89
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, 02/21/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
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, 02/21/89
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, 03/20/89
S. B. 802 P. N. 882 (Regoli)	The Administrative Code of 1929, providing for the continuation of medical insurance coverage for SERS survivor-spouse annuitants	Reported as committed by Senate Finance Committee, 02/13/90; Re-referred to Senate Appropriations Committee, 03/13/90
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, 04/11/89
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, 04/13/89
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, 04/17/89
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, 05/02/89
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, 05/08/89
S. B. 892 P. N. 1021 (Shaffer)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Referred to Senate Finance Committee, 05/08/89
S. B. 898 P. N. 1027 (Hess)	SERS, permitting purchase of out of state public education service by officers and employees of the Pennsylvania Higher Education Agency	Reported as committed by Senate Finance Committee, 10/02/90; Re-referred to Senate Appropriations Committee, 11/14/90
S. B. 906 P. N. 1035 (Tilghman)	SERS, 1989-90 appropriations bill of \$6,805,000	Act 1989-5A, 07/01/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
S. B. 907 P. N. 1816 (Tilghman)	PSERS, 1990-91 appropriations bill of \$13,757,000 [See H. B. 2462]	Passed Senate (50-0), 06/12/89; Reported as committed by House Appropriations Committee, 6/19/89; Re-reported as amended by House Appropriations Committee, 12/12/89; Re-committed to House Appropriations Committee, 01/29/90
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, 05/10/89
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, 05/10/89
S. B. 929 P. N. 1984 (Hess)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), 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 and 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	Act 1990-119, 07/11/90
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, 05/31/89
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	Vetoed by the Governor (Veto No. 2), 03/28/90
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, 07/07/89
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, 09/26/89
S. B. 1284 P. N. 2286 (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	Reported as amended by Senate Local Government Committee, 06/12/90; Laid on the table, 06/29/90

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
S. B. 1307 P. N. 2581 (Armstrong)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), basing the minimum municipal obligation on the payroll on the date of determination and calculating the obligation to include general municipal pension plan state aid	Act 1990-189, 12/18/90
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. 2287 (Armstrong)	Local Government Employee Retirement System Fiduciary Act	Reported as amended by Senate Local Government Committee 06/12/90; Laid on the table, 06/29/90
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
S. B. 1404 P. N. 1838 (Andrezeski)	SERS, increasing permitted venture capital investments from 1% to 2%, requiring preference for Pennsylvania firms where all 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
S. B. 1480 P. N. 1956 (Stapleton)	Public School Code of 1949, providing for retirement credit purchase for time spent on leave of absence as a county elected official	Referred to Senate Finance Committee, 02/14/90
S. B. 1506 P. N. 1987 (Holl)	Volunteer Firemen's Relief Association Act, providing for the expenditure of funds to assist firefighters with 20 years of active service who have attained the age of 65	Passed Senate (50-0), 06/26/90; Reconsidered (Voice Vote), 06/26/90; Passed Senate (50-0), 06/27/90; Referred to House Local Government Committee, 06/28/90
S. B. 1508 P. N. 1989 (Greenleaf)	Volunteer Firemen's Relief Association Act, providing for the expenditure of funds to assist firefighters with 20 years of active service who have attained the age of 65	Referred to Senate Finance Committee, 03/13/90
S. B. 1522 P. N. 2011 (Hess)	Public School Code of 1949, providing for the employment of professionals who are PSERS annuitants for more than 75 consecutive full days or 75 consecutive half days in the event of an extended emergency and when no non retired certified professional is available	Referred to Senate Education Committee, 03/15/90
S. B. 1534 P. N. 2027 (Holl)	SERS, authorizing SERS members who are qualified veterans, have 20 years of service, and are age 50 or over, upon termination of service, to convert their medical, major medical, and hospitalization coverage to the plan for SERS annuitants	Referred to Senate Finance Committee, 03/20/90

