1993
ANNUAL REPORT
OF THE
PUBLIC EMPLOYEE RETIREMENT
COMMISSION

Public Employee Retirement Commission
Commonwealth of Pennsylvania
March, 1994

PUBLIC EMPLOYEE RETIREMENT COMMISSION

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT COMMISSION
HARRISBURG
17120

March, 1994

To: Governor Casey and
Members of the Pennsylvania General Assembly

As required by the Public Employee Retirement Commission Act, this annual public report is issued to summarize the Commission's findings, recommendations, and activities for the year 1993.

During 1993, the Commission authorized the attachment of twenty actuarial notes to twenty-two 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 Employes' Retirement System and the Public School Employes' Retirement System. This report also describes research conducted during 1993 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 Commission and its staff, I am pleased to submit the eleventh 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 1993.

Sincerely,

Dale D. Stone

Dale D. Stone
Chairman

INTRODUCTION

The Public Employee Retirement Commission was created in 1981 by the Public Employee Retirement 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 Commission Act, the Commission has two main responsibilities. One is to issue the required actuarial notes for proposed legislation affecting public employee retirement systems. The other is to study, on a continuing basis, public employee retirement system policy, the interrelationships of the several systems, and their actuarial soundness and cost.

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

One of the other responsibilities of the Commission under the Public Employee Retirement 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 eighth 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 1993.

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PART I

PREPARATION OF ACTUARIAL NOTES AND ADVISORY NOTES

A. STATUTORY PROVISIONS.

The Public Employee Retirement 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 1992 ACTIVITY.

During 1993, the Commission authorized the attachment of twenty actuarial notes to twenty-two bills. In addition, the Commission's staff provided the General Assembly with sixteen advisory notes.

C. SYNOPSES OF ADVISORY NOTES.

- Senate Bill 712, Printer's Number 765. At the request of Senator Allyson Y. Schwartz, Chairwoman, Senate State Government Committee, the Commission staff provided an Advisory Note on Senate Bill 712, Printer's Number 765, to her on July 9, 1993. The bill would have amended the State Employees' Retirement Code to require the State Employes' Retirement System (SERS) to pay $55 a month to a health insurance carrier as health insurance premium assistance for each SERS annuitant who (1) is age 65 or older, (2) had or will have at least 15 years of service credit at retirement, and (3) is not enrolled or does not enroll in a Commonwealth sponsored health insurance plan.

- Amendment 3130 to Senate Bill 1068, Printer's Number 1369. At the request of Representative Jess M. Stairs, Minority Chairman, House Education Committee, the Commission staff provided an Advisory Note on Amendment 3130 the Senate Bill 1068, Printer's Number 1369, to him on June 21, 1993. The amendment would have amended the Public School Employees' Retirement Code to provide an additional monthly supplemental annuity based on years of service and retirement effective January 1, 1994, to about 100,263 annuitants who began receiving an annuity before July 2, 1992. About 84,563 of these annuitants would receive the supplemental annuity immediately in January 1994, while about 15,700 early retirees would receive their supplemental annuities as they attain regular retirement age. The amount of the monthly supplemental annuity would be the sum of the product of $2.00 multiplied by the number of years of credit service plus the product of $2.00 multiplied by the number of years on retirement on July 1, 1993, plus two percent of the sum of the two products.

- <u>Amendment 3629 to Senate Bill 1068, Printer's Number 1369</u>. At the request of Representative Dwight Evans, Chairman, House Appropriations Committee, the Commission staff provided an Advisory Note on Amendment 3629 to Senate Bill 1068, Printer's Number 1369, to him on August 2, 1993. The amendment would have amended both the Public School Employees' Retirement Code and the State Employees' Retirement Code to provide additional monthly supplemental annuities beginning on July 1, 1994, based on one-half of the increase in the consumer price index to annuitants whose effective dates of retirement were before July 1, 1991. About 98,200 Public School Employes' Retirement System annuitants and about 68,200 State Employes' Retirement System annuitants would be eligible. Those whose effective dates of retirement were July 1, 1990, through June 30, 1991, would receive an additional 2.8 percent, those whose effective dates of retirement were July 1, 1989, through June 30, 1990, would receive an additional 5.3 percent, and those whose effective dates of retirement were before July 1, 1989, would receive an additional 7.9 percent.

- <u>House Bill 60, Printer's Number 70</u>. At the request of Representative Joseph R. Pitts, Minority Chairman, House Appropriations Committee, the Commission staff provided an Advisory Note on House Bill 60, Printer's Number 70, to him on March 8, 1993. The bill would have amended the Public School Employees' Retirement Code essentially to guarantee a minimum disability benefit of one-third of the employee's final average salary and to make other changes necessary to make the code conform to the requirements of both the Pennsylvania Human Relations act and the Older Workers Benefits Protection Act, which amended the Age Discrimination in Employment Act in response to the holding of the United States Supreme Court in *Public Employees Retirement System of Ohio v. Betts.*

- <u>House Bill 251, Printer's Number 278</u>. At the request of Representative Frank L. Oliver, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 251, Printer's Number 278, to him on March 30, 1993. The bill would have amended the State Employees' Retirement Code to provide for annuitants of the State Employes' Retirement System who are not eligible for Commonwealth fully paid post retirement medical insurance. Annuitants with 20 to 24 years of service credit would have 80 percent of their premiums paid, those with 15 to 19 years, 60 percent, and those with 10 to 15 years, 40 percent.

- <u>House Bill 270, Printer's Number 297</u>. At the request of Representative Frank L. Oliver, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 270, Printer's Number 297, to him on February 18, 1993. The bill would have amended the State Employees' Retirement Code to provide an additional monthly supplemental annuity based on years of service and retirement effective January 1, 1994, to about 70,000 annuitants who began receiving an annuity before July 2, 1992. About 58,000 of these annuitants would receive the supplemental annuity immediately in January 1994, while about 12,000 early retirees would receive their supplemental annuities as they attain regular retirement age. The amount of the supplemental annuity would be the sum of the product of two dollars multiplied by the number of years on retirement on July 1, 1993. This supplemental annuity would be funded over a 20 year period from July 1, 1992.

- Amendment 3655 to House Bill 358, Printer's Number 387. At the request of Representative Frank J. Pistella, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on Amendment 3655 to House Bill 358, Printer's Number 387, to him on September 17, 1993. The amendment would have amended the County Pension Law to permit the governing body of a county not more often than twice within a five-year period, if approved by the county retirement board, to authorize a special early retirement provision not to exceed 12 months. If authorized, active members who were not elected officials or appointees to an elective office would have a 60-day to 120-day period during which to elect retirement under the provisions with a seven-day revocation period. If authorized, the minimum eligibility for early retirement could not be less than age 55 with ten years of credited service or 30 years of credited service with no age requirement. The cost for each early retirement incentive window must be actuarially valued and funded annually over a period not to exceed five years.

- House Bill 727, Printer's Number 791. At the request of Representative Dwight Evans, Chairman, House Appropriations Committee, the Commission staff provided an Advisory Note on House Bill 727, Printer's Number 791, to him on July 12, 1993. The bill would have amended the Public School Employees' Retirement Code to provide an additional monthly supplemental annuity based on years of service and retirement effective January 1, 1994, to about 100,263 annuitants who began receiving an annuity before July 2, 1992. About 84,563 of these annuitants would receive the supplemental annuity immediately in January 1994, while about 15,700 early retirees would receive their supplemental annuities as they attain regular retirement age. The amount of the monthly supplemental annuity would be the sum of the product of $2.00 multiplied by the number of years of credited service plus the product of $2.00 multiplied by the number of years on retirement on July 1, 1993, plus two percent of the sum of the two products.

- House Bill 841, Printer's Number 904. At the request of Representative Frank J. Pistella, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 841, Printer's Number 904, to him on April 13, 1993. The bill would have amended the Special Ad Hoc Municipal Police and Firefighter Post-retirement Adjustment Act to do three things: (1) retroactively grant or increase special ad hoc postretirement adjustments to certain retired municipal public safety officers, with the retiree adjustments being paid for out of the proceeds of the premium tax on casualty insurance sold in Pennsylvania by out of state insurance companies; (2) retroactively repeal the requirement for a reduction in the postretirement adjustments under the Act for any subsequent postretirement adjustments received from a municipal retirement system; and (3) retroactively grant special ad hoc postretirement adjustments to certain survivors of municipal public safety officers, with the survivor adjustments being paid out of the Commonwealth's General Fund in the first year and, in subsequent years, being paid in a decreasing amount out of the General Fund and in an increasing amount out of the proceeds of the foreign casualty insurance premium tax. The bill also would have retroactively required the City of Pittsburgh to pay a minimum pension of $350 a month to each retired public safety officer and survivor of a retired public safety officer.

- House Bill 1006, Printer's Number 1088. At the request of Representative Frank J. Pistella, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 1006, Printer's Number 1088, to him on July 2, 1993. The bill would have amended section 1712 of the Second Class County Code to provide a supplemental monthly retirement benefit of $28 times the member's full years of service as a paid full-time firefighter employed by a county of the second class (Allegheny County). The supplemental benefit would be payable either as a single-life annuity with ten years certain or as a joint and survivor spouse annuity at an actuarially reduced amount.

- House Bill 1007, Printer's Number 1089. At the request of Representative Frank J. Pistella, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 1007, Printer's Number 1089, to him on July 2, 1993. The bill would have amended section 402 of the Municipal Pension Plan Funding Standard and Recovery Act to (1) include firefighters in the determination of the number of employee units used in the allocation of General Municipal Pension System State Aid to a county of the second class (Allegheny County) and (2) require counties receiving General Municipal Pension System State Aid to comply with the actuarial reporting requirements established in chapter 2 of the act.

- House Bill 1613, Printer's Number 1844. At the request of Representative Dwight Evans, Chairman, House Appropriations Committee, the Commission staff provided an Advisory Note on House Bill 1613, Printer's Number 1844, to him on July 30, 1993, and a Replacement Advisory Note to him on September 13, 1993. The bill would have amended the Public School Employees' Retirement Code to do two things: (1) Effective July 1, 1993, change the amortization payment periods for existing and newly created unfunded actuarial accrued liabilities, supplemental annuity payments, and experience adjustments from 20 to 30 years with the amortization payments increasing five percent a year; and (2) Give annuitants who retired before July 1, 1992, a cost-of-living supplement calculated as a percentage equal to the increase in the Consumer Price Index for All Urban Consumers but not exceeding three percent.

- House Bill 1629, Printer's Number 1858. At the request of Representative Thomas C. Petrone, Chairman, House Urban Affairs Committee, the Commission staff provided an Advisory Note on House Bill 1629, Printer's Number 1858, to him on September 27, 1993. The bill would have amended the police officers' pension plan provisions of The Third Class City Code to redefine the word "salary" to mean compensation paid for services performed in the course of a member's employment and from which pension contributions shall be deducted.

- House Bill 1740, Printer's Number 2015. At the request of Representative Thomas C. Petrone, Chairman, House Urban Affairs Committee, the Commission staff provided an Advisory Note on House Bill 1740, Printer's Number 2015, to him on September 27, 1993. The bill would have amended the police officers' pension plan provisions of The Third Class City Code to change the amount of the pension automatically payable to survivor spouses and survivor children from 50 percent to 100 percent of the pension the member was receiving or would have been receiving had the member been retired at the time of the member's death.

- House Bill 1905, Printer's Number 2324. At the request of Representative Frank L. Oliver, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 1905, Printer's Number 2324, to him on November 4, 1993. The bill would have amended the State Employees' Retirement Code to expand the definition of enforcement officer to include: (1) Full-time Pennsylvania Game Commission employees who are empowered to enforce or investigate alleged violations of the Game and Wildlife Code and (2) Waterways conservation officers and other commissioned law enforcement personnel empowered by the Pennsylvania Fish and Boat Commission who have and exercise the same law enforcement powers as waterways conservation officers except for deputy waterways conservation officers. The affected employees would become eligible for increased retirement, early retirement, death, and other benefits.

- House Bill 2158, Printer's Number 2661. At the request of Representative Frank L. Oliver, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 2158, Printer's Number 2661, to him on December 1, 1993. The bill would have amended section 5304 of the State Employees' Retirement Code to permit an active member who is an officer of the Pennsylvania State Police to purchase up to five years of service credit for previous nonstate service as a municipal police officer.

D. SYNOPSES OF ACTUARIAL NOTES.

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

Bill ID: Senate Bill 625, Printer's Number 1656

System: Public School Employes' Retirement System and State Employes' Retirement System

Subject: Giving June and late May 1992 PSERS Retirees an Additional Ten Percent Service Credit, Permitting PSERS and SERS Retirees to Eliminate the Effect of Frozen Present Value upon Reemployment, and Extending Provisions for Full Retirement with 30 Years of Service for PSERS and SERS Members

SYNOPSIS

Senate Bill 625, Printer's Number 1656, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code.

The bill would amend the Public School Employees' Retirement Code to do three things:

> Retroactively change the effective date of the window for the additional ten percent service credit early retirement incentive from July 1, 1992, to May 15, 1992;
>
> Extend the termination date from June 30, 1993, to June 30, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity that is not reduced because the member is under superannuation age; and
>
> Permit an annuitant who has not elected multiple service and who returns to school service and earns three eligibility points following the most recent period of receipt of an annuity to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received during previous periods of retirement, plus interest, to the Public School Employees' Retirement Fund in the form of an actuarial adjustment to the member's subsequent benefits.

The bill would amend the State Employees' Retirement Code to do two things:

> Extend the termination date from June 30, 1993, to June 30, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity unreduced because the member is under superannuation age; and
>
> Permit an annuitant who has not elected multiple service and who returns to state service and earns three eligibility points following the most recent period of receipt of an annuity to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received during previous periods of retirement, plus interest, to the State Employes' Retirement Fund in the form of an actuarial adjustment to the member's subsequent benefits.

DISCUSSION

Under Act 186 of 1992, which was signed into law on December 22, 1992, a member of the Public School Employes' Retirement System (PSERS) who (a) was not an annuitant on July 1, 1992, (b) was 55 years of age or older on August 31, 1993, (c) had ten or more years of service credit, (d) before April 1, 1993, declared an intent to retire, (e) terminated service after June 30, 1992, and before September 1, 1993, and (f) before September 1, 1993, filed an application for retirement was credited with an additional ten percent of the member's credited service. The bill would retroactively give this benefit to retirees whose effective dates of retirement were after May 15, 1992, and before July 2, 1992.

The effect of the additional service credit is to add an amount equal to from two to over six percent of the final average salary to the value of the basic annuity prior to modification, the added amount being proportional to the length of service. About 1,880 PSERS annuitants whose effective dates of retirement were after May 15, 1992, and before July 2, 1992, would be entitled to have their annuities recomputed under these special additional ten percent service credit provisions. The unfunded actuarial accrued liability resulting from the granting of these additional ten percent service credits provisions would be funded over 20 years by amortization payments that would be a level percentage of payroll increasing five percent a year from July 1, 1993.

The current additional ten percent service credit provisions explicitly prohibit giving the additional service credit to PSERS retirees who were annuitants on July 1, 1992. About 605 PSERS retirees whose last date of service for which pickup contributions were made was June 30, 1992, are, therefore, ineligible because their effective date of retirement was July 1, 1992, the first day following the date of termination of service. The bill is intended to give the additional service credit to those retirees and also to about 1,160 other retirees whose last dates of service for which contributions were made were between May 31, 1992, and June 30, 1992, inclusive, and about 115 other retirees whose last dates were between May 15 and 30, 1992.

Under the Public School Employees' Retirement Code, superannuation or normal retirement age is age 62, or age 60 with 30 or more years of service, or any age with 35 years of service. Under the State Employees' Retirement Code, the age is age 60, or any age with 35 years of service, or age 50 for members of General Assembly and certain public safety employees. For a limited time, the existing provisions of these codes also permit members with 30 or more years of service to retire at any age and receive full retirement benefits with no benefit reduction for retiring prior to superannuation or normal retirement age. These existing special early retirement provisions expired on June 30, 1993. The bill would extend these existing special early retirement provisions for an additional two years from June 30, 1993, to June 30, 1995.

Under the Public School Employees' Retirement Code and the State Employees' Retirement Code, if a member retires and later returns to service, the annuity ceases and the value of the annuity is frozen as of that date. When the member subsequently retires again, the member is then entitled to an annuity that is the actuarial equivalent to the sum of the frozen present value resulting from the previous service plus the present value of a maximum single life annuity based on years of service credited subsequent to reentry into service. Because the frozen present value is not adjusted for the effects of inflation during the period of reemployment, the member's aggregate retirement benefits are less than those provided to an identically situated member who had no break in service. The bill would permit certain returning members to elect to eliminate the effect of the frozen present value by repaying all Option 4 withdrawals and annuities received, plus interest, though actuarial adjustments to the members' subsequent benefits. In order to be eligible to make this election, the returning member must not have elected multiple service and work at least three additional years. The election must be made in the year in which the member first becomes eligible or in the following year. The effect would be to treat about equally PSERS and SERS members that have the same lengths of service and final average salaries.

Giving 1992 PSERS Retirees an Additional Ten Percent Service Credit

Based upon an actuarial estimate provided by the consulting actuary of the Public School Employes' Retirement System, the Commission's consulting actuary estimates that giving the additional ten percent service credit to PSERS retirees whose last dates of service for which contributions were made were between May 15 and June 30, 1992, would result in the following costs.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$52,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment	3,800,000	0.05
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$3,800,000	0.05%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Two Year Extension of Full Retirement for PSERS Members with 30 Years of Service

The consulting actuary of the Public School Employes' Retirement System estimates that a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age results in the following range of costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Range of Amounts
Increase in Unfunded Actuarial Accrued Liability	$41,856,000 – $83,712,000

	Range of Amounts	Range As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment	3,046,000 – 6,092,000	0.04 – 0.08
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$3,046,000 – $6,092,000	0.04% – 0.08%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Elimination of the Effect of the Frozen Present Value for PSERS Members

The consulting actuary of the Public School Employes' Retirement System estimates that permitting retiree to eliminate the effect of frozen present values upon re-employment would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$ 5,500,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 766,500	0.010%
Amortization Payment	434,251	0.006
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 1,200,751	0.016%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Two Year Extension of Full Retirement for SERS Members with 30 Years of Service

The consulting actuary of the State Employes' Retirement System estimates that a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age would result in an increase in unfunded actuarial accrued liability of $14,300,000 and an increase in amortization payments in the first year of $1,130,000, or 0.03 percent of payroll. The Commission's consulting actuary reviewed these estimates and found them to be reasonable but believes the costs are better expressed as the following ranges:

	Range of Amounts
Increase in Unfunded Actuarial Accrued Liability	$ 8,100,000 – $16,200,000

	Range of Amounts	Range As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment	600,000 – 1,200,000	0.02 – 0.03
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 600,000 – $1,200,000	0.02% – 0.03%

Elimination of the Effect of the Frozen Present Value for SERS Members

The consulting actuary of the State Employes' Retirement System estimates that permitting retirees to eliminate the effect of frozen present values upon re-employment would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$87,400,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 4,600,000	0.13%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	6,900,000	0.20
Total Increase in Employer Annual Costs (First year only)	$11,500,000	0.33%

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy considerations.