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
S. B. 1535 P. N. 2328 (Greenleaf)	Judicial Code, exempting retirement or annuity fund under section 401(a), 403(a) and (b), 408, or 409 of the Internal Revenue Code of a judgment debtor from attachment or execution on a judgment	Act 1990-128, 10/12/90
S. B. 1544 P. N. 2130 (Tilghman)	SERS, 1990-91 appropriations bill of \$8,294,000	Act 1990-4A, 6/30/90
S. B. 1545 P. N. 2131 (Tilghman)	PSERS, 1990-91 appropriations bill of \$14,385,000 [See H. B. 2462.]	Passed Senate (49-0), 04/25/90; Referred to House Appropriations Committee, 05/21/90
S. B. 1589 P. N. 2154 (Fumo)	Public School Code of 1949, granting health plan options to survivor spouses of PSERS annuitants	Referred to Senate Education Committee, 04/27/90
S. B. 1600 P. N. 2166 (Lewis)	Southeastern Pennsylvania Economic Development Authority Act, providing for the establishment, membership, powers, and operations of the authority, including right and power to set up a retirement or pension fund for its employees	Referred to Senate Finance Committee, 04/30/90
S. B. 1632 P. N. 2214 (Rocks)	Special Ad Hoc Municipal Police and Firefighter Post-retirement Adjustment Act, adding the ad hoc adjustment to the base pension for all pension computation purposes	Referred to Senate Finance Committee, 05/30/90
S. B. 1708 P. N. 2385 (Greenleaf)	Special Ad Hoc Municipal Police and Firefighter Post-retirement Adjustment Act, changing the amount of the special ad hoc adjustment to \$25 a month for any retired police officer or firefighter who has been retired at least 5 but less than 10 years	Referred to Senate Finance Committee, 6/26/90
S. B. 1711 P. N. 2630 (Fisher)	Port of Pittsburgh Commission Act, providing for the establishment, membership, powers, and operations of the commission, and its Pittsburgh Regional Intermodal Freight Corporation, including their powers and duties to set up a retirement or pension fund for their employees	Act 1990-197, 12/19/90
S. B. 1746 P. N. 2603 (Brightbill)	PSERS, establishing a health insurance account to be administered by the system, increasing contributions for certain employees, and further providing for investment earnings of the pension trust fund	Passed Senate (48-0), 11/20/90
S. B. 1775 P. N. 2489 (Bell)	Deposits of Commonwealth funds, prohibiting investments in corporations incorporated in a state that prohibits investment of state or public employee retirement system funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee, 09/25/90