Appropriateness of Retroactive Benefit Application. The proposed additional ten percent service credit benefit increases the annuities being paid to individuals whose dates of termination of service were after May 15, 1992, and before July 2, 1992, before the effective date of the incentive program. The retroactive application of the benefit back into the previous fiscal year is not consistent with the object of the early retirement incentive program, which is to induce retirement.

Appropriateness of Extending Special Early Retirement Provisions. The existing special early retirement provisions have been in effect for some years, and both systems recently have had an additional ten percent service credit early retirement incentive program. Consideration of whether the purpose of extending the special early retirement provisions is to induce a reduction in personnel complement or to provide enhanced retirement benefits on a quasi-permanent basis is appropriate. If the latter purpose is intended, the ad hoc extensions function to preclude recognition of the full actuarial costs involved.

Financing of Special Early Retirement Provisions. Both the consulting actuary of the Commission and the consulting actuary of the State Employes' Retirement System have raised the issue of appropriate funding for continuing extensions of special early retirement provisions. Changing the actuarial assumptions of both systems to reflect the de facto indefinite continuation of this benefit modification would result in including the provision in the development of the normal costs of the systems rather than limiting it to recognition in amortization payments for unfunded actuarial accrued liabilities. In this way today's taxpayers who are receiving the services of those who will retire early will pay for the pensions of the early retirees rather than tomorrow's taxpayers.

Variation from Prevailing Employer Practices. The current provisions of the retirement codes that provide for a frozen past service benefit may be more severe financially than that typically seen in most pension plans. The current approach results in actuarial gains upon rehire of retirees due to the curtailment of their original pension payments. The proposed approach eliminates the harsh treatment and the actuarial gains.

More Equitable Treatment of Certain PSERS and SERS Members. Permitting PSERS and SERS members to elect to eliminate the effect of frozen present values provides more equitable treatment to members with more than one period of public school or state employment.

COMMISSION RECOMMENDATION

On October 13, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 625, passed the Senate (48-0) on June 23, 1993, as Printer's Number 1469, and was re-referred to the House Appropriations Committee on September 28, 1993, as Printer's Number 1656.

Bill ID: Senate Bill 625, Printer's Number 1072, with Amendment 1093

System: Public School Employes' Retirement System and State Employes' Retirement System

Subject: Giving June 1992 PSERS Retirees an Additional Ten Percent Service Credit, Permitting Philadelphia School Directors to Extend the Early Retirement Windows to December 31, 1993, Permitting PSERS and SERS Retirees to Eliminate the Effect of Frozen Present Value upon Reemployment, and Extending Provisions for Full Retirement with 30 Years of Service for PSERS and SERS Members

SYNOPSIS

Senate Bill 625, Printer's Number 1072, with Amendment 1093, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code.

The bill would amend the Public School Employees' Retirement Code to do four things:

Retroactively change the effective date of the window for the additional ten percent service credit early retirement incentive from July 1, 1992, to May 31, 1992;

Extend the termination date from June 30, 1993, to June 30, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity that is not reduced because the member is under superannuation age; and

Permit Philadelphia school directors to extend both of the early retirement windows to December 31, 1993; and

Permit an annuitant who has not elected multiple service and who returns to school service and earns three eligibility points following the most recent period of receipt of an annuity to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received during previous periods of retirement, plus interest, to the Public School Employees' Retirement Fund in the form of an actuarial adjustment to the member's subsequent benefits.

The bill would amend the State Employees' Retirement Code to do two things:

Extend the termination date from June 30, 1993, to June 30, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity unreduced because the member is under superannuation age; and

Permit an annuitant who has not elected multiple service and who returns to state service and earns three eligibility points following the most recent period of receipt of an annuity to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received during previous periods of retirement, plus interest, to the State Employes' Retirement Fund in the form of an actuarial adjustment to the member's subsequent benefits.

DISCUSSION

Under Act 186 of 1992, which was signed into law on December 22, 1992, a member of the Public School Employes' Retirement System (PSERS) who (a) was not an annuitant on July 1, 1992, (b) will be 55 years of age or older on August 31, 1993, (c) has ten or more years of service credit, (d) before April 1, 1993, declared an intent to retire, (e) terminates service after June 30, 1992, and before September 1, 1993, and (f) before September 1, 1993, files an application for retirement is credited with an additional ten percent of the member's credited service. The bill would retroactively give this benefit to retirees whose effective dates of retirement were during June 1992 or on July 1, 1992.

The effect of the additional service credit is to add an amount equal to from two to over six percent of the final average salary to the value of the basic annuity prior to modification, the added amount being proportional to the length of service. About 1,765 PSERS annuitants whose effective dates of retirement were during June 1992 or on July 1, 1992, would be entitled to have their annuities recomputed under these special additional ten percent service credit provisions. The unfunded actuarial accrued liability resulting from the granting of these additional ten percent service credits provisions would be funded over 20 years by amortization payments that would be a level percentage of payroll increasing five percent a year from July 1, 1993.

The current additional ten percent service credit provisions explicitly prohibit giving the additional service credit to PSERS retirees who were annuitants on July 1, 1992. About 605 PSERS retirees whose last date of service for which pickup contributions were made was June 30, 1992, are, therefore, ineligible because their effective date of retirement was July 1, 1992, the first day following the date of termination of service. The bill is intended to give the additional service credit to those retirees and also to about 1,160 other retirees whose last dates of service for which contributions were made were between May 31, 1992, and June 30, 1992, inclusive.

From their beginnings, both Senate Bill 1790, which became Act 186 of 1992, and House Bill 1715, a similar House Bill, were proposals to provide a mechanism for voluntary reductions in the work force during or immediately following the 1992-92 fiscal years of school districts and other PSERS employees. Neither bill was introduced until after June 1, 1992, and neither bill provided for the early retirement incentive window to commence before July 1, 1992.

Inherent in any early retirement incentive program is the risk that valuable employees may take advantage of the program. In the private sector, the employer can deny or delay the option for these valuable employees. In public employee retirement systems, because of the constitutionally protected contractual and property rights of the employees in their retirement benefits, employers cannot deny or delay such options without a formal, legal change in the pension plan. The bill would permit the Philadelphia school directors to identify certain key individuals whose early retirement would cause the interruption of suitable and essential services and to extend the date for termination of employment for these school employees under the early retirement programs to December 31, 1993. This would give the school district time during which to make necessary arrangements and would marginally increase the pensions of these employees.

Under the Public School Employees' Retirement Code, superannuation or normal retirement age is age 62, or age 60 with 30 or more years of service, or any age with 35 years of service. Under the State Employees' Retirement Code, the age is age 60, or any age with 35 years of service, or age 50 for members of General Assembly and certain public safety employees. For a limited time, the existing provisions of these codes also permit members with 30 or more years of service to retire at any age and receive full retirement benefits with no benefit reduction for retiring prior to superannuation or normal retirement age. These existing special early retirement provisions will expire on June 30, 1993. The bill would extend these existing special early retirement provisions for an additional two years from June 30, 1993, to June 30, 1995.

DISCUSSION (CONT'D)

Under the Public School Employees' Retirement Code and the State Employees' Retirement Code, if a member retires and later returns to school service, the PSERS annuity ceases and the value of the annuity is frozen as of that date. When the PSERS member subsequently retires again, the member is then entitled to an annuity that is the actuarial equivalent to the sum of the frozen present value resulting from the previous service plus the present value of a maximum single life annuity based on years of service credited subsequent to reentry into school service. Because the frozen present value is not adjusted for the effects of inflation during the period of reemployment, the member's aggregate retirement benefits are less than those provided to an identically situated member who had no break in service. The bill would permit certain returning members to elect to eliminate the effect of the frozen present value by repaying all Option 4 withdrawals and annuities received, plus interest, though actuarial adjustments to the members' subsequent benefits. In order to be eligible to make this election, the returning member must not have elected multiple service and work at least three additional years. The election must be made in the year in which the member first becomes eligible or in the following year. The effect would be to treat about equally PSERS and SERS members that have the same lengths of school service and final average salaries.

SUMMARY OF ACTUARIAL COST IMPACT

Giving June 1992 PSERS Retirees
an Additional Ten Percent Service Credit

The consulting actuary of the Public School Employes' Retirement System estimates that giving the additional ten percent service credit benefit to June 1992 retirees would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$53,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment	3,6000.00	0.05
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 3,600,000	0.05%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Extending the Early Retirement Windows in Philadelphia

In permitting the Philadelphia school directors to extend the early retirement windows to December 31, 1993, the bill represents enabling legislation. Specific employees would have to be identified by the Philadelphia school directors in implementing the authority granted under the bill. The specific school employees have yet to be selected, but those taking advantage of the additional ten percent service credit option had to declare their intent before April 1, 1993. Because the individuals have yet to be selected, no data concerning them are available, and a reliable estimate of the actuarial cost impact cannot be provided. The resulting minimal increase in the unfunded actuarial accrued liabilities of the Public School Employes' Retirement System would be paid off over the next 20 years, one-half by the Commonwealth and one-half by all school districts and other educational employers.

Two Year Extension of Full Retirement for PSERS Members with 30 Years of Service

The consulting actuary of the Public School Employes' Retirement System estimates that a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age results in the following range of costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Range of Amounts
Increase in Unfunded Actuarial Accrued Liability	$41,856,000 – $83,712,000

	Range of Amounts	Range As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	3,046,000 – 6,092,000	0.04 – 0.08
Total Increase in Employer Annual Costs (First year only)	$3,046,000 – $6,092,000	0.04% – 0.08%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Elimination of the Effect of the Frozen Present Value

The current actuarial procedures of the Public School Employes' Retirement System and the State Employes' Retirement Systems do not anticipate any significant impact upon the systems from suspensions of payments to annuitants during periods of re-employment. Therefore, the elimination of the effect of the frozen present value will have no identifiable current actuarial cost impacts. There is, however, the possibility of indirect long-term costs attributable to relinquished actuarial gains.

Two Year Extension of Full Retirement for SERS Members with 30 Years of Service

The consulting actuary of the State Employes' Retirement System estimates that a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age results in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$14,300,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	1,130,000	0.03
Total Increase in Employer Annual Costs (First year only)	$ 1,130,000	0.03%

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy considerations.

Appropriateness of Retroactive Benefit Application. The proposed additional ten percent service credit benefit increases the annuities being paid to individuals whose dates of termination of service were on May 31, 1992, or during June 1992, before the effective date of the incentive program. The retroactive application of the benefit back into the previous fiscal year is not consistent with the object of the early retirement incentive program, which is to induce retirement.

Appropriateness of Benefit. The 1,765 retirees whose dates of termination of service were on May 31, 1992, or during June 1992 already were eligible for (a) early retirement with reduced retirement benefits, (b) early retirement with full retirement benefits, or (c) superannuation retirement with full retirement benefits without the additional ten percent of credited service. For these retirees, the enhanced benefits under the bills represent a retroactively provided bonus for terminating service on May 31, 1992, or during June 1992 at the end of the 1991-92 fiscal year. Unless equity issues exist to support the proposed benefit enhancement, there is no apparent policy rationale for rewarding a certain group of employees retiring in the normal course of events.

Original Intent. In part, the bill is based on the contention that the original legislative intent of the additional ten percent service credit was to include some or all of those PSERS members whose dates of termination of service was May 31, 1992, or in June 1992. If that was the original legislative intent, the bill would effect the originally intended result.

Appropriateness of Extending Special Early Retirement Provisions. The existing special early retirement provisions have been in effect for some years, and both systems recently have had an additional ten percent service credit early retirement incentive program. Consideration of whether the purpose of extending the special early retirement provisions is to induce a reduction in personnel complement or to provide enhanced retirement benefits on a quasi-permanent basis is appropriate. If the latter purpose is intended, the ad hoc extensions function to preclude recognition of the full actuarial costs involved.

Financing of Special Early Retirement Provisions. Both the consulting actuary of the Commission and the consulting actuary of the State Employes' Retirement System have raised the issue of appropriate funding for continuing extensions of special early retirement provisions. Changing the actuarial assumptions of both systems to reflect the de facto indefinite continuation of this benefit modification would result in including the provision in the development of the normal costs of the systems rather than limiting it to recognition in amortization payments for unfunded actuarial accrued liabilities. In this way today's taxpayers who are receiving the services of those who will retire early will pay for the pensions of the early retirees rather than tomorrow's taxpayers.

Managerial Flexibility. Permitting the Philadelphia school directors to extend the early retirement windows, gives some managerial flexibility to the school directors in making appropriate arrangements to continue suitable services for the students of the district.

More Equitable Treatment of Certain PSERS and SERS Members. Permitting PSERS and SERS members to elect to eliminate the effect of frozen present values provides more equitable treatment to members with more than one period of public school or state employment.

Drafting Ambiguities. In section 4 of the bill, which would become section 5 under the amendment, there are two drafting ambiguities regarding the extension of early retirement windows by Philadelphia school directors.

Reference to "Mellow Window." The bill refers to section 8302(b)(2), where the intention was to refer to section 8302(b.2). The bill should be amended accordingly.

Reference to "30 and Out Window." Under section 4 of the bill, the existing "30 and Out Window" under section 8312 could be extended by Philadelphia school director until December 31, 1993, while under section 2 of the bill, the window is extended for all public schools until June 30, 1995. If the provisions in section 2 are adopted, the reference to section 8312 in section 4 should be deleted.

COMMISSION RECOMMENDATION

On May 19, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 625, passed the Senate (48-0) on June 23, 1993, as Printer's Number 1469, and was re-referred to the House Appropriations Committee on October 13, 1993, as Printer's Number 1656.

Bill ID: Senate Bill 974, Printer's Number 1733

System: Public School Employes' Retirement System
and State Employes' Retirement System

Subject: Various Amendments

SYNOPSIS

Senate Bill 974, Printer's Number 1733, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code

It would amend just the Public School Employees' Retirement Code to do six things:

Change the provisions under which a member may serve on leave for service for up to two consecutive terms as a an elected full-time officer with a statewide collective bargaining organization with all employer contributions paid by the organization to provisions permitting a member to serve on leave for service for an unlimited period of time as a full-time employee or full-time officer or both of either a local or statewide collective bargaining organization with only the school employer but not the Commonwealth contributions paid by the organization;

Retroactively change the beginning effective date of retirement for the "window" of the additional ten percent service credit early retirement incentive from after July 1, 1992, to after May 15, 1992;

For members employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1994, eliminate the contributions of one-half of the employer costs by the Commonwealth to the Public School Employees' Retirement Fund for annuities and require the school districts, intermediate units, and area vocational-technical schools to contribute the entire total employer costs but with the Commonwealth reimbursing the school districts (1) for members whose effective dates of employment with the school district are after June 30, 1993, with an amount equal to the product of employer costs multiplied by the market value/income aid ratio, provided that no school district shall receive less than the amount that would result if the ratio was 0.15, and (2) for other members with an amount equal to one-half of the employer costs;

For members employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1994, change the contributions by the Commonwealth to the school districts, intermediate units, and area vocational-technical schools for social security from one-half of employer costs to the product of employer costs multiplied by the market value/income aid ratio, provided that no school district shall receive less than the amount that would result if the ratio was 0.3;

Beginning July 1, 1995, expand eligibility for payment of $55 a month health insurance premium assistance, which now includes disability annuitants and annuitants with at least 24.5 years of service credit, to include annuitants who terminated service on or after attaining superannuation retirement age, are at least age 60, and have at least 15 years of service credit; and

Require payment of $55 a month health insurance premium assistance directly to participating eligible annuitants but permit payment directly to the annuitant's approved insurance carriers;

It would amend just the State Employees' Retirement Code to do two things:

Increase the number of days a year from 100 to 150 during which an annuitant may service as an independent contractor, independent board or commission member, or departmental administrative or advisory board or commission member without suspension of annuity; and

Authorize a legislative member of the State Employees' Retirement Board to appoint a duly authorized designee to act in the legislator's stead; and

It would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to do nine things:

Extend the termination date from June 30, 1993, to January 1, 1996, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity that is not reduced because the member is under superannuation age;

Essentially guarantee a minimum disability benefit of one-third of the employee's final average salary and make other changes necessary to make the codes conform to the requirements of both the Pennsylvania Human Relations Act and the federal Older Workers Benefits Protection Act, which amended the Age Discrimination in Employment Act in response to the holding of the United States Supreme Court in *Public Employees Retirement System of Ohio v. Betts*;

Require unreduced annuities under Option 4 rather than permitting members to elect to receive an annuity reduced upon attainment of age 65 in anticipation of the receipt of social security benefits;

Permit an annuitant who has not elected multiple service and who returns to school or state service and earns three eligibility points following the most recent period of receipt of an annuity to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received during previous periods of retirement, plus interest, to the Public School Employees' Retirement Fund or the State Employees' Retirement Fund in the form of an actuarial adjustment to the member's subsequent benefits;

Give additional monthly supplemental annuities beginning on July 1, 1994, to annuitants whose effective dates of retirement were before July 1, 1992, with those retiring July 1, 1991, through June 30, 1992, receiving 1.5 percent, those retiring July 1, 1990, through June 30, 1991, receiving 2.8 percent, those retiring July 1, 1989, through June 30, 1990, receiving 5.3 percent, and those retiring before July 1, 1989, receiving 7.9 percent, in all cases limited to the first $3,000 of the monthly annuity, and with amortization payments beginning July 1, 1995;

Require that both boards annually submit a list of proposed and a report on directed commissions and that the directed commissions be used for the exclusive benefit of the systems and their members;

Add and revise provisions relating to authorized investments by the boards, except the boards from certain terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments, adopt a prudent person rule in lieu of a specific "legal list" of authorized investments, and clarify venture capital investment provisions;

Change the nonalienation provisions to permit attachment of members' rights in favor of alternate payees under an approved domestic relations order and prescribe the contents of and approval process for the domestic relations orders; and

Change the nonalienation provisions to permit direct rollovers of distributions into an eligible retirement plan.

DISCUSSION

Public School Employees' Retirement Code

Collective Bargaining Organization Officers and Employees. Under the Public School Employees' Retirement Code, when a paid leave is granted to an active member by an employer for purposes of serving as an elected full-time officer for a statewide employee organization that is a collective bargaining representative under the Public Employe Relations Act, a member on such leave may remain an active member provided that the statewide employee organization fully reimburses the employer and the Commonwealth for all expenses and costs of such leave, including, but not limited to, contributions and payments on account of such service made to the Public School Employees' Retirement Fund. This arrangement is limited to not more than two consecutive terms of the same office. The bill would extend the eligibility for this leave for service with a collective bargaining organization to include both appointed full-time employees as well as elected full-time officers, to include both local as well as statewide collective bargaining organizations, to eliminate the two consecutive term limitation, and to eliminate the requirement that the organization reimburse the Commonwealth for its contributions on behalf of the member to the Public School Employees' Retirement Fund.