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
S. B. 1776 P. N. 2490 (Bell)	PSERS and SERS, prohibiting investments in corporations incorporated in a state that prohibits investment of state or public employee retirement systems funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee, 09/25/90
S. B. 1777 P. N. 2491 (Bell)	PMRS, prohibiting investments in corporations incorporated in a state that prohibits investment of state or public employee retirement system funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee, 09/25/90
S. B. 1797 P. N. 2526 (Dawida)	Constitution of Pennsylvania, amending section 17 of article 1 to except pension forfeiture for a public official sentenced for a felony from the prohibition on impairment of contracts	Referred to Senate Judiciary Committee, 09/27/90
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, 01/18/90
H. B. 16 P. N. 4102 (Lloyd)	County Pension Law, removing restriction on membership for per diem employees, removing the pre January 1, 1984, restrictions on benefits to not exceed those of the highest paid elected county official, imposing a restriction on membership on county employees working less than 1,000 hours a year, permitting payment of retirement system administrative expenses out of pension trust fund, permitting board to authorize members to reduce member contributions to lower classes, removing permission for board to give service credit for per diem employment of at least 200 days a year, requiring the granting of service credit for part time service in excess of 1,000 hours a year, removing military service after September 1, 1940, from non intervening military service credit purchase provisions, changing contributions for purchase of non intervening military service from contribution rates at time of entry into county service plus interest to 10% plus regular interest, adding election to the General Assembly to involuntary retirement provisions, removing requirement that the pension of a retiree who returns to county service as a per diem employee for more than 30 days cease, and requiring the pension of any retiree who returns to part time service with the county to be proportionately reduced	Act 1990-136, 11/21/90
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 as amended by House Education Committee, 01/31/89; Re-committed to House Appropriations Committee, 02/06/89
H. B. 95 P. N. 178 (Burns)	PSERS, providing for creditable nonschool service for previous service in an accredited nonpublic school or college	Reported as amended by House Education Committee, 01/31/89; Re-committed to House Appropriations Committee, 02/06/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
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 as amended by House Education Committee, 01/31/89; Re-committed to House Appropriations Committee, 02/06/89
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, 01/25/89
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, 01/25/89
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, 01/25/89
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, 01/25/89
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, 01/25/89
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, 01/25/89
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, 01/25/89
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, 01/25/89
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, 01/30/89
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, 01/30/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
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 as committed by House Education Committee, 04/25/89; Re-committed to House Appropriations Committee, 05/01/89
H. B. 253 P. N. 3040 (Caltagirone)	The Third Class City Code, permitting vesting in police officer retirement systems after 12 years, providing for the vested amount, and defining "salary" as the fixed amount of compensation paid at regular, periodic intervals	Act 1990-178, 12/17/90
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 as committed by House State Government Committee, 06/13/89; Re-committed to House Appropriations Committee, 09/27/89
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, 02/08/89
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 as amended by House State Government Committee, 06/21/89; Re-committed to House Appropriations Committee, 09/27/89
H. B. 375 P. N. 2032 (Mowery)	The Administrative Code of 1929, providing for the continuation of medical insurance coverage for survivor-spouses of SERS annuitants	Reported as amended by House State Government Committee, 06/13/89; Re-committed to House Appropriations Committee, 09/27/89
H. B. 388 P. N. 3146 (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	Passed House (193-0), 03/21/90; Referred to Senate Local Government Committee, 03/27/90
H. B. 452 P. N. 3769 (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 age 70	Passed House (196-1), 03/14/90; Reported as amended by Senate Judiciary Committee, 06/19/90; Laid on the table, 06/27/90
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, 02/14/89
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, 02/15/89
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 as committed by House State Government Committee, 06/13/89; Re-committed to House Appropriations Committee, 09/27/89

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

**SUBJECT**

**FINAL LEGISLATIVE STATUS**

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
H. B. 615 P. N. 683 (Josephs)	PSERS, including certain service in the Cadet Nurse Corps as creditable nonschool service	Reported as committed by House Education Committee, 04/11/89; Re-committed to House Appropriations Committee, 04/17/89
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, 03/07/89
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, 03/07/89
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, 03/13/89
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 as committed by House Local Government Committee, 11/29/89; Re-committed to House Appropriations Committee, 12/05/89
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, 03/13/89
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, 03/14/89
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, 03/14/89
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, 03/14/89
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, 03/14/89
H. B. 813 P. N. 904 (Van Horne)	The 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, 03/14/89
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, 03/14/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
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, 03/14/89
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, 03/14/89
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, 03/14/89
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, 03/14/89
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, 03/14/89
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 as amended by House Military and Veterans Affairs Committee, 05/22/89; Re-committed to House Appropriations Committee, 05/30/89
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, 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 [See S. B. 929.]	Reported as amended 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, 04/03/89
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, 04/03/89
H. B. 869 P. N. 987 (Murphy)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1988-205), imposing restrictions on investments in Northern Ireland	Referred to House Finance Committee, 04/03/89
H. B. 870 P. N. 988 (Murphy)	PMRS, imposing restrictions on investments in Northern Ireland	Referred to House Finance Committee, 04/03/89