Giving Certain 1992 PSERS Retirees an Additional Ten Percent Service Credit. Under Act 186 of 1992, which was signed into law on December 22, 1992, a member of the Public School Employes' Retirement System (PSERS) who (1) was not an annuitant on July 1, 1992, (2) was 55 years of age or older on August 31, 1993, (3) had ten or more years of service credit, (5) before April 1, 1993, declared an intent to retire, (5) terminated service after June 30, 1992, and before September 1, 1993, and (6) before September 1, 1993, filed an application for retirement was credited with an additional ten percent of the member's credited service. The bill would retroactively give this benefit to retirees whose effective dates of retirement were after May 15, 1992, and before July 2, 1992.

Change in Cost Sharing between Employers of PSERS Members and the Commonwealth for Pensions. Under the Public School Employees' Retirement Code, the employer and the Commonwealth equally share the cost of required contributions. The bill proposes to eliminate the Commonwealth's one-half share of the employer contribution rate for members employed by school districts, intermediate units, and area vocational technical schools after June 30, 1994, to require the school districts, intermediate units, and area vocational technical schools to pay the entire amount, and to reimburse school districts (1) for members whose effective dates of employment with the districts are after June 30, 1994, with an amount that is the product of the employer costs multiplied by the market value/income aid ratio but with no school district receiving less than the amount that would result if the ratio were 0.15, and (2) for other members with an amount that is one-half of the employer costs. For other employers of members, the present one-half/one-half sharing would remain in effect.

Change in Cost Sharing Between Employers of PSERS Members and the Commonwealth for Social Security. Under the Public School Employees' Retirement Code, the Commonwealth pays the employers one-half of the employer contributions payable under the Social Security Act. The bill proposes to change the Commonwealth's share from one-half of the employer contribution to the product of the employer contribution multiplied by the market value income aid ratio for members employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1993, provided that no school district shall receive less than the amount that would result if the ratio was 0.3. For other employers of members, the present one-half/one-half sharing would remain in effect. The ratio is defined in section 2501(14.1) of the Public School Code of 1949 and is used in calculating reimbursements by the Commonwealth and between school districts.

The result of the proposals to change the Commonwealth's share of employer contributions for pensions and social security would be that employers' contributions for both the Public School Employes' Retirement System annuities and social security would remain at 100 percent of the required contributions but that the amount paid by individual school districts, intermediate units, and vocational-technical schools will be changed. Thus there would be an alteration among these school entities and between these school entities and the Commonwealth in the share of employer contributions paid.

Expansion of Postretirement Health Insurance Premium Assistance Program. Provisions exist in the Public School Employees' Retirement Code giving $55 a month to current and prospective disability annuitants and to current and prospective retirees with at least 24½ years of service. The bill would extend the benefit to superannuation annuitants who are at least age 60 and have at least 15 years of service credit. Rather than being funded using an actuarial cost method, as is best for retirement benefits, the health insurance premium assistance program is funded on a pay-as-you-go basis, with the cost determined in the valuation process based on the expected annual disbursements and funded one year in advance of the actual disbursements. Because the covered group of retirees is anticipated to be relatively stable and the benefit amount is not indexed, this approach appears to provide a reasonable estimate of the long-term cost level.

State Employees' Retirement Code

Return to State Service without Suspension of Annuity. In 1982, the State Employees' Retirement Code was amended to permit annuitants to return to state service as members of independent board or commission or as members of a departmental administrative or advisory board or commission compensated on a per diem basis for not more than 100 days a calendar year without causing a suspension of their annuities. The bill would lengthen the number of permissible days to 150 a calendar year. If an annuitant serves longer than that, the annuitant has returned to service, the annuity is suspended, service credits are again earned, and contributions are again made into the State Employees' Retirement Fund.

Legislative Designees. Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the retirement systems boards include four legislative members, one from each party in each house of the General Assembly. Under the Public School Employees' Retirement Code, each legislative member of the Public School Employees' Retirement Board may appoint a duly authorized designee to act in the legislator's stead. The bill would amend the State Employees' Retirement Code to permit each legislative member of the State Employees' Retirement Board also to appoint a duly authorized designee to act in the legislator's stead.

Both the Public School and the State Employees' Retirement Codes

Three and One-Half Years Extension of Full Retirement for Members with 30 Years of Service. Under the Public School Employees' Retirement Code, superannuation or normal retirement age is age 62, or age 60 with 30 or more years of service, or any age with 35 years of service. Under the State Employees' Retirement Code, the age is age 60, or any age with 35 years of service, or age 50 for members of the General Assembly and certain public safety employees. For a limited time, the existing provisions of these codes also permit members with 30 or more years of service to retire at any age and receive full retirement benefits with no benefit reduction for retiring prior to superannuation or normal retirement age. These existing special early retirement provisions expired on June 30, 1993. The bill would extend these special early retirement provisions for an additional three and one-half years from June 30, 1993, to January 1, 1996.

Change in Disability Benefits. Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the disability retirement benefit is the normal unreduced superannuation benefit with a minimum that increases the benefits for short-service employees under superannuation age. The minimum is the lesser of (1) one-third of the final average (high three years) salary or (2) the benefit projected to superannuation age, which under the Public School Employees' Retirement Code is age 62, or age 60 with 30 years of service credit, or 35 years of service credit regardless of age and under the State Employees' Retirement Code generally is age 60 or 35 years of service credit regardless of age. Since the superannuation benefit generally is is the product of two percent multiplied by service credit multiplied by final average salary, the minimum does not affect the benefits for employees with more than 16.7 years of service credit, who receive superannuation benefits that are greater than one-third of their final average salary. Employees with less than 16.7 years of service credit receive the lessor of one-third of salary or the benefit projected to superannuation age. For these employees, the one-third maximum on the disability benefit actually functions to reduce the difference in benefit by age. For example, if there were no one-third maximum, a member of the State Employees' Retirement System (SERS) hired at age 20 would be eligible for an 80 percent of salary disability benefit, while the disability benefit for an SERS member is ten percent of salary for a member hired just before age 55.

Eligibility to apply for a disability annuity ceases when the employee attains superannuation age. The provisions dovetail the disability and superannuation formulae so that an employee passing superannuation age receives a benefit that is equal to the disability benefit immediately before that date. The benefit continues to increase at two percent for each year after superannuation.

In 1990, in response to the United States Supreme Court's holding in *Public Employees Retirement System of Ohio v. Betts,* Congress passed the Older Workers Benefits Protection Act (OWBPA), which amended the Age Discrimination in Employment Act. The purpose of OWBPA was to overturn the Supreme Court's ruling in *Betts* by prohibiting certain types of disability benefits that were considered to discriminate based on age. All retirement systems, including public employee retirement systems such as PSERS and SERS, were given until October 16, 1992, to correct any age discriminatory features in the disability portion of their pension plans.

The administrative staffs and consulting actuaries of both PSERS and SERS, their joint Chief Counsel, and specially retained outside counsel all have reviewed the retirement codes. Although there were differences of professional opinion regarding the effect of the OWBPA and possible courses of action, in the end, it was decided that the best course of action was to request legislation similar to the bill for both systems. This approach is a more conservative option whereby the disability formulae are amended essentially guaranteeing a minimum disability benefit of one-third of final average salary. This approach not only avoids the current decline in the amount of the disability benefit for workers who enter the systems at age 44 or after but also eliminates any risk that the codes may be found not to comply with the OWBPA. Moreover, this approach assures that the disability formulae are not age discriminatory under the Pennsylvania Human Relations Act. This approach, however, may serve an as incentive for older short service members to apply for disability retirement rather than superannuation retirement.

Elimination of Social Security Offset Reduction under Option 4. Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, retiring members have a number of actuarially equivalent options to choose among. Under Option 4, where the retiring member has chosen some other actuarially equivalent option other than one of the three pre-designed ones, an annuity must be payable without reduction during the lifetime of the retired member except as the result of the member's election to receive an annuity reduced upon attainment of age 65, in anticipation of the receipt of a social security benefit. The bill would remove the exception permitting reduction upon reaching age 65 and instead require that any such annuity be payable without reduction during the lifetime of the retired member. Option 4 is a frequently chosen option, because it is under this option that a retiring member may withdraw the accumulated member's contributions in a lump sum in return for receiving a smaller annuity.

Elimination of Effect of Frozen Present Values for Reemployed Retirees. Under the Public School Employees' Retirement Code and the State Employees' Retirement Code, if a member retires and later returns to service, the annuity ceases and the value of the annuity is frozen as of that date. When the member subsequently retires again, the member is then entitled to an annuity that is the actuarial equivalent to the sum of the frozen present value resulting from the previous service plus the present value of a maximum single life annuity based on years of service credited subsequent to reentry into service. Because the frozen present value is not adjusted for the effects of inflation during the period of reemployment, the member's aggregate retirement benefits are less than those provided to an identically situated member who had no break in service. The bill would permit certain returning members to elect to eliminate the effect of the frozen present value by repaying all Option 4 withdrawals and annuities received, plus interest, through actuarial adjustments to the member's subsequent benefits. In order to be eligible to make this election, the returning member must not have elected multiple service and must work at least three additional years. The election must be made in the year in which the member first becomes eligible or in the following year. The effect would be to treat about equally PSERS and SERS members that have the same lengths of service and final average salaries. The significant difference between the actuarial costs of this change in the two systems is due to the different demographic characteristics of the two systems.

COLA for Retirees. It has been the historical practice of the Commonwealth to grant periodic ad hoc postretirement increases to PSERS and SERS annuitants to reflect some of the increase in the cost of living. These ad hoc postretirement adjustments have been granted roughly every five years during the period from 1967-68 to 1988. The following sets forth the history of prior postretirement adjustments.

No.	Year Enacted PSERS	SERS	Increase in CPI Since Last COLA PSERS	SERS	Percent of Increase in CPI Replaced
1.	1967 & 1970	1968	N.A.	N.A.	N.A.
2.	1975	1974 & 1975	47.24%	41.27%	63%
3.	1979	1979	47.40%	47.44%	55%
4.	1984	1984	43.44%	43.44%	37%
5.	1988	1988	16.16%	16.16%	50%

The amounts of these postretirement adjustments were based roughly on one-half to two-thirds of the increase over the applicable period in the Consumer Price Index for All Urban Consumers (CPI-U), which is calculated by the Bureau of Labor Statistics of the United States Department of Labor and which is a frequently used measure of changes in the cost-of-living nationally. The Commission's consulting actuary estimates that the ad hoc postretirement adjustments proposed in the bill would equal one-half the increase in the CPI-U since the last ad hoc postretirement adjustment.

Directed Commissions. Directed commissions are those commissions charged by a broker for executing securities transactions that are placed by the investment manager with a particular broker, or brokers, resulting from instructions received from the client of the manager. As clients, both the Public School Employes' Retirement System and the State Employes' Retirement System, from time to time, direct their investment managers to place certain transactions with certain brokers. Some of these directed commissions are soft dollars, that is, they are used to purchase service from the broker. The bill would require both systems annually to report both proposed directed commissions for the coming year and actual directed commissions for the completed year.

Adopting Prudent Person Rule for Investing. The bill would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code by adding and revising provisions relating to authorized investments by the retirement system boards, excepting the boards from terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments, and adopting a prudent person rule in lieu of a specific "legal list" of authorized investments. The Commission's position on investment flexibility for retirement systems is reflected in its February 1989 report on *Fiduciary Responsibility and Liability for Pennsylvania Local Government Employee Retirement Systems.* In this report, the Commission supports wide investment discretion within the "prudent expert rule" for public employee retirement systems that use investment advisors and investment managers. The Commission's position is consistent with the objectives of the bill.

Qualified Domestic Relations Orders. Both the Public School Employees' Retirement Code and the State Employees' Retirement Code are considered qualified pension plans under section 401(a) of the Internal Revenue Code. Qualified status brings important tax benefits for the systems, the most important of which is that the members are not taxed each year on the retirement benefits they earn. The tax liability is deferred until the employees retire, when they are taxed on the annual income from their annuities. As qualified plans, under section 401(a)(13), the codes must contain nonassignment and nonalienation provisions, which they do. Under section 401(a)(13), however, there must be exceptions for qualified domestic relations orders as defined under section 414(p), which the codes do not contain. The bill would amend the nonalienation provisions of both codes to provide for both the required contents and the systems processing of qualified domestic relations orders.

Authorizing Rollovers of Terminating and Retiring Members' Contributions to Other Trustees. Under the amendments to the Internal Revenue Code made by the Unemployment Compensation Amendments of 1992, members of the systems who resign or retire are able to directly transfer the taxable part of their contributions and interest to an Individual Retirement Account (IRA) or another eligible plan. This is also known as a rollover. The transfer of taxable contributions must take place after December 31, 1992, and these contributions must be sent to the IRA or other eligible plan by the systems. This is also known as a trustee to trustee transfer. The bill would amend the nonalienation provisions of both codes to provide for the rollovers by trustee to trustee transfers.

Giving Certain 1992 PSERS Retirees an Additional Ten Percent Service Credit

Based upon an actuarial estimate provided by the consulting actuary of the Public School Employes' Retirement System, the Commission's consulting actuary estimates that giving the additional ten percent service credit to PSERS retirees whose last dates of service for which contributions were made were between May 15 and July 1, 1992, would result in the following costs:

	Amount
Increase in Unfunded Actuarial Accrued Liability	$52,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	3,800,000	0.05%
Total Increase in Employer Annual Costs (First year only)	$ 3,800,000	0.05%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

Expansion of PSERS Health Insurance Premium Assistance Program

The Commission's consulting actuary estimates that expanding the Health Insurance Premium Assistance Program under the Public School Employees' Retirement Code on July 1, 1995, to annuitants who retired at or over superannuation age and with 15 or more years of service credit would result in the following costs.

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 9,000,000	0.125%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	0	0.000%
Total Increase in Employer Annual Costs (First year only)	$ 9,000,000	0.125%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

Three and One-Half Years Extension of Full Retirement for PSERS Members with 30 Years of Service

The consulting actuary of the Public School Employes' Retirement System (PSERS) estimated a range of costs for a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age. The Commission's consulting actuary reviewed these estimates, found them to be reasonable, and using them estimates that a three and one-half year extension would result in the following range of costs.

	Range of Amounts
Increase in Unfunded Actuarial Accrued Liability	$70,000,000 – $140,000,000

	Range of Amounts	Range As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	5,100,000 – 10,200,000	0.07 – 0.14
Total Increase in Employer Annual Costs (First year only)	$5,100,000 – $10,200,000	0.07% – 0.14%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

Three and One-Half Years Extension of Full Retirement for SERS Members with 30 Years of Service

The consulting actuary of the State Employes' Retirement System (SERS) estimated costs for a one, two, and three year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age. The Commission's consulting actuary reviewed these estimates, found them to be reasonable, and using them estimates that a three and one-half year extension would result in the following range of costs.

	Range of Amounts
Increase in Unfunded Actuarial Accrued Liability	$12,900,000 – $25,800,000

	Range of Amounts	Range As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	1,000,000 – 1,900,000	0.03 – 0.06
Total Increase in Employer Annual Costs (First year only)	$1,000,000 – $1,900,000	0.03% – 0.06%

Changing PSERS Disability Benefit

The following actuarial cost estimate is based upon a July 1992 actuarial estimate prepared by the consulting actuary of the State Employes' Retirement System. The Public School Employes' Retirement System has not had an actuarial estimate prepared. PSERS is almost twice as large as SERS and the demographics of its members are different, PSERS members tending to have more years of service and higher salaries. The SERS actuarial estimated percentage of payroll cost was applied to the PSERS payroll to provide some idea of the order of magnitude of employer costs of the proposal.

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$2,298,000	0.04%
Amortization Payment	1,149,000	0.02%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$3,447,000	0.06%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

Changing SERS Disability Benefit

The following actuarial cost estimate is based upon a July 1992 actuarial estimate by the consulting actuary of the State Employes' Retirement System.

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$1,371,000	0.04%
Amortization Payment	686,000	0.02%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$2,057,000	0.06%

Elimination of the Effect of the Frozen Present Value for PSERS Members

The consulting actuary of the Public School Employes' Retirement System estimates that permitting retirees to eliminate the effect of frozen present values upon re-employment would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$5,500,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 766,500	0.010%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	434,251	0.006%
Total Increase in Employer Annual Costs (First year only)	$1,200,751	0.016%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

Elimination of the Effect of the Frozen Present Value for SERS Members

The consulting actuary of the State Employes' Retirement System estimates that permitting retirees to eliminate the effect of frozen present value upon re-employment would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$87,400,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 4,600,000	0.13%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	6,900,000	0.20%
Total Increase in Employer Annual Costs (First year only)	$11,500,000	0.33%

COLA for Retirees of the Public School Employes' Retirement System

The consulting actuary of the Public School Employes' Retirement System estimates that providing the special postretirement adjustment provided for in the bill will result in the following costs.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$430,300,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	33,100,000	0.50%
Total Increase in Employer Annual Costs (First year only)	$33,100,000	0.50%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

COLA for Retirees of the State Employes' Retirement System

The Commission's consulting actuary estimates that providing the special postretirement adjustment provided for in the bill will result in the following costs.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$232,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 0	0.0%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	18,000,000	0.5%
Total Increase in Employer Annual Costs (First year only)	$ 18,000,000	0.5%

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

Appropriateness of Retroactive Benefit Application. The proposed additional ten percent service credit benefit increases the annuities being paid to individuals whose dates of termination of service were after May 15, 1992, and before July 2, 1993, before the effective date of the incentive program. The retroactive application of the benefit back into the previous fiscal year is not consistent with the object of the early retirement incentive program, which was to induce retirement.

Appropriateness of Benefit. The 1,880 Public School Employes' Retirement System retirees whose dates of termination of service were after May 15, 1992, and before July 2, 1992, already were eligible for (a) early retirement with reduced retirement benefits, (b) early retirement with full retirement benefits, or (c) superannuation retirement with full retirement benefits without the additional ten percent of credited service. For these retirees, the enhanced benefits under the bill represents a retroactively provided bonus for terminating service after May 15, 1992, and before July 2, 1992, at the end of the 1991-92 fiscal year. Unless equity issues exist to support the proposed benefit enhancement, there is no apparent policy rationale for rewarding a certain group of employees retiring in the normal course of events.

Original Intent. In part, the bill is based on the contention that the original legislative intent of the additional ten percent service credit was to include some or all of those Public School Employes' Retirement System members whose dates of termination of service was after May 15, 1992, and before July 2, 1992. If that was the original legislative intent, the bill would effect the originally intended result.

Appropriateness of Extending Special Early Retirement Provisions. The existing special early retirement provisions have been in effect for some years, and both systems recently have had an additional ten percent service credit early retirement incentive program. Consideration of whether the purpose of extending the special early retirement provisions is to induce a reduction in personnel complement or to provide enhanced retirement benefits on a quasi-permanent basis is appropriate. If the latter purpose is intended, the ad hoc extensions function to preclude recognition of the full actuarial costs involved.