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

**SUBJECT**

**FINAL LEGISLATIVE STATUS**

H. B. 871 P. N. 989 (Murphy)	State Deposits and Depositories, providing limitations on investments in Northern Ireland	Referred to House Finance Committee, 04/03/89
H. B. 895 P. N. 3609 (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	Act 1990-205, 12/19/90
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, 04/04/89
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, 04/05/89
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 as committed 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 as amended by House Local Government Committee, 10/17/89; Re-committed to House Appropriations Committee, 10/23/89
H. B. 1069 P. N. 4095 (Pievsky)	PSERS and SERS; in PSERS authorizing purchase of service credit for service in the Cadet Nurse Corps and extending from 75 to 95 days the number of days an annuitant may return to full time service without loss of annuity; in SERS defining new and redefining existing words, amending certain purchase of service provisions, making retirement counselors SERS employees, providing for information to be given to terminating members, and prohibiting arbitration awards from changing SERS benefits; and in both PSERS and SERS removing statutory interest assumption, authorizing additional investments, imposing McBride Principles on investments, limiting purchase of non intervening military service to a total of 5 years in both systems placing burden of proof on continued disability on member, and permitting boards to employ own legal counsel and fix compensation of own employees	Passed House (200-0), 06/20/89; Passed Senate (45-4), 09/26/90; Referred to House Rules Committee, 09/26/90
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, 04/12/89
H. B. 1180 P. N. 1358 (McNally)	Municipal Police Pension Law (Act 600), requiring benefits for survivors of employees and retirees	Reported as committed by House Local Government Committee, 05/30/89; Re-committed to House Appropriations Committee, 06/05/89

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
H. B. 1212 P. N. 1395 (Saloom)	PSERS, extending 1988 COLA to members who retire before July 1, 1990	Referred to House Education Committee, 04/18/89
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, 04/18/89
H. B. 1236 P. N. 1424 (Argall)	State Employes Group Life Insurance Law, providing that benefits shall continue and not be reduced upon retirement	Reported as committed by House Insurance Committee, 10/17/89; Re-referred 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)	Reported as committed by House Urban Affairs Committee, 02/13/90; Re-committed to House Appropriations Committee, 03/13/90
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)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/22/90
H. B. 1257 P. N. 3192 (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)	Passed House (191-0), 03/20/90; Referred to Senate Finance Committee, 03/22/90
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)	Passed House (189-0), 03/20/90; Referred to Senate Finance Committee, 03/22/90
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)	Passed House (188-1), 03/20/90; Referred to Senate Finance Committee, 03/22/90
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)	Passed House (189-0), 03/20/90; Referred to Senate Finance Committee, 03/22/90
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)	Passed House (188-0), 03/20/90; Referred to Senate Finance Committee, 03/22/90
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)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90

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

**SUBJECT**

**FINAL LEGISLATIVE STATUS**

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)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
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)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
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)	Passed House (188-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
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)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
H. B. 1267 P. N. 1460 (Van Horne)	The Third Class City Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
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)	Passed House (192-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
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)	Passed House (191-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
H. B. 1270 P. N. 1463 (Van Horne)	The Borough Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
H. B. 1271 P. N. 1464 (Van Horne)	The Second Class Township Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Passed House (191-0), 03/20/90; Referred to Senate Finance Committee, 03/26/90
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)	Passed House (190-0), 03/20/90; Referred to Senate Finance Committee, 03/27/90
H. B. 1297 P. N. 1501 (Gigliotti)	Pittsburgh Nonuniformed Employees Retirement System, adding two pensioners to the pension board	Reported as committed by House Urban Affairs Committee, 02/13/90; Re-committed to House Appropriations Committee, 03/13/90

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
H. B. 1332 P. N. 2636 (Mowery)	Local Government Employee Retirement System Fiduciary Act	Reported as amended 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 as committed by House Education Committee, 05/22/89; Re-committed to House Appropriations Committee, 05/30/89
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, 05/01/89
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 as amended by House Education Committee, 05/30/89; Re-committed to House Appropriations Committee, 06/05/89
H. B. 1408 P. N. 1646 (Veon)	The Third Class City Code, deleting provision requiring permission of council for police officer or firefighter to purchase nonintervening military service	Referred to House Urban Affairs Committee, 05/22/89
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, 05/22/89
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, 05/22/89
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, 05/22/89
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, 07/10/89
H. B. 1519 P. N. 2228 (Pievsky)	SERS, 1989-90 appropriations bill of \$6,805,000 [See S. B. 906]	Passed House (202-0), 06/13/89; Reported as amended by Senate Appropriations Committee, 06/27/89; Re-committed to Senate Appropriations Committee, 09/18/89
H. B. 1520 P. N. 1774 (Pievsky)	PSERS, 1989-90 appropriations bill of \$13,757,000	Act 1989-8A, 07/01/89
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, 05/23/89

**BILL NUMBER****PRINTER'S NUMBER****(PRIME SPONSOR)****SUBJECT****FINAL LEGISLATIVE STATUS**

<b>BILL NUMBER</b> <b>PRINTER'S NUMBER</b> <b>(PRIME SPONSOR)</b>	<b>SUBJECT</b>	<b>FINAL LEGISLATIVE STATUS</b>
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, 05/23/89
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, 05/30/89
H. B. 1631 P. N. 2674 (Belfanti)	SERS, increasing permitted venture capital investments from 1% to 2% of assets	Passed House (181-13), 12/05/89; Referred to Senate Finance Committee, 12/07/89
H. B. 1664 P. N. 1992 (Coy)	SERS, making previous service with a county, city, borough, town, or township creditable nonstate service	Reported as committed by House State Government Committee, 12/13/89; Re-committed to House Appropriations Committee, 1/29/90
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 (200-1), 06/27/89; Referred to Senate Finance Committee, 06/28/89
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, 06/19/89
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	Reported as committed by House Finance Committee, 04/02/90; Re-committed to House Appropriations Committee, 04/04/90
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, 09/18/89
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, 09/18/89
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, 09/18/89
H. B. 1987 P. N. 2575 (Pistella)	Special Ad Hoc Municipal Police and Firefighter Post-retirement 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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
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, 12/06/89
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, 12/06/89
H. B. 2224 P. N. 2969 (O'Donnell)	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 of 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	Referred to House Local Government Committee, 01/24/90
H. B. 2226 P. N. 2971 (Fairchild)	Constitution of Pennsylvania, adding section 18 to article 8 to provide for spending limitations on the Commonwealth and its political subdivisions including requiring actuarial funding of future retirement liabilities and excluding funding of unfunded actuarial accrued liabilities on the effective date of the amendment	Referred to House State Government Committee, 01/24/90
H. B. 2335 P. N. 3157 (Stairs)	Constitution of Pennsylvania, adding section 18 to article 8 to restrict the power of the Commonwealth to require political subdivisions to spend money but excepting financing of pension benefits existing on the effective date of the amendment	Referred to House State Government Committee, 03/14/90

**BILL NUMBER****PRINTER'S NUMBER****(PRIME SPONSOR)****SUBJECT****FINAL LEGISLATIVE STATUS**

H. B. 2340 P. N. 3168 (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)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2341 P. N. 3169 (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)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2342 P. N. 3170 (Van Horne)	PMRS, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2343 P. N. 3171 (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)	Reported as committed by House Local Government Committee, 05/30/90; Re-committed to House Appropriations Committee, 06/05/90
H. B. 2344 P. N. 3172 (Van Horne)	The First Class Township Code, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2345 P. N. 3173 (Van Horne)	Scranton Police Officers and Firefighters Retirement System, technical amendments bringing it into conformity with the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2346 P. N. 3174 (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) [See H. B. 2343.]	Referred to House Local Government Committee, 03/19/90
H. B. 2347 P. N. 3175 (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)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2348 P. N. 3176 (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)	Reported as committed by House Local Government Committee, 09/24/90; Laid on the table, 09/24/90
H. B. 2438 P. N. 3330 (Mayernik)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Referred to House State Government Committee, 04/04/90