Financing of Special Early Retirement Provisions. Both the consulting actuary of the Commission and the consulting actuary of the State Employes' Retirement System have raised the issue of appropriate funding for continuing extensions of special early retirement provisions. Changing the actuarial assumptions of both systems to reflect the de facto indefinite continuation of this benefit modification would result in including the provision in the development of the normal costs of the systems rather than limiting it to recognition in amortization payments for unfunded actuarial accrued liabilities.

Conformance with a Federal and Another Commonwealth Statute. The bill would assure that the Public School Employees' Retirement Code and the State Employees' Retirement Code are in conformance with the applicable Commonwealth and federal statutes regarding disability retirement benefits, thereby removing the possibility of litigation.

Uniformity and Equity of Pension Benefits. The bill is a move toward establishing equity in disability benefits among members of the Public School Employes' Retirement System and the State Employes' Retirement System regardless of age.

More Equitable Treatment of Certain PSERS and SERS Members. Permitting Public School Employes' Retirement System and State Employes' Retirement System members to elect to eliminate the financially severe effects of frozen present values provides more equitable treatment to members with more than one period of public school or state employment.

Design of Postretirement Adjustment. In the postretirement increases granted prior to 1984, the amount of the adjustment was set to uniformly replace one-half to two-thirds of the increase in the Consumer Price Index. The 1984 postretirement increase was designed to maximize the adjustment for long service employees and those who had been on retirement for the longest period. The 1988 postretirement increase was designed to maximize the adjustment for long service employees. The formula to calculate the postretirement adjustment proposed in the amendment returns to the pre-1984 practice of uniformly replacing one-half of the increase in the Consumer Price Index.

Drafting Ambiguities.

Reimbursement of Employers of PSERS Members. Under proposed section 8326(c) of title 24, the method of contributing is changed for all employers who receive payments on account of instruction under section 2502 of the Public School Code of 1949, including, presumably, not only school districts but also intermediate units and area vocational-technical schools. The reimbursement provisions in proposed section 8535 are restricted to school districts only. There appears to be an inconsistency.

Scope of Annual Audits and Financial Statements. The proposed wording in sections 8502(n) and 8502(o) of title 24 and of sections 5902(m) and 5902(n) of title 71 extending the scope of the annual audits and financial statements improperly juxtapose accounting terms of art in a way that could cause confusion. "Accrual" refers to the timing of the recognition of a recordable event and "expenditure" is a type of recordable event. Rather than lengthening the descriptions to be technically correct, they could be shortened to read: "including directed commissions," and "which audit shall include directed commissions."

COMMISSION RECOMMENDATION

On December 7, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 974, passed the Senate (37-11) on June 9, 1993, as Printer's Number 1440, passed the House (164-34) as Printer's Number 1779, on December 7, 1993, and the Senate non-concurred in House amendments (24-23) on December 14. 1993.

Bill ID: Amendment 4565 to Senate Bill 974, Printer's Number 1733

Systems: Public School Employes' Retirement System and State Employes' Retirement System

Subject: Special Postretirement Adjustment for Annuitants with Certain Unpurchased Military Service

SYNOPSIS

Amendment 4565 to Senate Bill 974, Printer's Number 1733, would amend Senate Bill 974, Printer's Number 1733, to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to provide for the payment of a special supplemental postretirement adjustment to certain annuitants who have military service that was not considered to be purchasable nonschool or nonstate service at the time of their active service but that subsequently was determined to be eligible for purchase based on federal court decisions.

DISCUSSION

Members of the Public School Employes' Retirement System (PSERS) and the State Employes' Retirement System (SERS) may purchase service credit for limited categories of nonschool and nonstate service. These include intervening military service, limited nonintervening military service, Cadet Nurse Corps service during World War II, approved leaves of absence without pay, non-vested public teaching service in another state or for the federal government, community college service, and service preceding a transfer of governmental function. Contributions required from a member to purchase credit for nonschool or nonstate service vary depending on the category of service for which credit is being purchased. In most cases, the required payment is substantially less than the full actuarial cost of the benefit increase gained through the service credit purchase. Eligibility to purchase credit for nonschool or nonstate service is limited to active PSERS and SERS members. Service that is being counted toward another governmental or private pension that the member is receiving or is eligible to receive either currently or in the future may not be purchased as creditable nonschool or nonstate service.

From the adoption of the current retirement codes until 1984, the prohibition against receiving credit for service in two retirement systems was interpreted to include the active military service time of PSERS and SERS members who were, or had been, active in the armed forces' reserves and were receiving, or were going to receive, retirement pay for this service. As a result of court decisions, it is now clear that a member has federal statutory rights to purchase service credit for intervening military service or for up to five years of nonintervening military service credit or both in PSERS or SERS for active armed forces service regardless of whether this service also will count towards retired pay for non-regular armed forces service paid by the federal government.

The amendment would grant a special supplemental postretirement adjustment to those individuals with such military service who retired prior to the court decisions. The amendment provides that these retirees' annuities will be approximately the same as if they had purchased service credit for their active military service.

SUMMARY OF ACTUARIAL COST IMPACT

The following actuarial cost estimate is based upon an actuarial note prepared for a similar piece of proposed legislation in 1989. The consulting actuary assumed that the benefits only would be paid prospectively from the date of adoption as Amendment 4565 also requires. The Commission staff has recalculated the amortization payments to reflect the amortization provisions now in the codes.

	PSERS	SERS	Total
Estimated Number Electing Benefit	200 to 600	100 to 300	300 to 900

	PSERS * ($ in thousands)	SERS ($ in thousands)	Total ($ in thousands)
Annual Benefit Payment Increase	$ 163 to $ 489	$ 122 to $ 366	$ 285 to $ 855
Increase in Unfunded Actuarial Accrued Liability	$1,400 to $4,200	$1,100 to $3,300	$2,500 to $7,500
Increase in Employers' Annual Costs			
Normal Cost	$ 0 to $ 0	$ 0 to $ 0	$ 0 to $ 0
Amortization Payment (First year cost, increasing five percent a year for 20 years)	109 to 326	85 to 256	194 to 582
Total Increase in Employer Annual Costs (First year only)	$ 109 to $ 326	$ 85 to $ 256	$ 194 to $ 582

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

POLICY CONSIDERATIONS

In reviewing the amendment, the Commission identified the following policy considerations:

Drafting Concerns Addressed. On September 20, 1989, the Commission directed its staff to work with the staff members of the prime sponsor of a similar 1989 proposal, the two statewide public employee retirement systems, and the Legislative Reference Bureau to discuss the most appropriate means of accomplishing the limited intent of the proposed legislation and to develop language that would address the Commission's concerns. The amendment represents the product of this effort.

Utilization of Postretirement Adjustment. In June of 1989, the Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring service purchases. The use of a postretirement adjustment for the purpose of benefit parity was endorsed by the Commission in the report.

Administrative Issues. The use of a postretirement adjustment, rather than a service purchase authorization as proposed in 1989, reduces the administrative complexities for the Public School Employes' Retirement System and the State Employes' Retirement System.

Funding Policy.

Under the Public School Employees' Retirement Code and the State Employees' Retirement Code, the unfunded actuarial accrued liability resulting from a special postretirement adjustment such as the one proposed in Amendment 4565 is funded by amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period beginning with the July 1 coincident with or next following the effective date of such legislation.

A 20-year period is longer than the remaining average retired lifetime of the benefit recipients involved, meaning that a portion of the funding for benefits will be provided after the death of a significant number of the benefit recipients. More prudent pension funding policy would provide for the liabilities of the postretirement adjustment to be amortized over a shorter period typically ten years, and for the amortization payments to be calculated on a level dollar basis. This funding policy is evident in section 202(b)(4)(iv) of the Municipal Pension Plan Funding Standard and Recovery Act, under which a municipality must amortize such an unfunded actuarial accrued liability by level dollar amortization payments over ten years.

COMMISSION RECOMMENDATION

On December 7, 1993, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 974, passed the Senate (37-11) on June 9, 1993, as Printer's Number 1440, passed the House (164-34) on December 7, 1993, as Printer's Number 1779, and the Senate non-concurred in House amendments (24-23) on December 14, 1993.

Bill ID: Amendment 4609 to Senate Bill 974, Printer's Number 1733

Systems: Public School Employes' Retirement System
and State Employes' Retirement System

Subject: Ad Hoc Postretirement Adjustment in Annuities

SYNOPSIS

Amendment 4609 to Senate Bill 974, Printer's Number 1733, would amend Senate Bill 974, Printer's Number 1733, to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to give additional monthly supplemental annuities beginning on July 1, 1994, to annuitants whose effective dates of retirement were before July 1, 1992, with those retiring July 1, 1991, through June 30, 1992, receiving 1.5 percent, those retiring July 1, 1990, through June 30, 1991, receiving 2.8 percent, those retiring July 1, 1989, through June 30, 1990, receiving 5.3 percent, and those retiring before July 1, 1989, receiving 7.9 percent, in all cases limited to the first $3,000 of monthly annuity, and with the resulting increase in the unfunded actuarial accrued liabilities funded by amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period beginning July 1, 1994.

DISCUSSION

The Public School Employes' Retirement System (PSERS) and the State Employes' Retirement System (SERS) are the administrators of cost-sharing multiple-employer retirement systems established by the Commonwealth to provide retirement, disability, and death benefits for all full-time public school employees in Pennsylvania and for all employees of state government and certain independent agencies. At June 30, 1992, there were 633 participating units, generally school districts, in PSERS, and at December 31, 1990, there were 112 participating state and independent agencies. Membership in the systems is mandatory for most employees. Certain other employees are not required, but are given the option to participate. The general annual retirement benefit is two percent of the member's high-three year average salary times years of service.

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that was initially payable at retirement. Postretirement adjustments may be granted for a number of reasons, but the most common is to increase retirement pay to reflect some of the increase in the cost of living since an employee retired.

It has been the historical practice of the Commonwealth to grant periodic ad hoc postretirement increases to PSERS and SERS annuitants to reflect some of the increase in the cost of living. These ad hoc postretirement adjustments have been granted roughly every five years during the period from 1967-68 to 1988. The following sets forth the history of prior postretirement adjustments.

No.	Year Enacted PSERS	SERS	Increase in CPI Since Last COLA PSERS	SERS	Percent of Increase in CPI Replaced
1.	1967 & 1970	1968	N.A.	N.A.	N.A.
2.	1975	1974 & 1975	47.24%	41.27%	63%
3.	1979	1979	47.40%	47.44%	55%
4.	1984	1984	43.44%	43.44%	37%
5.	1988	1988	16.16%	16.16%	50%

The amounts of these postretirement adjustments were based roughly on one-half to two-thirds of the increase over the applicable period in the Consumer Price Index for all Urban Consumers (CPI-U), which is calculated by the Bureau of Labor Statistics of the United States Department of Labor and which is a frequently used measure of changes in the cost of living nationally. The Commission's consulting actuary estimates that the ad hoc postretirement adjustments proposed in the amendment would equal one-half the increase in the CPI-U from the last ad hoc postretirement adjustment to June 30, 1994.

SUMMARY OF ACTUARIAL COST IMPACT

The Commission's consulting actuary estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs.

Public School Employes' Retirement System

	Amount
Increase in Unfunded Actuarial Accrued Liability	$430,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.0%
Amortization Payment	31,000,000	0.4%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 31,000,000	0.4%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

State Employes' Retirement System

	Amount
Increase in Unfunded Actuarial Accrued Liability	$232,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 0	0.0%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	18,000,000	0.5%
Total Increase in Employer Annual Costs (First year only)	$ 18,000,000	0.5%

POLICY CONSIDERATIONS

In reviewing the amendment, the Commission identified the following policy considerations:

Design of Postretirement Adjustment. In the postretirement increases granted prior to 1984, the amount of the adjustment was set to uniformly replace one-half to two-thirds of the increase in the Consumer Price Index. The 1984 postretirement increase was designed to maximize the adjustment for long service employees and those who had been on retirement for the longest period. The 1988 postretirement increase was designed to maximize the adjustment for long service employees. The formula to calculate the postretirement adjustment proposed in the amendment returns to the pre-1984 practice of uniformly replacing one-half of the increase in the Consumer Price Index.

Payment Acceleration. The earlier amortization would reduce the total liability incurred in providing the benefit.

Funding Policy. The amendment requires that the unfunded actuarial accrued liability attributable to the benefit increase be funded over a 20 year period. A 20 year period is longer than the remaining average retired lifetime of the benefit recipients involved, meaning that a portion of the funding for benefits will be provided after the death of a significant number of the benefit recipients. More prudent pension funding policy would provide for the liabilities of the postretirement adjustment to be amortized over a shorter period, typically ten years, and for the amortization payments to be calculated on a level dollar basis. This funding policy is evident in section 202(b)(4)(iv) of the Municipal Pension Plan Funding Standard and Recovery Act, under which a municipality must amortize such an unfunded actuarial accrued liability by level dollar amortization payments over ten years.

COMMISSION RECOMMENDATION

On December 7, 1993, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

Senate Bill 974, passed the Senate (37-11) on June 9, 1993, as Printer's Number 1440, passed the House (164-34) on December 7, 1993, as Printer's Number 1779, and the Senate non-concurred in House amendments (24-23) on December 14, 1993.

Bill ID: Amendment 4622 to Senate Bill 974, Printer's Number 1733

System: Public School Employes' Retirement System

Subject: Ad Hoc Postretirement Adjustment in Annuities

SYNOPSIS

Amendment 4622 to Senate Bill 974, Printer's Number 1733, would amend Senate Bill 974, Printer's Number 1733, to amend the Public School Employees' Retirement Code to give additional monthly supplemental annuities beginning on July 1, 1994, to annuitants whose effective dates of retirement were before July 1, 1991, with those retiring July 1, 1988, through June 30, 1991, receiving 3.0 percent, those retiring July 1, 1985, through June 30, 1988, receiving 5.5 percent, those retiring July 1, 1982, through June 30, 1985, receiving 8.0 percent, and those retiring before July 1, 1982, receiving 12.0 percent, in all cases limited to the first $3,000 of monthly annuity, and with the resulting increase in the unfunded actuarial accrued liability funded by amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period beginning July 1, 1995.

DISCUSSION

The Public School Employes' Retirement System (PSERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth to provide retirement, disability, and death benefits for members. At June 30, 1992, there were 633 participating units, generally school districts, in PSERS. Membership in the system is mandatory for substantially all full-time public school employees in the Commonwealth. Certain part-time employees are not required, but are given the option, to participate. The general annual retirement benefit is two percent of the member's high-three year average salary times years of service.

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that was initially payable at retirement. Postretirement adjustments may be granted for a number of reasons, but the most common is to increase retirement pay to reflect some of the increase in the cost of living since an employee retired.

It has been the historical practice of the Commonwealth to grant periodic ad hoc postretirement increases to PSERS and State Employes' Retirement System (SERS) annuitants to reflect some of the increase in the cost of living. These ad hoc postretirement adjustments have been granted roughly every five years during the period from 1967-68 to 1988. The following sets forth the history of prior postretirement adjustments.

DISCUSSION (CONT'D)

No.	Year Enacted PSERS	SERS	Increase in CPI Since Last COLA PSERS	SERS	Percent of Increase in CPI Replaced
1.	1967 & 1970	1968	N.A.	N.A.	N.A.
2.	1975	1974 & 1975	47.24%	41.27%	63%
3.	1979	1979	47.40%	47.44%	55%
4.	1984	1984	43.44%	43.44%	37%
5.	1988	1988	16.16%	16.16%	50%

The amounts of these postretirement adjustments were based roughly on one-half to two-thirds of the increase over the applicable period in the Consumer Price Index for all Urban Consumers (CPI-U), which is calculated by the Bureau of Labor Statistics of the United States Department of Labor and which is a frequently used measure of changes in the cost of living nationally. The Commission's consulting actuary estimates that the ad hoc postretirement adjustments proposed for members of the SERS in Senate Bill 974, Printer's Number 1733, would equal one-half the increase in the CPI-U from the last ad hoc postretirement adjustment to June 30, 1994.

Historically, the General Assembly has tended to provide roughly identical benefits to members and beneficiaries of the two statewide retirement systems. The postretirement adjustment proposed in the amendment would be different from that proposed in Senate Bill 974, Printer's Number 1733, for the State Employes' Retirement System and would be more expensive than the postretirement adjustment proposed in the bill.

SUMMARY OF ACTUARIAL COST IMPACT

The consulting actuary of the Public School Employes' Retirement System estimates that providing the special postretirement adjustment provided for the amendment will result in the following costs. Due to time constraints, the Commission has been unable to have this estimate independently reviewed by one of the Commission's consulting actuaries, but the Commission staff believes the estimate to be reasonable.

Public School Employes' Retirement System

	Amount
Increase in Unfunded Actuarial Accrued Liability	$453,900,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment	34,900,000	0.50%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 34,900,000	0.50%

* Paid in part by the Commonwealth and in part by the school district or other educational employer.

POLICY CONSIDERATIONS

In reviewing the amendment, the Commission identified the following policy considerations:

Amount of Postretirement Adjustment. The postretirement increases proposed in the amendment would function to provide increases greater than 50 percent of the increase in the CPI-U and to compound the increases received by members retiring before July 1, 1989.

Disparity in COLA Benefit between PSERS and SERS. The proposed PSERS and SERS COLA's in Senate Bill 974, Printer's Number 1733, provide an identical benefit, in accordance with the General Assembly's long practice of providing substantially identical benefits to members of the two statewide systems. The reason for providing differing COLA's that discriminate against SERS retirees is not apparent. Providing differing COLA's could lead to requests for parity from SERS retirees.

Disparity in Cost between PSERS COLA Proposed in Bill and PSERS COLA Proposed in Amendment. The proposed PSERS COLA in Senate Bill 974, Printer's Number 1733, which is the same as the proposed SERS COLA, only would increase the PSERS unfunded actuarial accrued liability by $430,000,000, while the COLA proposed in the amendment would increase the liability by $453,900,000, an increase of $23,900,000.

COMMISSION RECOMMENDATION

On December 7, 1993, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above, expressing particular concern regarding the magnitude of the postretirement adjustment.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 974, passed the Senate (37-11) on June 9, 1993, as Printer's Number 1440, passed the House (164-34) on December 7, 1993, as Printer's Number 1779, and the Senate non-concurred in House amendments (24-23) on December 14, 1993.

Bill ID: Senate Bill 1068, Printer's Number 1369

System: Public School Employes' Retirement System and State Employes' Retirement System

Subject: Various Amendments

SYNOPSIS

Senate Bill 1068, Printer's Number 1369, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code.