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
H. B. 2439 P. N. 3331 (S. H. Smith)	Local Mandates Funding Act, requiring Commonwealth funding for programs and services that political subdivisions are mandated to provide; establishing the Office of Local Mandates and the Political Subdivision Mandates Appeal Board; conferring powers and duties upon the office, the board, and Department of Community Affairs; providing for remedies; and making an appropriation	Referred to House Local Government Committee, 04/04/90
H. B. 2461 P. N. 3543 (Pievsky)	SERS, 1990-91 appropriations bill of \$8,294,000 [See S. B. 1544.]	Passed House (195-0), 05/30/90; Reported as committed by Senate Appropriations Committee, 06/11/90; Re-committed to Senate Appropriations Committee, 06/19/90
H. B. 2462 P. N. 3544 (Pievsky)	PSERS, 1990-91 appropriations bill of \$14,385,000	Act 1990-3A, 06/30/90
H. B. 2475 P. N. 3392 (Fox)	An act limiting increases in budgets of non home rule municipalities to the increase in the CPI-U of the previous year	Referred to House Local Government Committee, 04/23/90
H. B. 2496 P. N. 3446 (Pitts)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), requiring municipalities to pay volunteer firemen's relief associations the interest earned on foreign fire insurance premium tax distributions while in the custody of the municipalities	Referred to House Local Government Committee, 04/25/90
H. B. 2498 P. N. 3448 (Wass)	SERS, further defining "enforcement officer" to include campus security personnel employed by State-owned educational institutions and The Pennsylvania State University	Referred to House State Government Committee, 04/25/90
H. B. 2565 P. N. 3531 (Herman)	Tax Reform Code of 1971, further defining "compensation" to exclude payments to qualified retirement plans	Referred to House Finance Committee, 05/22/90
H. B. 2582 P. N. 3557 (Dombrowski)	Additional appropriation of \$1,270,000 from the General Fund to the Auditor General for FY 1989-90 for transfer to the Supplemental State Assistance Fund for Municipal Pension System State Aid to the City of Erie	Referred to House Appropriations Committee, 05/23/90
H. B. 2648 P. N. 3664 (Harper)	Third Class City Optional Retirement Law, providing for withdrawal of contributions with interest	Referred to House Urban Affairs Committee, 06/06/90
H. B. 2649 P. N. 3665 (Harper)	Third Class City Optional Retirement Law, removing provisions regarding contributions by previous non-members	Referred to House Urban Affairs Committee, 06/06/90

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

**SUBJECT**

**FINAL LEGISLATIVE STATUS**

H. B. 2650 P. N. 3666 (Harper)	Third Class City Optional Retirement Law, requiring board to provide a written explanation of rights, benefits, and entitlements to members	Referred to House Urban Affairs Committee, 06/06/90
H. B. 2651 P. N. 3667 (Harper)	Third Class City Optional Retirement Law, providing for retirement with 20 years of service without continuing contributions until age 55	Referred to House Urban Affairs Committee, 06/06/90
H. B. 2652 P. N. 3668 (Harper)	The Third Class City Code, providing for withdrawal of contributions with interest of 4% to 5½%	Referred to House Urban Affairs Committee, 06/06/90
H. B. 2653 P. N. 3669 (Harper)	The Third Class City Code, requiring board to provide a written explanation of rights, benefits, entitlements to members	Referred to House Urban Affairs Committee, 06/06/90
H. B. 2654 P. N. 3670 (Harper)	Third Class City Optional Retirement Law, removing 15 years of service requirement for receiving permanent disability compensation	Referred to House Urban Affairs Committee, 06/06/90
H. B. 2661 P. N. 3678 (Freeman)	Third Class City Optional Retirement Law, permitting board to grant an annual cost-of-living increase in retirement allowances	Referred to House Urban Affairs Committee, 06/11/90
H. B. 2735 P. N. 4032 (Maiale)	PSERS and SERS, excepting boards from terms, conditions, limitations, and restrictions imposed on other administrative boards in making investments; adopting prudent-man rule instead of "legal-list" of authorized investments; and permitting use of various vehicles of investment	Referred to House Appropriations Committee, 06/27/90
H. B. 2736 P. N. 4033 (Maiale)	PSERS and SERS, exempting boards from terms, conditions, limitations, and restrictions imposed on other administrative boards in making investments	Referred to House Appropriations Committee, 06/27/90
H. R. 343 P. N. 3883 (F. Taylor)	Resolution directing the House Business and Commerce Committee to conduct a thorough review of the investment policies of the public employee retirement systems	Referred to House Rules Committee, 06/27/90
H. B. 2779 P. N. 3886 (Pievsky)	Liquor Code, eliminating the transfer of funds to the Enforcement Officer's Retirement Account in the State Stores Fund, providing for the transfer of funds remaining in the account to the General Fund, and providing for the transfer of \$5,000,000 from the Enforcement Officers Benefit Account in the SERS to the General Fund	Reported as committed by House Appropriations Committee, 06/27/90; Re-committed to House Appropriations Committee, 11/14/90
H. B. 2789 P. N. 3904 (Murphy)	Ports of Pittsburgh Commission Act, providing for the establishment, membership, powers, and operations of the commission, including the power and duty to set up a retirement or pension fund for its employees [See S.B. 1711.]	Referred to House State Government Committee, 06/28/90