The bill would amend the Public School Employees' Retirement Code to do 12 things:

Remove the two consecutive terms of office limitation on the time during which a member may serve on leave for service with a collective bargaining organization with employer contributions paid by the organization;

Extend the termination date from June 30, 1993, to December 31, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity that is not reduced because the member is under superannuation age;

For new members first employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1993, change the contributions by the Commonwealth to the Public School Employes' Retirement Fund for annuities from one-half of employer costs to the product of total employer costs multiplied by the market value/income aid ratio while requiring the school districts, intermediate units, and area vocational-technical schools to contribute the remaining total employer costs;

Remove the fiduciary duty to set salary increase rate and valuation interest rate assumptions from the Public School Employes' Retirement Board and statutorily fix the rates as the arithmetic mean of the past 15 years actual experience but limiting the resulting change in the total employer contribution rate before factoring in new benefit and actuarial experience costs to 2.5% of payroll in Fiscal Year 1993-94 and 1% of payroll thereafter;

For new members first employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1993, change the contributions by the Commonwealth to the school districts, intermediate units, and area vocational-technical schools for social security from one-half of employer costs to the product of employer costs multiplied by the market value/income aid ratio;

Essentially guarantee a minimum disability benefit of one-third of the employee's final average salary and make other changes necessary to make the code conform to the requirements of both the Pennsylvania Human Relations Act and the Older Workers Benefits protection Act, which amended the Age Discrimination in Employment Act in response to the holding of the United States Supreme Court in *Public Employees Retirement System of Ohio v. Betts;*

Require unreduced annuities under Option 4 rather than permitting members to elect to receive an annuity reduced upon attainment of age 65 in anticipation of the receipt of a social security benefit;

Require Public School Employes' Retirement Board annually to submit a list of proposed and a report on directed commissions and restricting the commissions to the exclusive benefit of the system and its members;

Require payment of $55 a month health insurance premium assistance directly to participating eligible annuitants but permit payment directly to the annuitants' approved insurance carriers;

Add and revise provisions relating to authorized investments by the Public School Employes' Retirement Board, except the board from certain terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments, adopt a prudent person rule in lieu of a specific "legal list" of authorized investments, and clarify venture capital investment provisions;

Change the nonalienation provisions to permit attachment of members' rights in favor of alternate payees under an approved domestic relations order and prescribe the contents of and approval process for the domestic relations orders; and

Change the nonalienation provisions to permit direct rollovers of distributions into an eligible retirement plan.

The bill would amend the State Employees' Retirement Code to do eight things:

Extend the termination date from June 30, 1993, to December 31, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity unreduced because the member is under superannuation age;

Essentially guarantee a minimum disability benefit of one-third of the employee's final average salary and make other changes necessary to make the code conform to the requirements of both the Pennsylvania Human Relations Act and the Older Workers Benefits protection Act, which amended the Age Discrimination in Employment Act in response to the holding of the United States Supreme Court in *Public Employees Retirement System of Ohio v. Betts;*

Require unreduced annuities under Option 4 rather than permitting members to elect to receive an annuity reduced upon attainment of age 65 in anticipation of the receipt of a social security benefit;

Authorize a legislative member of the State Employes' Retirement Board to appoint a duly authorized designee to act in the legislator's stead;

Require State Employes' Retirement Board annually to submit a list of proposed and a report on directed commissions and restricting the commissions to the exclusive benefit of the system and its members;

Add and revise provisions relating to authorized investments by the State Employes' Retirement Board, except the board from certain terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments, adopt a prudent person rule in lieu of a specific "legal list" of authorized investments, and clarify venture capital investment provisions;

Change the nonalienation provisions to permit attachment of members' rights in favor of alternate payees under an approved domestic relations order and prescribe the contents of and approval process for the domestic relations orders; and

Change the nonalienation provisions to permit direct rollovers of distributions into an eligible retirement plan.

DISCUSSION

Under the Public School Employees' Retirement Code, when paid leave is granted to an active member by an employer for purposes of serving as an elected full-time officer for a statewide employee organization that is a collective bargaining representative under the Public Employe Relations Act, a member on such leave may remain an active member provided that the statewide employee organization fully reimburses the employer and the Commonwealth for all expenses and costs of such leave, including, but not limited to, contributions and payments on account of such service made to the Public School Employes' Retirement System. Under the current provisions, this arrangement is limited to not more than two consecutive terms of the same office. The bill would remove the two consecutive term limitation.

Under the Public School Employees' Retirement Code, superannuation or normal retirement age is age 62, or age 60 with 30 or more years of service, or any age with 35 years of service. Under the State Employees' Retirement Code, the age is age 60, or any age with 35 years of service, or age 50 for members of the General Assembly and certain public safety employees. For a limited time, the existing provisions of these codes also permit members with 30 or more years of service to retire at any age and receive full retirement benefits with no benefit reduction for retiring prior to superannuation or normal retirement age. These existing special early retirement provisions will expire on June 30, 1993. The bill would extend these existing special early retirement provisions for an additional two and one-half years from June 30, 1993, to December 31, 1995.

Under the Public School Employees' Retirement Code, the employer and the Commonwealth equally share the cost of required contributions. The bill proposes to change the Commonwealth's share from one-half of the employer contribution rate to the product of the total employer contribution rate multiplied by the market value/income aid ratio for new members first employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1993. The ratio is defined in section 2501(14.1) of the Public School Code of 1949 and is used in calculating reimbursements by the Commonwealth and between school districts.

Under the Public School Employees' Retirement Code, the Commonwealth pays the employers one-half of the employer contributions payable under the Social Security Act. The bill proposes to change the Commonwealth's share from one-half of the employer contribution to the product of the employer contribution multiplied by the market value/income aid ratio for new members first employed by school districts, intermediate units, and area vocational-technical schools after June 30, 1993.

The result of the proposal to change the Commonwealth's share of employer contributions for pensions and social security would be that employers contributions for both the Public School Employes' Retirement System annuities and social security would remain at 100 percent of the required contributions but that the amount paid by individual school districts, intermediate units, and vocational-technical school will be changed. Thus, there would be an alteration among these school entities and between these school entities and the Commonwealth in the share of employer contributions paid.

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the retirement system boards, exercising their fiduciary duties after discussions with their consulting actuaries, determine the investment return and salary increase assumptions to be used in calculating total employer contributions. The bill would remove this function from the Public School Employes' Retirement Board and statutorily fix the two assumptions as the arithmetic mean of the most recent prior 15 fiscal years for which data are available. Under the proposal, the resulting total contribution rate for fiscal year 1993-94 could not be decreased (or increased) from the fiscal year 1992-93 rate by more than two and one-half percent of covered payroll. For all future fiscal years, the proposed limit on the change in the rate is one percent of covered payroll.

Actuarial calculations necessarily are based on assumptions regarding the future. Actuarial assumptions often, though not invariably, relate to a long span of time. Actuarial assumptions are not so much predictions as they are best estimates. The results obtained from most actuarial calculations are sensitive to the assumptions chosen. As actual experience varies from the assumptions, actuarial gains or actuarial losses occur and are recognized, typically resulting in an increase or decrease in the rate of future employer contributions. For these reasons, actuarial assumptions tend to be based on very long term experience informed by best estimates of future developments. The mechanical use of the arithmetic mean of just the last 15 years could lead to greater fluctuations in employer contribution rates and, in the view of the Commission's consulting actuary, presents difficulty to any consulting actuary who is requested to perform an actuarial valuation under the proposed method.

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the disability retirement benefit is the normal unreduced superannuation benefit with a minimum that increases the benefits for short-service employees under superannuation age. The minimum is the lesser of (1) one-third of the final average (high three years) salary or (2) the benefit projected to superannuation age, which under the Public School Employees' Retirement Code is age 62, or age 60 with 30 years of service credit, or 35 years of service credit regardless of age, and under the State Employees' Retirement Code generally is age 60 or 35 years of service credit regardless of age. Since the superannuation benefit generally is the product of two percent multiplied by service credit multiplied by final average salary, the minimum does not affect the benefits for employees with more than 16.7 years of service credit, who receive superannuation benefits that are greater than one-third of their final average salary. Employees with less than 16.7 years of service credit receive the lesser of one-third of salary or the benefit projected to superannuation age. For these employees, the one-third maximum on the disability benefit actually functions to reduce the difference in benefit by age. For example, if there were no one-third maximum, a member of the State Employes' Retirement System (SERS) hired at age 20 would be eligible for an 80 percent of salary disability benefit, while the disability benefit for an SERS member is ten percent of salary for a member hired just before age 55.

Eligibility to apply for a disability annuity ceases when the employee attains superannuation age. The provisions dovetail the disability and superannuation formulae so that an employee passing superannuation age receives a benefit that is equal to the disability benefit immediately before that date. The benefit continues to increase at two percent for each year after superannuation.

In 1990 in response to the United States Supreme Court's holding in *Public Employees Retirement System of Ohio v. Betts*, Congress passed the Older Workers Benefits Protection Act (OWBPA), which amended the Age Discrimination in Employment Act. The purpose of OWPBA was to overturn the Supreme Court's ruling in *Betts* by prohibiting certain types of disability benefits that were considered to discriminate based on age. All retirement systems, including public employee retirement systems such as PSERS and SERS, were given until October 16, 1992, to correct any age discriminatory features in the disability portion of their pension plans.

The administrative staffs and consulting actuaries of both PSERS and SERS, their joint Chief Counsel, and specially retained outside counsel all have reviewed the retirement codes. Although there were differences of professional opinion regarding the effect of the OWBPA and possible courses of action, in the end, it was decided that the best course of action was to request legislation similar to the bill for both systems. This approach is a more conservative option whereby the disability formulae are amended essentially guaranteeing a minimum disability benefit of one-third of final average salary. This approach not only avoids the current decline in the amount of the disability benefit for workers who enter the systems at age 44 or after but also eliminates any risk that the codes may be found not to comply with the OWBPA. Moreover, this approach assures that the disability formulae are not age discriminatory under the Pennsylvania Human Relations Act. This approach, however, may serve as an incentive for older short service members to apply for disability retirement rather than superannuation retirement.

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the retirement systems boards include four legislative members, one from each party in each house of the General Assembly. Under the Public School Employees' Retirement Code, each legislative member of the Public School Employes' Retirement Board may appoint a duly authorized designee to act in the legislator's stead. The bill would amend the State Employees' Retirement Code to also permit each legislative member of the State Employes' Retirement Board to appoint a duly authorized designee to act in the legislator's stead.

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, retiring members have a number of actuarially equivalent options to choose among. Under Option 4, where the retiring member has chosen some other actuarially equivalent option other than one of the three pre-designed ones, an annuity must be payable without reduction during the lifetime of the retired member except as the result of the of the member's election to receive an annuity reduced upon attainment of age 65, in anticipation of the receipt of a social security benefit. The bill would remove the exception permitting reduction upon reaching age 65 and instead require that any such annuity be payable without reduction during the lifetime of the retired member. Option 4 is a frequently chosen option, because it is under this option that a retiring member may withdraw the accumulated member's contributions in a lump sum in return for receiving a smaller annuity.

Directed commissions are those commissions charged by a broker for executing securities transactions that are placed by the investment manager with a particular broker, or brokers, resulting from instructions received from the client of the manager. As clients, both the Public School Employes' Retirement System and the State Employes' Retirement Systems, from time to time, direct their investment managers to place certain transactions with certain brokers. Some of these directed commissions are soft dollars, that is, they are used to purchase services from the broker. The bill would require both systems annually to report both proposed directed commissions for the coming year and actual directed commissions for the completed year.

Under the Public School Employees' Retirement Code, annuitants with 24½ or more years of service receive $55 a month as health insurance premium assistance that is paid directly to the insurance carriers approved by the Public School Employes' Retirement System (PSERS). The bill would change this provision to require that these payments be made directly to the annuitants but permitting the retirement system board, at its discretion, to make payments directly to the insurance carriers. The proposal also gives the board the right to verify the application and receipt of the payments by the annuitants and the insurance carriers. PSERS believes that this approach will be administratively easier than administering payments to many insurance carriers, and PSERS indicates that an administrative mechanism is in place to verify the application and receipt of the payments.

The bill would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code by adding and revising provisions relating to authorized investments by the retirement system boards, excepting the boards from terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments, and adopting a prudent person rule in lieu of a specific "legal list" of authorized investments.

The Commission's position on investment flexibility for retirement systems is reflected in its February 1989 report on *Fiduciary Responsibility and Liability for Pennsylvania Local Government Employee Retirement Systems*. In this report, the Commission supports wide investment discretion within the "prudent expert rule" for public employee retirement systems that use investment advisors and investment managers. The Commission's position is consistent with the objectives of the bill.

Both the Public School Employees' Retirement Code and the State Employees' Retirement Code are considered qualified pension plans under section 401(a) of the Internal Revenue Code. Qualified status brings important tax benefits for the systems, the most important of which is that the members are not taxed each year on the retirement benefits they earn. The tax liability is deferred until the employees retire, when they are taxed on the annual income from their annuities. As qualified plans, under section 401(a)(13), the codes must contain nonassignment and nonalienation provisions, which they do. Under section 401(a)(13), however, there must be exceptions for qualified domestic relations orders as defined under section 414(p), which the codes do not contain. The bill would amend the nonalienation provisions of both codes to provide for both the required contents and the systems processing of qualified domestic relations orders.

Under the amendments to the Internal Revenue Code made by the Unemployment Compensation Amendments of 1992, members of the systems who resign or retire are able to directly transfer the taxable part of their contributions and interest to an Individual Retirement Account (IRA) or another eligible plan. This is also known as a rollover. The transfer of taxable contributions must take place after December 31, 1992, and these contributions must be sent to the IRA or another eligible plan by the systems. This is also known as a trustee to trustee transfer. The bill would amend the nonalienation provisions of both code to provide for the rollovers by trustee to trustee transfers.

SUMMARY OF ACTUARIAL COST IMPACT

Except for the proposed changes in early retirement provisions and disability benefits, the proposals contained in Senate Bill 1068, Printer's Number 1369, will have no actuarial cost. The proposed change in setting actuarial assumptions will have a material impact on the timing of Commonwealth and school entity cash outlays to fund the Public School Employes' Retirement System.

Two and One-Half Years Extension of Full Retirement for PSERS Members with 30 Years of Service

The consulting actuary of the Public School Employes' Retirement System (PSERS) estimated a range of costs for a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age. The Commission's consulting actuary reviewed these estimates and found them to be reasonable. Because most PSERS members retire at the end of the school year, an additional six months extension from June 30 to December 31, 1995, would have a small additional actuarial cost because relatively few additional retirements will occur in that period. The data below, therefore, are the PSERS consulting actuary's estimate of the cost of a two year extension from June 30, 1993, to June 30, 1995.

	Range of Amounts	
Increase in Unfunded Actuarial Accrued Liability	$41,856,000 –	$83,712,000

	Range of Amounts		Range As a % of Payroll	
Increase in Employer Annual Costs				
Normal Cost	$ 0 –	$ 0	0.00% –	0.00%
Amortization Payment	3,046,000 –	6,092,000	0.04 –	0.08
(First year cost, increasing five percent a year for 20 years)				
Total Increase in Employer Annual Costs (First year only)	$3,046,000 –	$6,092,000	0.04% –	0.08%

Two and One-Half Year Extension of Full Retirement for SERS Members with 30 Years of Service

The consulting actuary of the State Employes' Retirement System (SERS) estimated the costs for a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age. The Commission's consulting actuary reviewed this estimate and found it to be reasonable. Because this benefit has been available for some years and is having a relatively minor impact on the timing of retirements and because SERS members tend to retire at a more uniform rate but particularly around the end of the calendar year, an extrapolation of the data from the two year estimate produces the estimate for a two and one-half year extension provided below.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$ 17,875,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 0	0.000%
Amortization Payment	1,412,500	0.038
(First year cost, increasing 5% a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 1,412,500	0.038%

Changing PSERS Disability Benefit

The following actuarial cost estimate is based upon a July 1992 actuarial estimate prepared by the consulting actuary of the State Employes' Retirement System. The Public School Employes' Retirement System has not had an actuarial estimate prepared. PSERS is almost twice as large as SERS and the demographics of its members are different, PSERS members tending to have more years of service and higher salaries. The SERS actuarial estimated percentage of payroll cost does provide some idea of the order of magnitude of employer costs of the proposal.

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 2,298,000	0.04%
Amortization Payment	1,149,000	0.02
(First year cost, increasing 5% a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 3,447,000	0.06%

Changing SERS Disability Benefit

The following actuarial cost estimate is based upon a July 1992 actuarial estimate by the consulting actuary of the State Employes' Retirement System.

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 1,371,000	0.04%
Amortization Payment	686,000	0.02
(First year cost, increasing 5% a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 2,057,000	0.06%

In reviewing the bill, the Commission identified the following policy considerations.

Appropriateness of Extending Special Early Retirement Provisions. The existing special early retirement provisions have been in effect for some years, and both systems recently have had an additional ten percent service credit early retirement incentive program. Consideration of whether the purpose of extending the special early retirement provisions is to induce a reduction in personal complement or to provide enhanced retirement benefits on a quasi-permanent basis is appropriate. If the latter purpose is intended, the ad hoc extensions function to preclude recognition of the full actuarial costs involved.

Financing of Special Early Retirement Provisions. Both the consulting actuary of the Commission and the consulting actuary of the State Employes' Retirement System have raised the issue of appropriate funding for continuing extensions of special early retirement provisions. Changing the actuarial assumptions of both systems to reflect the de facto indefinite continuation of this benefit modification would result in including the provision in the development of the normal costs of the systems rather than limiting it to recognition in amortization payments for unfunded actuarial accrued liabilities.

Standards Applicable to Actuarial Valuations. The Public School Employes' Retirement System consulting actuary would have difficulty performing an actuarial valuation if the proposed approach for setting actuarial assumptions were mandated. A rigid approach for setting actuarial assumptions ignores the consulting actuary's perceptions as to future expectation to the extent that they differ from recent results.

Volatility in Employer Contributions. The proposal to fix investment earning and salary increase assumptions in the Public School Employes' Retirement System as the arithmetic mean of the past 15 years will insert volatility into the assumption-setting process and the resulting employer contributions because past economic experience has varied significantly over such periods. The use of a 2.5 percent limitation for the first year annual and a 1.0 percent annual limitation thereafter on the employer contribution rate would mitigate, but not eliminate, the volatility of the method.

Conformance with a Federal and Another Commonwealth Statute. The bill would assure that the Public School Employees' Retirement Code and the State Employees' Retirement Code are in conformance with the applicable Commonwealth and federal statutes regarding disability retirement benefits, thereby removing the possibility of litigation.

Uniformity and Equity of Pension Benefits. The bill is a move toward establishing equity in disability benefits among members of the Public School Employes' Retirement System and the State Employes' Retirement System regardless of age. The change, however, may serve as an incentive for older, short service members to apply for disability retirement rather than superannuation retirement.

Drafting Ambiguities.

Arithmetic Average. In the proposed definitions of "Salary Increase Rate" and "Valuation Interest Rate" in section 8102 of the Public School Employees' Retirement Code, the phrase "arithmetic average" is used. Because the word "average" frequently is used to describe all measures of central tendency [mean (both arithmetic and geometric), median, and mode], using the phrase "arithmetic mean" would prevent interpretation problems.

Limitation Adjustments. In proposed sections 8328(g) and 8328(h), the adjustments to the employer contribution rate are expressed as the employer contribution rate minus the premium assistance rate calculated under subsection (f), expressed as a percentage of compensation, shall not be permitted to be more than 2.5 or 1.0 percent greater than the employer contribution rate minus the premium assistance rate calculated under subsection (f) of the immediately prior fiscal period, nor shall the employer contribution minus the premium rate calculated under subsection (f) be more than 2.5 or 1.0 percent less than the employer contribution rate minus the premium assistance rate calculated under subsection (f) of the immediately prior fiscal period. The Commission assumes that the intent of the proposal was to limit the change in the employer contribution rate from the previous fiscal year to plus or minus 2.5 or 1.0 percent of compensation. The phrase, however, reads as though the intent were to limit the change in the total employer contribution rate from the previous fiscal year to plus or minus 2.5 or 1.0 percent of the previous fiscal year's rate. To prevent interpretation problems, the limitation should be clarified.

COMMISSION RECOMMENDATION

On June 16, 1993, the Commission voted to attach the actuarial notes to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 1068, Printer's Number 1369, passed the Senate (25-23) on May 27, 1993, and was defeated in the House (95-105) on June 22, 1993.

Bill ID: Amendment 2385 to Senate Bill 1068, P. N. 1369

System: Public School Employes' Retirement System
and State Employes' Retirement System

Subject: Early Retirement with 30 Years of Service Regardless of Age

SYNOPSIS

Amendment 2385 would amend Senate Bill 1068, Printer's Number 1369, to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to permit members with at least 30 years of service credit to retire after June 30, 1993, and receive an annuity that is not reduced because the member is under superannuation age.

DISCUSSION

The Public School Employes' Retirement System (PSERS) and the State Employes' Retirement System (SERS) are cost-sharing multiple-employer pension plans, and their designated purposes are to provide retirement allowances and other benefits, including disability and death benefits, to school employees and state employees. As of June 30, 1992, there were 633 participating school districts, area vocational technical schools, intermediate units, colleges and universities, and other employers in PSERS, and as of December 31, 1991, there were 108 participating state and independent agencies in SERS. Membership in PSERS is mandatory for most school employees, and membership in SERS is mandatory for most state employees. Certain other school employees and state employees are not required to be members but are given the option to participate. On June 30, 1992, PSERS membership consisted of about 136,000 retirees, beneficiaries, and terminated employees entitled to benefits and about 203,000 active members. On December 31, 1992, SERS membership consisted of about 84,785 retirees, beneficiaries, and terminated employees entitled to benefits and about 109,609 active members. The general annual retirement benefit is two percent of the member's high-three year average salary times years of service.

Under the Public School Employees' Retirement Code, superannuation or normal retirement age is age 62, or age 60 with 30 or more years of service, or any age with 35 years of service. Under the State Employees' Retirement Code, the age is age 60, or any age with 35 years of service, or age 50 for members of the General Assembly and certain public safety employees. For a limited time, existing provisions of these codes also permitted members with 30 or more years of service to retire at any age and receive full retirement benefits with no benefit reduction for retiring prior to superannuation or normal retirement age. These existing special early retirement provisions expired on June 30, 1993. The bill would make these previously existing special early retirement provisions permanent for members retiring after June 30, 1993. Superannuation or normal retirement age would remain unchanged so that members retiring with less than 30 years of service who also are under superannuation retirement age would continue to have their annuities actuarially reduced for years under superannuation retirement age.

The special early retirement provisions for PSERS were adopted in 1984 and revised and extended in 1986, 1987, 1988, and 1991, and the special early retirement provisions for SERS were adopted in 1984 and revised and extended in 1985, 1986, 1987, and 1989 and revised and extended again in 1991. Both "windows" expired on June 30, 1993. Making these early retirement provisions permanent permits their costs to be included in the development of the normal costs of the systems rather than to being reflected only as amortization payments. In this way, intergenerational equity will be assured by having those who receive the services of the benefited employees pay for the enhanced retirement benefits and better financial reporting will be assured by matching the costs of the enhanced retirement benefits with the revenues of the period during which the benefits are earned.

Both retirement codes are contributory retirement plans under which members bear part of the cost. This is very typical of public employee retirement systems and reflects the historic understanding that this represents an equitable sharing of the costs of a generous benefit between employer and employee. The proposed permanent early retirement provisions represent a permanent enhancement of retirement benefits in the retirement systems; however, the proposal does not include an extension of the cost sharing principal to the enhanced benefit.

In adopting the original special early retirement windows in 1984, the General Assembly indicated that it was its intention, during a period of reduced student population in the public school districts, changing governmental services, and of fiscal restraint, to avail the school districts and the Commonwealth of cost-saving opportunities and to reduce the need for the school districts and the Commonwealth to furlough employees by granting eligible employees a one-time option for early retirement. As discussed above, these one-time windows, which originally were from July 1, 1985, to June 30, 1986, have been extended and revised a number of times until they expired on June 3, 1993. The amendment would recognize the change in the purpose of the special early retirement provisions that occurred through the repeated extensions. The special early retirement provisions now function as a permanent benefit improvement rather than one-time options to effect personnel complement reductions.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employes' Retirement System

The consulting actuary of the Public School Employes' Retirement System estimates that giving a permanent benefit under which a member with at least 30 years of service may retire and receive an annuity that is not reduced because the member is under superannuation age results in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount	As a % of Payroll
Increase in Unfunded Actuarial Accrued Liability	$542,294,000	7.75%
Increase in Employer Annual Costs*		
Normal Cost	$ 13,300,000	0.19%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	43,400,000	0.62%
Total Increase in Employer Annual Costs (First year only)	$ 56,700,000	0.81%

*Paid in part by the Commonwealth and in part by the school district or other educational employer.

State Employes' Retirement System

The consulting actuary of the State Employes' Retirement System estimates that giving a permanent benefit under which a member with at least 30 years of service may retire and receive an annuity that is not reduced because the member is under superannuation age results in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable with the exception of the estimate for the rate of retirement among female members. However, the Commission's consulting actuary indicated that the estimated aggregate rate of retirement was reasonable and that the following costs were, therefore, reasonable but at the low end of the probable range.

	Amount	As a % of Payroll
Increase in Unfunded Actuarial Accrued Liability	$206,500,000	5.84%
Increase in Employer Annual Costs		
Normal Cost	$ 14,400,000	0.41%
Amortization Payment	16,300,000	0.46%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 30,700,000	0.87%

Total of PSERS and SERS

	Amount	As a % of Payroll
Increase in Unfunded Actuarial Accrued Liability	$748,794,000	7.11%
Increase in Employer Annual Costs		
Normal Cost	$ 27,700,000	0.26%
Amortization Payment	59,700,000	0.57%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Annual Costs (First year only)	$ 87,400,000	0.83%

POLICY CONSIDERATIONS

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

Financing of Special Early Retirement Provisions. The previous special early retirement provisions, first adopted in 1984, were effective July 1, 1985, and were revised and extended a number of times. Making the special early retirement provisions permanent would allow the actuarial assumptions of both systems to be changed to reflect the permanent nature of this benefit modification. As a result, the costs of the special early retirement provisions would be directly recognized in the development of the normal costs of the systems rather than indirectly recognized through amortization payments for actuarial experience losses. If continuation of the special early retirement provisions is viewed as desirable, financing the associated costs as a component of normal costs is preferable from a public policy perspective.

Shift in Purpose of Special Early Retirement Provisions. The proposed special early retirement provisions differ in purpose from the prior temporary early retirement windows, which were provided to function as an incentive to induce early retirement. In making the special early retirement provisions permanent, the purpose of the provisions shifts from providing a retirement incentive to providing enhanced retirement benefits. Rather than functioning as an incentive for retirement, the permanent early retirement provision will encourage members under superannuation retirement age to defer retirement until they achieve 30 years of service because of the great difference between the reduced benefits payable with 29 or less years of service and the full benefits payable with 30 years of service that the proposal would produce.

Impact on Cost-of-Living Adjustments. To the extent that members take advantage of early normal retirement, they will tend to retire with smaller pensions that will be exposed to erosion of purchasing power resulting from inflation over longer retired lifetimes. This aspect of early retirement could result in an increased need for future ad hoc postretirement cost-of-living adjustments.

Exclusive Employer Financing of Permanent Benefit Enhancement. The proposed legislation does not provide for employee financing of any portion of the actuarial cost of the benefit enhancement. The actuarial cost attributable to the benefit enhancement will be totally borne by the Commonwealth, the school districts, and the other participating public employers.

Impact on Postretirement Health Insurance Costs. To the extent that members take advantage of early normal retirement, they will have longer retired lifetimes. The additional years on retirement will increase the cost of providing postretirement health insurance to those members.

COMMISSION RECOMMENDATION

On September 14, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 1068, P. N. 1369, passed the Senate (25-23) on May 27, 1993, and was defeated in the House (95-105) on June 22, 1993.

Bill ID: Amendments 2982 and 3646 to Senate Bill 1068, P. N. 1369

System: Public School Employes' Retirement System

Subject: Statutorily Prescribed Mortality Tables

SYNOPSIS

Amendments 2982 and 3646 would amend Senate Bill 1068, Printer's Number 1369, to amend the Public School Employees' Retirement Code to remove from the Public School Employees' Retirement Board the fiduciary duty to select the mortality tables used in annual actuarial valuations and every five year actuarial experience investigations and statutorily prescribe the tables as the most recent national supervisory and office staff mortality tables promulgated by the actuary.

DISCUSSION

The Public School Employes' Retirement System (PSERS) is a cost-sharing multiple-employer pension plan, and its designated purpose is to provide retirement allowances and other benefits, including disability and death benefits, to school employees. As of June 30, 1992, there were 633 participating school districts, area vocational technical schools, intermediate units, colleges and universities, and other employers. Membership in PSERS is mandatory for most school employees. Certain other employees are not required to be members but are given the option to participate. On June 30, 1991, PSERS membership consisted of about 136,000 retirees, beneficiaries, and terminated employees entitled to benefits and about 203,000 active members. The general annual retirement benefit is two percent of the member's high three year average salary times years of service.

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the retirement system boards, exercising their fiduciary duties, after discussion with their consulting actuaries, determine the mortality tables to be used for both the annual actuarial valuation and the every five year actuarial experience investigation and for calculation of contributions, annuities, and benefits. Amendments 2982 and 3646 would remove this function from the Public School Employees' Retirement Board and statutorily prescribe the tables as the most recent national supervisory and office staff mortality tables promulgated by the actuary.

Actuarial funding is the systematic means to pay for the costs of a retirement system by allocating and funding them over the working careers of the system's members. Within the framework of actuarial funding, the cost incidence patterns may entail high initial costs steadily decreasing over time, low initial costs steadily increasing over time, or level costs over time. In addition to the actuarial cost method, which determines the cost incidence pattern, actuarial procedures employ economic and demographic assumptions and amortization schedules for unfunded liabilities, both of which significantly impact on the annual funding requirements. Although prescribing the mortality tables for PSERS by statute does not reduce the cost of paying the retirement benefits, it impacts on the timing and source of the eventual financing.

Retirement systems typically need mortality assumptions regarding the following types of individuals: active members, terminated members with vested deferred annuities, superannuation or normal retirees, retirees who retired prior to superannuation date under some provision for early retirement, retirees who retired prior to superannuation date with an actuarially reduced annuity, disability retirees, and survivors of members and retirees. Retirement systems typically adopt only two or three mortality tables; for example, one mortality table applicable to all of these types except disability retirees, which usually are valued by applying a disabled life mortality table. Thus, for example, PSERS uses the 1984 George B. Buck Mortality Tables for service retirees and dependent beneficiaries, special mortality tables for disability retirees, and the 1963 George B. Buck Mortality Tables for determining actuarial equivalent benefits, and the State Employes' Retirement System (SERS) uses the 1971 Group Annuity Mortality Table for superannuation and early retirement retirees and the Federal Civil Service Disability Mortality table for disability retirees.

The mortality tables chosen must fit the demographics of the particular group and be conservative or, at least, not obviously unsuited to the group. If not, problems with underfunding immediately occur. Actuarial calculations are based on assumptions, such as mortality, regarding the future. Actuarial assumptions often, though not invariably, relate to a long span of time.

The results obtained from most actuarial calculations are sensitive to the assumptions chosen. As actual experience varies from the assumptions, actuarial gains or actuarial losses occur and are recognized, typically resulting in a decrease or increase in the rate of future employer contributions. In the case of PSERS and SERS, the annual actuarial valuations recognize the actuarial gain or loss resulting from the variation of actual experience from assumptions, which are amortized over 20 years, thus giving stability of cost over time while assuring proper actuarial funding. Mortality assumptions also periodically are tested with past data on actual mortality among the members, retirees, and beneficiaries of the system and, if necessary, either adjusted or replaced with more representative tables. In the case of PSERS and SERS, these data are obtained in each annual actuarial valuation and then reviewed in the actuarial experience investigation made every five years for purposes of revising assumptions such as mortality. For these reasons, actuarial assumptions tend to be based on very long term experience informed by best estimates of future developments. The mechanical use of a particular mortality table could lead to greater fluctuations in employer contribution rates resulting in less than optimal actuarial funding. Because the trend in mortality tables is to reflect longer lifetimes, automatically adopting the most recent one will mean an automatic increase in required public school employer and Commonwealth contributions regardless of the specific experience of the PSERS.

The Commission's consulting actuaries compared the 1984 George B. Buck Mortality Table, which is used by PSERS, to the 1983 Group Annuitant Mortality Table, which they believe to be the most widely used mortality table at this time and which is a year older than the table used by PSERS. To their knowledge, there has not been a general release of a more recent national mortality table. Based upon the review, they are of the opinion that it is not obvious that an update of the current mortality table is necessary at this time.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note prepared by the Commission's consulting actuaries indicates that the trend has been for longevity to consistently improve. The effect on retirement systems of recent updates in mortality tables has been to increase normal costs and liabilities between five and ten percent. The increase in annual cost usually is greater due to the leveraging effect of system assets and fixed member contributions. For example, based on the July 1991 valuation, a five percent increase in normal costs and liabilities would increase the employer contribution rate in the Public School Employes' Retirement System by about 1.9 percent of payroll, that is, about $110 million. (One and nine tenths percent of the expected 1994-95 PSERS membership payroll would be about $145,635,000.)

The consulting actuary for the Public School Employes' Retirement System estimates that using its most recent national supervisory and office staff mortality table, the 1989 George B. Buck Mortality Table, would result in the following costs:

	Amount
Increase in Unfunded Actuarial Accrued Liability	$ 567,371,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost*	$ 19,600,000	0.28%
Amortization Payment	45,500,000	0.65%
(First year cost, increasing five percent a year for 20 years)		
Total Increase in Employer Costs (First year only)	$ 65,100,000	0.93%

*Paid in part by the Commonwealth and in part by the school district or other educational employer.

POLICY CONSIDERATIONS

In reviewing the amendments, the Commission identified the following policy considerations:

Standards Applicable to Actuarial Valuations. A rigid approach for setting the actuarial assumptions regarding mortality ignores the consulting actuary's perceptions as to future expectations for the Public School Employes' Retirement System based upon actual system experience to the extent that it differs from the most recent national trends.

Loss of Management Flexibility. A rigid approach for setting the actuarial assumptions regarding mortality strips the Public School Employees' Retirement Board of a fiduciary duty and results in a loss of flexibility in the board's management of the system. For example, the board no longer would be able to adopt a new table at the same time that it made other desirable changes in actuarial assumptions that might at least partially offset the effects of the new mortality table.

Drafting Ambiguities.

Timing of Adoption. In preparing this actuarial note transmittal, the Commission assumed that the intent of the amendments was to require the Public School Employees' Retirement Board automatically to adopt the most recent table as soon as it becomes available. It can, however, be read as requiring the board to adopt the table only upon the recommendation of its consulting actuary.

Application to Actuarial Equivalent Factors. It is unclear whether the adoption of the most recent national mortality table also would apply to actuarial equivalent factors. If the most recent table were to be adopted for actuarial equivalents, optional benefit amounts (such a joint and 100 percent survivorship or joint and 50 percent suvivorship annuities) would be higher, and there would be some resulting increase in plan costs.

Specification of Mortality Tables. It is unclear which mortality tables are being mandated for use in the future because the system's actuary may change.

COMMISSION RECOMMENDATION

On September 14, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

Senate Bill 1068, P. N. 1369, passed the Senate (25-23) on May 27, 1993, and was defeated in the House (95-105) on June 22, 1993.

Bill ID: House Bill 270, Printer's Number 297

System: State Employes' Retirement System

Subject: Postretirement Adjustment for Retirees

SYNOPSIS

House Bill 270, Printer's Number 297, would amend the State Employes' Retirement Code to provide an additional monthly supplemental annuity based on years of service and retirement effective January 1, 1994, to about 70,000 annuitants who began receiving an annuity before July 2, 1992. About 58,000 of these annuitants would receive the supplemental annuity immediately in January 1994, while about 12,000 early retirees would receive their supplemental annuities as they attain regular retirement age. The amount of the supplemental annuity would be the sum of the product of two dollars multiplied by the number of years of credited service plus the product of one dollar multiplied by the number of years on retirement on July 1, 1993. This supplemental annuity would be funded over a 20 year period from July 1, 1992.

DISCUSSION

The State Employes' Retirement System (SERS) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth to provide retirement, disability, and death benefits for all employees of state government and certain independent agencies. At December 31, 1990, there were 112 participating state and independent agencies. Membership in SERS is mandatory for most state employees, members and employees of the General Assembly, and certain elected individuals in the executive branch. Certain other employees are not required, but are given the option to participate. On December 31, 1991, SERS membership consisted of 83,856 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 105,731 active members. The general annual retirement benefit is two percent of the member's high-three year average salary times years of service.

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that was initially payable at retirement. Postretirement adjustments may be granted for a number of reasons, but the most common is to increase retirement pay to reflect some of the increase in the cost-of-living since an employee retired.

The bill would provide increased annuities for about 58,000 retired Commonwealth employees. It has been the historical practice of the Commonwealth to grant periodic ad hoc postretirement increases to SERS annuitants. These ad hoc postretirement adjustments have been granted roughly every five years during the period from 1967 to 1988. The last adjustment was granted five years ago, in 1988, and was effective January 1, 1989. The following sets forth the history of prior postretirement adjustments:

Year Enacted	Increase in CPI Since Last COLA	Percent of Increase in CPI Replaced
1968	N. A.	N. A.
1974 & 1975	41.3%	63%
1979	47.4%	55%
1984	43.4%	37%
1988	16.2%	50%

The amounts of these past postretirement adjustments were based roughly on one-half to two-thirds of the increase over the applicable period in the Consumer Price Index for All Urban Consumers (CPI-U), which is calculated by the Bureau of Labor Statistics of the United States Department of Labor and which is a frequently used measure of changes in the cost-of-living nationally. For comparison purposes, the increase in the CPI-U over the four year period from October 1988 to October 1992 was 17.9 percent or about 4.2 percent a year.

SUMMARY OF ACTUARIAL COST IMPACT

Since detailed information concerning the period of service and retirement date for current retirees was not readily available, broad estimates were made with regard to the eligible group's characteristics, generally based on the data available for active plan participants in the retirement eligible category and the plan's actuarial assumptions. The Commission's consulting actuary was instructed to assume amortization payments of annual installments beginning July 1, 1993, and increasing five percent a year over a period of 20 years, as now required by section 5508(e), rather than annual installments beginning July 1, 1992, in level dollar amounts over a period of 20 years, as provided in the proposed section 5708.3(f).