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	FINAL LEGISLATIVE STATUS
H. B. 2808 P. N. 3967 (Kaiser)	PMRS, permitting members to purchase service credit for service with the Commonwealth	Referred to House Local Government Committee, 07/01/90
H. B. 2811 P. N. 3970 (Vroon)	PSERS, replacing the State Treasurer with a master trustee, requiring reporting of payments in accordance with generally accepted accounting principles, and requiring annual audits by independent auditor	Referred to House Education Committee, 07/01/90
H. B. 2820 P. N. 3979 (Levdansky)	SERS, prohibiting investments in a tobacco company or in its parent company	Referred to House State Government Committee, 07/01/90
H. B. 2825 P. N. 3984 (Levdansky)	Constitution of Pennsylvania, amending section 17 of article 1 to except pension forfeiture for a public official sentenced for a crime from the prohibition on impairment of contracts	Referred to House State Government Committee, 07/01/90
H. B. 2833 P. N. 3992 (Veon)	PSERS and SERS, permitting academic or degreed professional annuitants to render half time or less service in PSERS or SERS affiliated institutions of higher education without suspension of annuity	Referred to House Education Committee, 07/01/90
H. B. 2887 P. N. 4066 (Reber)	Special Ad Hoc Municipal Police and Firefighters Postretirement Adjustment Act, amending the act retroactive to January 1, 1989, to make retirees who had been retired at least four rather than at least five years eligible for the \$25 a month postretirement adjustment	Referred to House Local Government Committee, 09/25/90
H. B. 2894 P. N. 4149 (Levdansky)	Constitution of Pennsylvania, amending section 17 of article 1 to except pension forfeiture for a public official sentenced for a felony from the prohibition on impairment of contracts	Referred to House State Government Committee, 09/26/90
H. B. 2926 P. N. 4301 (Civera)	PMRS, deleting municipal accounts from accounts to which excess interest may be credited	Referred to House Local Government Committee, 10/01/90
H. B. 2935 P. N. 4160 (Colaizzo)	Unemployment Compensation Law, excluding from deductible proceeds of pension paid out prematurely to individual under 59½ and invested in an IRA from which it cannot be withdrawn until age 59 1/2	Referred to House Labor Relations Committee, 11/12/90
H. B. 2965 P. N. 4223 (Saloom)	SERS, requiring all members to be members of the State Employees' Retirement Health Program and requiring all costs of the program to be paid by the Commonwealth	Referred to House State Government Committee, 11/12/90
H. B. 2998 P. N. 4256 (James)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, providing for annual adjustments based upon increase in the CPI-U, extending the adjustments to include survivors, and providing for a supplement from the General Fund	Referred to House Local Government Committee, 11/12/90



# APPENDIX E

## PENNSYLVANIA

### PUBLIC EMPLOYEE RETIREMENT SYSTEMS

#### FACT SHEET

#### A. FUNDING.

- 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%

- 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%

- 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.

**A. FUNDING. (Continued)**

- 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%

- 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.
- The per member unfunded actuarial accrued liability in the State Employees' Retirement System (SERS) increased 248.2% from 1973 to 1988.
- The per member unfunded actuarial accrued liability in the Public School Employees' Retirement System (PSERS) increased 279.3% from 1973 to 1989.
- The per member unfunded actuarial accrued liability in the local government retirement systems increased 98.1% from 1977 to 1987.

**B. BENEFITS.**

- 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%.
- 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.
- 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.
- 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.**

- 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>
<b>Total</b>	<b>425,082</b>	<b>222,076</b>	<b>647,158</b>	<b>1.914/1</b>

- 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	1
<b>Total</b>	<u>2,512</u>

- 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 Member</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>
<b>Total</b>	<b>2,510</b>	<b>100.0%</b>

#### D. LEGISLATION.

- 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.

- 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).

- 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.