	Amount
Increase in Unfunded Actuarial Accrued Liability	$256,400,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	20,500,000	0.66
Total Increase in Employer Annual Costs (First year only)	$20,500,000	0.66%

POLICY CONSIDERATIONS

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

Amount of Postretirement Increase. In the postretirement increases granted prior to 1984, the amount of the adjustment was set to uniformly replace one-half to two-thirds of the increase in the consumer price index. The 1984 postretirement increase was not a uniform adjustment. The 1984 postretirement increase was designed to maximize the adjustment for long service employees and those who had been on retirement for the longest period. The following compares the formula for the increase proposed in the bill with the formulae used for the 1984 and 1988 postretirement increases:

1984 Increase	1988 Increase	Proposed Increase
$1 x Yrs. of Service	$2xYrs.ofService	$2 x Yrs. of Service
$2 x Yrs. on Retirement	50¢ x Yrs. on Retirement	$1 x Yrs. on Retirement
2% of Monthly Annuity up to $20		

The formula to calculate the postretirement adjustment proposed in the bill continues the practice of targeting the increases based on years of retirement. The years on retirement would include the years before 1989 for which targeted increases were provided in 1984 and 1988. Targeting postretirement adjustments based on total years on retirement was initiated in Pennsylvania in 1984 to address a perceived need to provide larger increases to long-term retirees whose retirement benefits had been subjected to inflationary effects over an extended period of time. Continuing the practice of targeting postretirement adjustments based on the total years on retirement compounds the earlier increases.

The formula to calculate the postretirement adjustment proposed in the bill continues the practice of targeting the increases based on the years of service. Because the amount of the increase per month is a flat dollar amount times the years of service, the postretirement adjustments are not proportionate to the retirement benefit. As a result, the largest increases are provided to the retirees with the most years of service regardless of the amount of the retirement benefit, which has the effect of providing greater increases to retirees who retired at lower pay levels. The desirability of continuing the practice of providing disproportionate postretirement adjustments should be ascertained in view of the uniform impact of inflation on all retirees.

Funding Policy. The bill requires that the unfunded actuarial accrued liability attributable to the benefit increase be funded over a 20 year period.

A 20 year period is longer than the remaining average retired lifetime of the benefit recipients involved, meaning that a portion of the funding for benefits will be provided after the death of a significant number of the benefit recipients. More prudent pension funding policy would provide for the liabilities of the postretirement adjustment to be amortized over a shorter period, typically ten years, and for the amortization payments to be calculated on a level dollar basis. This funding policy is evident in section 202(b)(4)(iv) of the Municipal Pension Plan Funding Standard and Recovery Act, under which a municipality must amortize such an unfunded actuarial accrued liability by level dollar amortization payments over ten years.

Section 5508 of the State Employes' Retirement Code was amended by Act 23 of 1991 to require a uniform funding method for all supplemental annuities granted after July 1, 1991. That method is annual installments increasing by five percent a year over a period of 20 years from the July first coincident with or next following the effective date of such legislation.

The reason for a special, separate 20 year funding scheme proposed in the bill is not apparent. Proposed section 5708.3(f) should be deleted from the bill because it conflicts with section 5508, which provides for the determination and certification of the annual funding requirements of the State Employes' Retirement System. Draft language to affect this change is attached.

COMMISSION RECOMMENDATION

On April 15, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 270, Printer's Number 297, was re-committed to the House Appropriations Committee on March 17, 1993.

Bill ID: House Bills 625 and 731, Printer's Numbers 689 and 795

System: Public School Employes' Retirement System

Subject: Granting June 1992 Retirees an Additional Ten Percent Service Credit

SYNOPSIS

House Bills 625 and 731, Printer's Numbers 689 and 795, would amend the Public School Employees' Retirement Code to give an additional ten percent service credit retirement benefit retroactively to retirees who terminated employment during June 1992.

DISCUSSION

Under Act 186 of 1992, which was signed into law on December 22, 1992, a member of the Public School Employes' Retirement System (PSERS) who (a) was not an annuitant on July 1, 1992, (b) will be 55 years of age or older on August 31, 1993, (c) has ten or more years of service credit, (d) before April 1, 1993, declares an intent to retire, (e) terminates service after June 30, 1992, and before September 1, 1993, and (f) before September 1, 1993, files an application for retirement is credited with an additional ten percent of the member's credited service. The bills would retroactively give this benefit to retirees who terminated employment during June 1992.

The effect of the additional service credit is to add an amount equal to from two to over six percent of the final average salary to the value of the basic annuity prior to modification, the added amount being proportional to the length of service. About 1,765 PSERS annuitants who retired during June 1992 would be entitled to have their annuities recomputed under these special additional ten percent service credit provisions. The unfunded actuarial accrued liability resulting from the granting of these additional ten percent service credits provisions would be funded over 20 years by amortization payments that would be a level percentage of payroll increasing five percent a year from July 1, 1993.

The current additional ten percent service credit provisions explicitly prohibit giving the additional service credit to PSERS retirees who were annuitants on July 1, 1992. About 605 PSERS retirees whose last date of service for which pickup contributions were made was June 30, 1992, are, therefore, ineligible because their effective date of retirement was July 1, 1992, the first day following the date of termination of service. The bills are intended to give the additional service credit to these retirees and also to about 1,160 other retirees whose last dates of serivce for which pickup contributions were made were earlier in June.

From their beginnings, both Senate Bill 1790, which became Act 186 of 1992, and House Bill 1715, a similar House Bill, were proposals to provide a mechanism for voluntary reductions in the work force during or immediately following the 1992-93 fiscal years of school districts and other PSERS employers. Neither bill was introduced until after June 1, 1992, and neither bill provided for the early retirement incentive window to commence before July 1, 1992.

SUMMARY OF ACTUARIAL COST IMPACT

The consulting actuary of the Public School Employes' Retirement System estimates that giving the additional ten percent service credit benefit to June 1992 retirees would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$53,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	3,600,000	0.05%
Total Increase in Employer Annual Costs (First year only)	$ 3,600,000	0.05%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy considerations.

Appropriateness of Retroactive Benefit Application. The proposed additional ten percent service credit benefit increases the annuities being paid to individuals who retired during June 1992 before the effective date of incentive program. The retroactive application of the benefit back into the previous fiscal year is not consistent with the object of the early retirement incentive program, which is to induce retirement.

Appropriateness of Benefit. The 1,765 retirees who retired during June 1992 already were eligible for (a) early retirement with reduced retirement benefits, (b) early retirement with full retirement benefits, or (c) superannuation retirement with full retirement benefits without the additional ten percent of credited service. For these employees, the enhanced benefits under the bills represent a retroactively provided bonus for retiring during June 1992 at the end of the 1991-92 fiscal year. Unless equity issues exist to support the proposed benefit enhancement, there is no apparent policy rationale for rewarding a certain group of employees retiring in the normal course of events.

Original Intent. The bills are based on the contention that the original legislative intent of the additional ten percent service credit was to include some or all of those PSERS members whose dates of termination of service was in June 1992. If that was the original legislative intent, the bills would effect the originally intended result.

Drafting Ambiguity. House Bill 731 contains drafting ambiguities that may lead to various interpretations concerning retirees whose effective date of retirement was June 1, 1992. Clarification of the language prior to further consideration is desirable.

COMMISSION RECOMMENDATION

On April 15, 1993, the Commission voted to attach the actuarial note to the bills, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bills 625 and 731, Printer's Numbers 689 and 795, were referred to the House Appropriations Committee on March 22, 1993.

Bill ID: House Bill 853, Printer's Number 915

System: Paid Firefighter Retirement Systems in Cities of the Third Class

Subject: Vested Retirement Benefit for Firefighters with 12 years of Service as an Optional Benefit

SYNOPSIS

House Bill 853, Printer's Number 915, would amend the paid firefighters' pension plan provisions of The Third Class City Code to provide for vesting of a proportional retirement benefit amount after 12 years of service as an optional benefit provision.

DISCUSSION

The Third Class City code provisions applicable to paid firefighters' pension plans currently mandate that the vesting period for a retirement benefit be specified by each city of the third class by ordinance, with a minimum period of required service of not less than 20 years. The retirement benefit payable with the prescribed period of service under the current code is the full retirement benefit, which is set by ordinance and is not to exceed 50 percent of pay, not including any service increments for long service. Thirty-eight cities of the third class provide retirement benefits to a total of about 5,000 paid firefighters.

For public employee pension plans, historically, the typical vesting requirement applicable to nonuniformed employees was ten years of service and the typical vesting requirement applicable to public safety employees was 20 years of service. The longer vesting requirement for public safety employees generally reflected the desire of the public employers to retain highly trained personnel and frequently reflected the desire of the affected employees to limit the pool for potential promotions to existing personnel.

The trend in pension plans, both private and public, is towards shorter vesting periods as proposed in the bill. In fact, by Act 178 of 1990, the vesting requirement for police officers in cities of the third class was reduced to 12 years from 20 years by a similar amendment, and by Act 49 of 1992, the vesting requirement for members of the optional retirement systems for nonuniformed employees in cities of the third class also was reduced to 12 years.

SUMMARY OF ACTUARIAL COST IMPACT

The Commission's consulting actuary indicates that because of the relatively low probability of withdrawal in firefighter employment with between 12 and 20 years of service, there is a negligible cost implication to providing for 12-year vesting compared with 20 year vesting. The actuary estimates that a maximum increase of one percent in basic employer cost would result from the proposed legislation. For example, if the employer cost now is ten percent of payroll, the employer cost with 12-year vesting would be 10.1 percent of payroll.

POLICY CONSIDERATIONS

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

Permissive Legislation. The bill provides for shorter vesting requirements for paid firefighters to be implemented at the option of each city of the third class following the preparation of the required actuarial cost estimate of the effect of the proposed change.

Policy Conformity. The trend in retirement systems, both private and public, is towards shorter vesting periods as proposed in this bill. Under Act 178 of 1990 and Act 49 of 1992, cities of the third class now have the option to permit 12-year vesting for their police officers and their nonuniformed employees who are members of the optional retirement systems for nonuniformed employees. The provisions of the bill conform with the recent trend in vesting periods.

Uniformity and Equity of Pension Benefits. As similar vesting provisions are provided for police officers and members of the optional retirement systems for nonuniformed employees in cities of the third class, the proposed change is a move towards establishing equity among employees in cities of the third class with regard to the authorization for vesting. If this proposal is determined to be appropriate, the authorization should be extended to regular retirement systems for nonuniformed employees in cities of the third class as well.

COMMISSION RECOMMENDATION

On April 15, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 853, Printer's Number 915, passed the House (198-0) on April 28, 1993, passed the Senate (47-0) on May 28, 1993, as Printer's Number 1980, the House concurred in Senate amendments (197-0) on June 7, 1993, and was signed into law by the Acting Governor on June 16, 1993, as Act 21 of 1993.

Bill ID: House Bill 900, Printer's Number 979

Systems: City of the Second Class A (Scranton) Employees' Retirement Systems

Subject: Purchase of Service Credit for Military Service

SYNOPSIS

House Bill 900, Printer's Number 979, would amend the two statutes relating to public employee retirement systems in cities of the second class A (Scranton) authorizing the city to permit its employees to purchase service credit for prior military service.

DISCUSSION

Title 38, Veterans' Benefits, of the United States Code requires that individuals whose employment is interrupted by military service have their intervening military service time counted towards their benefits upon return to civilian life, including service credits in retirement systems. Section 7306 of the Military Code permits employees going on military leaves of absence to continue contributing to the retirement system to which they belonged in civilian life while they are in intervening military service or to discontinue contributing while they are in military service and then to make these discontinued contributions upon return to civilian employment.

Reflecting this federal and Commonwealth statutory law, the statutes governing all three public employee retirement systems in the City of Scranton (police officers, firefighters, and nonuniformed employees) give service credit for intervening military service. These statutes also permit the purchase of up to five years of nonintervening military service if the employee enters city employment within three years of the date of release from active duty. It is, apparently, the requirement that a discharged member of the armed services be employed by the city within three years to be eligible to purchase service credit for nonintervening military service that the proposal seeks to change.

Under the Home Rule Charter and Optional Plans Law, the City of Scranton has adopted a home rule charter giving the city general powers of local self-government. Apparently there have been a number of judicial interpretations that have served to restrict the City's exercise of home rule powers and have narrowed its views of its home rule authority. Thus, the City believes that it is restricted to the provisions of Commonwealth statutes governing second class city A employee retirement systems. The bill would amend the two specific statutes governing the City's employee retirement systems to amend the provisions authorizing employees to purchase service credit for nonintervening military service.

The Municipal Pension Plan Funding Standard and Recovery Act establishes the procedure for determining financial distress in municipal retirement systems. This distress determination is based on a quantified evaluation of both the aggregate actuarial condition of a municipality's retirement system and the general fiscal condition of the municipality. The City of Scranton elected to participate in the Recovery Program for Financially Distressed Municipal Pension Plans established by the Act. The Public Employee Retirement Commission has determined that the City is eligible to participate in Level III of the Recovery Program, which applies to severely distressed municipal retirement systems. Beginning in 1988 and continuing for a maximum of 15 years, the Act establishes a Supplemental State Assistance Program for certain municipalities participating in the Recovery Program. The amount of assistance is directly related to the degree of financial distress in the individual municipal retirement system. In 1993, the City of Scranton received $254,318.02, the fourth highest allocation of the 18 made to municipalities participating in the Supplemental State Assistance Program.

On January 1, 1991, the actuarial value of assets as a percentage of the actuarial accrued liabilities of the City's employee retirement systems were as follows: Firefighters - 12.77 percent; Police Officers - 34.55 percent; and Nonuniformed Employees - 80.37 percent. The total unfunded actuarial accrued liabilities of the City's employee retirement systems exceeded $69.9 million.

On January 10, 1992, the Secretary of Community Affairs declared that the City was financially distressed under the Municipalities Financial Recovery Act. This designation will remain in effect until rescinded by the Secretary. The underfunding of the City's employee retirement systems is a part of the larger financial distress of the City.

SUMMARY OF ACTUARIAL COST IMPACT

The bill represents general enabling legislation. Specific provisions relating to the purchase of service credit for military service would be set forth in ordinances adopted by the City of Scranton to implement the authority granted under the bill. Under the Municipal Pension Plan Funding Standard and Recovery Act, actuarial cost estimates must be prepared for the city council before it enacts the ordinances. The Commission's consulting actuary reviewed a similar bill in 1991 and made the following general observations:

> Provisions for purchase of service credit do have significant employer costs.
>
> The City's retirement system for nonuniformed employees would be less affected by the purchase of service credit for military service provisions than the police officers' and firefighters' retirement systems.
>
> The cost of liberalization is not presently measurable because the specific provisions have not been adopted and the demographic data are not available regarding the employees who would benefit. As an example of the potential cost of the purchase of service credit for military service provisions, extrapolating from an actuarial study of the police officers' retirement system in another city, the consulting actuary estimated that the bill could increase the unfunded actuarial accrued liabilities in the City's employee retirement systems for police officers and firefighters by as much as $3,000,000.

POLICY CONSIDERATIONS

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

> Financially Distressed Retirement Systems. The public employee retirement systems of the City of Scranton have substantial unfunded actuarial accrued liabilities. The City's employee retirement systems have been determined to be "severely distressed," the highest level of distress under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984). There is reason to seriously consider whether the proposed change to remove the time restriction on the purchase of service credit for nonintervening military service is

warranted in view of the potentially large increase in the already substantial unfunded actuarial accrued liabilities of the City's retirement systems.

Financially Distressed Municipality. The City has been declared financially distressed under the Municipalities Financial Recovery Act (Act 147 of 1987). Adding unfunded liabilities to the City's employee retirement systems will increase amortization requirements and contribute to the City's critical fiscal status.

Lack of Specificity. The bill specifies neither how the amount of the service purchase is to be calculated nor the source of the purchase payments. The bill also does not specify the structure of the service purchase authorizations. For example, it lacks limits on the length of service to be purchased, limits on the time for electing the purchase option, time limit for payment of contributions, restrictions on withdrawal of purchase payments, and restrictions on duplication of service credits.

Optional Implementation. Elimination of the current time restriction on the option to purchase service credit for nonintervening military service authorized in the bill will not become effective unless implemented by ordinances adopted by the city council after it has received actuarial cost estimates of the proposed changes.

COMMISSION RECOMMENDATION

On November 16, 1993, the Commission voted to attach the actuarial note to the bill, expressing general concern about the policy issues identified above and particular concern about the propriety of significantly increasing the unfunded actuarial accrued liabilities in municipal employee retirement systems classified as severely distressed.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 900, Printer's Number 979, was re-referred to the House Appropriations Committee on October 7, 1993.

Bill ID: House Bill 1004, Printer's Number 1202

System: Public School Employes' Retirement System and State Employes' Retirement System

Subject: Giving June 1992 PSERS Retirees an Additional Ten Percent Service Credit, Permitting PSERS Retirees to Eliminate the Effect of Frozen Present Value upon Reemployment, and Extending Provisions for Full Retirement with 30 Years of Service for PSERS and SERS Members

SYNOPSIS

House Bill 1004, Printer's Number 1202, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code.

The bill would amend the Public School Employees' Retirement Code to do three things:

Retroactively change the effective date of the window for the additional ten percent service credit early retirement incentive from July 1, 1992, to May 31, 1992;

Extend the termination date from June 30, 1993, to June 30, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity that is not reduced because the member is under superannuation age; and

Permit an annuitant who has not elected multiple service and who returns to school service and earns three eligibility points following the most recent period of receipt of an annuity to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received during previous periods of retirement, plus interest, to the Public School Employees' Retirement Fund in the form of an actuarial adjustment to the member's subsequent benefits.

The bill would amend the State Employees' Retirement Code to extend the termination date from June 30, 1993, to June 30, 1995, of the period during which a member with at least 30 eligibility points may retire at any age and receive an annuity unreduced because the member is under superannuation age.

DISCUSSION

Under Act 186 of 1992, which was signed into law on December 22, 1992, a member of the Public School Employes' Retirement System (PSERS) who (a) was not an annuitant on July 1, 1992, (b) will be 55 years of age or older on August 31, 1993, (c) has ten or more years of service credit, (d) before April 1, 1993, declared an intent to retire, (e) terminates service after June 30, 1992, and before September 1, 1993, and (f) before September 1, 1993, files an application for retirement is credited with an additional ten percent of the member's credited service. The bill would retroactively give this benefit to retirees whose effective dates of retirement were during June 1992 or on July 1, 1992.

The effect of the additional service credit is to add an amount equal to from two to over six percent of the final average salary to the value of the basic annuity prior to modification, the added amount being proportional to the length of service. About 1,765 PSERS annuitants whose effective dates of retirement were during June 1992 or on July 1, 1992, would be entitled to have their annuities recomputed under these special additional ten percent service credit provisions. The unfunded actuarial accrued liability resulting from the granting of these additional ten percent service credits provisions would be funded over 20 years by amortization payments that would be a level percentage of payroll increasing five percent a year from July 1, 1993.

The current additional ten percent service credit provisions explicitly prohibit giving the additional service credit to PSERS retirees who were annuitants on July 1, 1992. About 605 PSERS retirees whose last date of service for which pickup contributions were made was June 30, 1992, are, therefore, ineligible because their effective date of retirement was July 1, 1992, the first day following the date of termination of service. The bill is intended to give the additional service credit to those retirees and also to about 1,160 other retirees whose last dates of service for which contributions were made were between May 31, 1992, and June 30, 1992, inclusive.

From their beginnings, both Senate Bill 1790, which became Act 186 of 1992, and House Bill 1715, a similar House Bill, were proposals to provide a mechanism for voluntary reductions in the work force during or immediately following the 1992-92 fiscal years of school districts and other PSERS employees. Neither bill was introduced until after June 1, 1992, and neither bill provided for the early retirement incentive window to commence before July 1, 1992.

Under the Public School Employees' Retirement Code, superannuation or normal retirement age is age 62, or age 60 with 30 or more years of service, or any age with 35 years of service. Under the State Employees' Retirement Code, the age is age 60, or any age with 35 years of service, or age 50 for members of General Assembly and certain public safety employees. For a limited time, the existing provisions of these codes also permit members with 30 or more years of service to retire at any age and receive full retirement benefits with no benefit reduction for retiring prior to superannuation or normal retirement age. These existing special early retirement provisions will expire on June 30, 1993. The bill would extend these existing special early retirement provisions for an additional two years from June 30, 1993, to June 30, 1995.

Under the Public School Employees' Retirement Code, if a PSERS member retires and later returns to school service, the PSERS annuity ceases and the value of the annuity is frozen as of that date. When the PSERS member subsequently retires again, the member is then entitled to an annuity that is the actuarial equivalent to the sum of the frozen present value resulting from the previous service plus the present value of a maximum single life annuity based on years of service credited subsequent to reentry into school service. Because the frozen present value is not adjusted for the effects of inflation during the period of reemployment, the member's aggregate retirement benefits are less than those provided to an identically situated member who had no break in service. The bill would permit certain returning members to elect to eliminate the effect of the frozen present value by repaying all Option 4 withdrawals and annuities received, plus interest, though actuarial adjustments to the members' subsequent benefits. In order to be eligible to make this election, the returning member must not have elected multiple service and work at least three additional years. The election must be made in the school year in which the member first becomes eligible or in the following school year. The effect would be to treat about equally PSERS members that have the same lengths of school service and final average salaries.

Giving June 1992 PSERS Retirees an Additional Ten Percent Service Credit

The consulting actuary of the Public School Employes' Retirement System estimates that giving the additional ten percent service credit benefit to June 1992 retirees would result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$53,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	3,6000.00	0.05%
Total Increase in Employer Annual Costs (First year only)	$ 3,600,000	0.05%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Two Year Extension of Full Retirement for PSERS Members with 30 Years of Service

The consulting actuary of the Public School Employes' Retirement System estimates that a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age results in the following range of costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Range of Amounts
Increase in Unfunded Actuarial Accrued Liability	$41,856,000 – $83,712,000

	Range of Amounts	Range As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	3,046,000 – 6,092,000	0.04% – 0.08%
Total Increase in Employer Annual Costs (First year only)	$3,046,000 – $6,092,000	0.04% – 0.08%

*Paid one-half by the Commonwealth and one-half by the school district or other educational employer.

Elimination of the Effect of the Frozen Present Value

The current actuarial procedures of the Public School Employes' Retirement System do not anticipate any significant impact upon the system from suspensions of payments to annuitants during periods of re-employment. Therefore, the elimination of the effect of the frozen present value will have no identifiable current actuarial cost impact. There is, however, the possibility of indirect long-term costs attributable to relinquished actuarial gains.

Two Year Extension of Full Retirement for SERS Members with 30 Years of Service

The consulting actuary of the State Employes' Retirement System estimates that a two year extension of the period during which a member with at least 30 years of service may retire at any age and receive an annuity that is not reduced because the member is under superannuation age results in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	Amount
Increase in Unfunded Actuarial Accrued Liability	$14,300,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	$ 0	0.00%
Amortization Payment	1,130,000	0.03%
(First year cost, increasing five percent a year for 20 years		
Total Increase in Employer Annual Costs (First year only)	$ 1,130,000	0.03%

POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy considerations.

Appropriateness of Retroactive Benefit Application. The proposed additional ten percent service credit benefit increases the annuities being paid to individuals whose dates of termination of service were on May 31, 1992, or during June 1992, before the effective date of the incentive program. The retroactive application of the benefit back into the previous fiscal year is not consistent with the object of the early retirement incentive program, which is to induce retirement.

Appropriateness of Benefit. The 1,765 retirees whose dates of termination of service were on May 31, 1992, or during June 1992 already were eligible for (a) early retirement with reduced retirement benefits, (b) early retirement with full retirement benefits, or (c) superannuation retirement with full retirement benefits without the additional ten percent of credited service. For these retirees, the enhanced benefits under the bills represent a retroactively provided bonus for terminating service on May 31, 1992, or during June 1992 at the end of the 1991-92 fiscal year. Unless equity issues exist to support the proposed benefit enhancement, there is no apparent policy rationale for rewarding a certain group of employees retiring in the normal course of events.

Original Intent. In part, the bill is based on the contention that the original legislative intent of the additional ten percent service credit was to include some or all of those PSERS members whose dates of termination of service was May 31, 1992, or in June 1992. If that was the original legislative intent, the bill would effect the originally intended result.

Appropriateness of Extending Special Early Retirement Provisions. The existing special early retirement provisions have been in effect for some years, and both systems recently have had an additional ten percent service credit early retirement incentive program. Consideration of whether the purpose of extending the special early retirement provisions is to induce a reduction in personnel complement or to provide enhanced retirement benefits on a quasi-permanent basis is appropriate. If the latter purpose is intended, the ad hoc extensions function to preclude recognition of the full actuarial costs involved.

Financing of Special Early Retirement Provisions. Both the consulting actuary of the Commission and the consulting actuary of the State Employes' Retirement System have raised the issue of appropriate funding for continuing extensions of special early retirement provisions. Changing the actuarial assumptions of both systems to reflect the de facto indefinite continuation of this benefit modification would result in including the provision in the development of the normal costs of the systems rather than limiting it to recognition in amortization payments for unfunded actuarial accrued liabilities. In this way today's taxpayers who are receiving the services of those who will retire early will pay for the pensions of the early retirees rather than tomorrow's taxpayers.

More Equitable Treatment of Certain PSERS Members. Permitting PSERS members to elect to eliminate the effect of frozen present values provides more equitable treatment to members with more than one period of Commonwealth employment.

COMMISSION RECOMMENDATION

On May 19, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 1004, Printer's Number 1202, was re-committed to the House Appropriations Committee on April 21, 1993.

Bill ID: House Bill 1006, P. N. 1088

System: Second Class (Allegheny) County Employees' Retirement System

Subject: Supplemental Monthly Retirement Benefit for Firefighters

SYNOPSIS

House Bill 1006, Printer's Number 1088, would amend section 1712 of the Second Class County Code to provide a supplemental monthly retirement benefit of $28 times the member's full years of service as a paid full-time firefighter employed by a county of the second class (Allegheny County). The supplemental benefit would be payable either as a single-life annuity with ten years certain or as a joint and survivor spouse annuity at an actuarially reduced amount.

DISCUSSION

The Municipal Pension Plan Funding Standard and Recovery Act (Act 205) provides for the distribution of Commonwealth 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 retirement systems. A municipality's allocation under the formula may not exceed its total employer pension cost.

Eligible recipients of GMPSSA under Act 205 are boroughs, cities, incorporated towns, and townships maintaining employee pension plans and any county of the second class (Allegheny County) that historically had received allocations of the foreign casualty insurance premium tax for its police officers' 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 premium tax that had been entirely committed to financing the independent pension plan for police officers and that had provided the sole source of employer financing for the plan. In order to avoid depriving this plan of its customary source of funding, Act 205 was amended prior to passage to "grandfather" this unique situation and permit Allegheny County to receive Commonwealth aid. Act 205 provided for only the police officer 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 officers 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 officer 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 GMPSSA. The Commonwealth aid provided to the county is used to finance both a supplemental pension benefit for police officers and a portion of the costs of the county retirement system. The arrangement with the county initially provided that GMPSSA first be used to cover 100 percent of the cost of the independent police officer 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.

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 $1,091,133 in 1992, representing a 293% increase. During that same 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 1006, Printer's Number 1088, would amend the Second Class County Code to establish a supplemental retirement benefit provision for paid firefighters within the county employees' retirement system similar in benefit structure to the supplemental, independent pension plan for police officers. House Bill 1007, Printer's Number 1089, 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 for Commonwealth aid to maintain a supplemental pension benefit for the firefighters.

SUMMARY OF ACTUARIAL COST IMPACT

The bill is identical to House Bill 2288, Printer's Number 2991, 1991-92 Sessions. As the actuarial note on House Bill 2288, Printer's Number 1191, indicates, the method used by the Allegheny County Employees' Retirement System to determine annual funding requirements is unique to this system. For purposes of comparison, the Commission's consulting actuary used the entry age normal actuarial cost method, which is the method statutorily required to be used by all municipal employee retirement systems, the Public School Employes' Retirement System, and the State Employes' Retirement System. The increase in unfunded actuarial accrued liability data presented below will be the actual impact on the county. The increase in employer annual cost data presented below will not be the actual impact on the county, however, because the annual funding requirements of the Allegheny County Employees' Retirement System are not determined by the entry age normal actuarial cost method.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	Amount
Increase in Unfunded Actuarial Accrued Liability	$1,192,325

	Amount	As a % of Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 42,469	2.19%
Amortization Payment (20 years, level amount)	179,972	9.26%
Total Increase in Employer Annual Costs	$ 222,441	11.45%

POLICY CONSIDERATIONS

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

Appropriate Means of Providing Pension Benefit. The bill would provide a supplemental pension benefit to paid firefighters of the County of Allegheny without creating an independent pension plan, thus keeping all the provisions regarding firefighters within the county employees' retirement system. An integrated approach in providing multiple retirement benefits is appropriate.

Provision of State Aid to Counties. The provision of Commonwealth pension aid to Allegheny County, except for the original "grandfather" provision that was intended to restrict the aid to the independent police officer pension plan because of its prior receipt of foreign casualty insurance tax allocations, is questionable from a equality of treatment standpoint since no other county is eligible to receive Commonwealth aid for its employee retirement system.

Need for Concurrent Legislative Action on Companion Bills. Because House Bill 1006, Printer's Number 1088, and House Bill 1007, Printer's Number 1089, are interrelated companion bills, it is essential that both bills be considered and acted upon together.

COMMISSION RECOMMENDATION

On September 14, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 1006, Printer's Number 1088, was re-referred to the House Appropriations Committee on December 8, 1993.

Bill ID: House Bill 1007, P. N. 1089

System: Second Class (Allegheny) County Employees' Retirement System

Subject: General Municipal Pension System State Aid for Firefighters' Pensions

SYNOPSIS

House Bill 1007, Printer's Number 1089, would amend section 402 of the Municipal Pension Plan Funding Standard and Recovery Act to (1) include firefighters in the determination of the number of employee units used in the allocation of General Municipal Pension System State aid to a county of the second class (Allegheny County) and (2) require counties receiving General Municipal Pension System State Aid to comply with the actuarial reporting requirements established in chapter 2 of the act.

DISCUSSION

The Municipal Pension Plan Funding Standard and Recovery Act (Act 205) 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 boroughs, cities, incorporated towns, and townships maintaining employee pension plans and any county of the second class (Allegheny County) that historically had received allocations of the foreign casualty insurance premium 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 premium tax that had been entirely committed to financing the independent pension plan for police officers and that had provided the sole source of employer financing for the plan. In order to avoid depriving this plan of its customary source of funding, Act 205 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 valuations 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 GMPSSA. The state aid provided to the county is used to finance both a supplemental pension benefit for police officers and a portion of the costs of the county employee retirement system. The arrangement within the County initially provided that GMPSSA first be used to cover 100 percent 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.

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 $1,160,141 in 1991, representing a 317 percent increase. During that same period, the statewide total allocations of GMPSSA increased by only 48 percent. 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.

The companion bill, House Bill 1006, Printer's Number 1088, would amend the Second Class County Code to establish a supplemental retirement benefit provision within the county employee retirement system similar in benefit structure to the supplemental, independent, private pension plan for police officers. House Bill 1007, Printer's Number 1088, proposes to include firefighters in the determination of the number of employee units used in the allocation of GMPSSA to a county of the second class. This, in conjunction with the companion bill, House Bill 1006, Printer's Number 1088, 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 pension benefit in the retirement system for the firefighters.

SUMMARY OF ACTUARIAL COST IMPACT

The Commission has reviewed the provisions of House Bill 1007, Printer's Number 1089, and has determined that the legislation will have no actuarial cost. The bill 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 (GMPSSA) Program, which provides funding to municipalities to assist with the payment of the cost of municipal employee pension plans.

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 minor reductions in the value of a unit of state aid. For municipalities receiving allocations based on the unit value, those with pension plan costs exceeding the amount provided by the unit formula, the reductions in the unit value would result in a slight reduction in their aid allocations.

Based on the 1992 GMPSSA unit value of $2,331.48, the potential annual increase in the state aid allocated to Allegheny County under the proposal is approximately $242,474.

POLICY CONSIDERATIONS

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

Provision of State Aid to Counties. The provision of Commonwealth pension aid to Allegheny County, except for the original "grandfather" provision that was intended to restrict the aid to the independent police officer pension plan because of its prior receipt of foreign casualty insurance tax allocations, is questionable from a equality of treatment standpoint since no other county is eligible to receive Commonwealth aid for its employee retirement system.

Appropriateness of Reporting Requirement. The provisions implementing reporting requirements for counties that receive General Municipal Pension System State Aid are warranted to ensure equity, and they correct a deficiency in the current statute.

Need for Concurrent Legislative Action. Because House Bill 1007, Printer's Number 1089, and House Bill 1006, Printer's Number 1088, are interrelated companion bills, it is essential that both bills be considered and acted upon together.

COMMISSION RECOMMENDATION

On September 14, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 1007, Printer's Number 1089, was re-referred to the House Appropriations Committee on December 8, 1993.

Bill ID: House Bill 1138, Printer's Number 1256

System: Municipal Police Pension Law (Act 600 of 1955)

Subject: Changing the Statutorily Required Pension

SYNOPSIS

House Bill 1138, Printer's Number 1256, would amend the Municipal Police Pension Law (Act 600 of 1955), to change from a specified pension of one-half of final average salary, except for length of service increments, to a variable pension with a minimum of one-half of final average salary and to allow a municipality to provide a pension of up to 75 percent of final average salary.

DISCUSSION

The Municipal Police Pension Law governs the establishment of a police officers' retirement system in every borough, incorporated town, or township with three or more police officers. At its option, a borough, incorporated town, or township with fewer then three full-time police officers also may establish a police officers' retirement system under the Municipal Police Pension Law.

Under the Municipal Police Pension Law, a police officer may retire after a total of 25 years of service with the same municipality when the officer reaches age 55. If an actuarial valuation shows it is feasible, this age may be reduced to 50. The amount of the monthly pension, other than length of service increments and cost-of-living adjustments, is set at one-half of the monthly salary of the officer averaged over the last 36 to 60 months of employment (final average salary). For a police officer employed after August 30, 1983, the salary is the monthly basic salary and does not include overtime or unused annual, personal, or sick leave. For a police officer employed before August 31, 1983, where the municipality at some point in the officer's employment created an expectation that the calculation would include overtime or unused leave or both, the municipality may have to include overtime, or unused leave, or both in calculation of the monthly salary. Where the municipality deducts pension fund contributions from the officer's overtime and extra work pay, that pay must be included in the monthly salary for purposes of calculating the police officer's pension. If a retiree's position as a policy officer was covered by an agreement under the Social Security Act of 1935, the retirement system may provide for the monthly pension to the retiree to be reduced by up to 75 percent of the amount of Social Security payable because of the retiree's age and service as a police officer.

In addition to the monthly pension, the municipality may pay a length of service increment to a retiree for each completed year of service beyond 25 years. The maximum length of service increment is $100 a month. The municipality also may provide for a cost-of-living allowance for a retiree receiving a pension. The cost-of-living allowance cannot exceed the percentage increase in the Consumer Price Index from the year in which the retiree retired and cannot cause the total police pension to exceed 75 percent of the salary used for computing that retiree's pensions. The total cost-of-living allowance may not exceed 30 percent.

The bill would amend the Municipal Police Pension Law to change from a specified pension of one-half of final average salary to a variable pension with a minimum of one-half of final average salary. The bill also would amend the Law to allow a municipality to provide a pension of up to 75 percent of the final average salary provided that this would not impair the actuarial soundness of the pension trust fund. The resulting pension could be the equivalent of the product of three percent multiplied by years of service multiplied by final average salary. The total retirement allowance could exceed 75 percent of final average salary if length of service increments are provided. Cost-of-living allowances could not be granted that would cause the aggregate total benefit to exceed 75 percent of final average salary, which would limit or preclude or cost-of-living allowances in certain instances. This effect may not have been taken into consideration when the bill was drafted. For purposes of the actuarial note, the Commission and its consulting actuary have assumed that the bill will be amended to remove the salary related limitation for cost-of-living increases.

Social Security provides an initial layer of retirement income that replaces relatively more of pre-retirement income for lower paid individuals and relatively less for higher paid individuals. Currently, if a municipality maintaining a police officers' retirement system under the Municipal Police Pension Law also provides Social Security for the police officers, a retiree generally will have total retirement income from the system and from Social Security, once the retiree becomes eligible to receive Social Security, that totals approximately 70 percent to 85 percent of the retiree's final average salary. Benefit experts generally consider this to be an adequate level of retirement income, insuring that retirees can maintain the standard of living to which they became accustomed throughout their careers while recognizing some reduction in taxes following retirement and also anticipating some erosion of purchasing power due to postretirement inflation.

If the Municipal Police Pension Law is amended to permit pensions up to 75 percent of final average salaries without any reduction due to Social Security benefits and a municipality that provides Social Security coverage to its police officers then amends its police officers' pension plan to provide a pension of 75 percent of final average salary, a retiree generally will have total retirement income from the retirement system plus Social Security equalling or exceeding the retiree's final average salary. This could result in a disincentive to continue in employment.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note shows that the actuarial cost impact would vary to vastly different degrees. Assuming an increase to 75 percent of final average salary but without the 75 percent of final average salary limit on the total retirement allowance including cost-of-living allowances, the Commission's consulting actuary examined three different police officers' retirement systems where the actuarial value of assets is greater than the actuarial accrued liabilities. The resulting municipal expenditures ranged from no immediate cash flow change to more than triple the statutorily required minimum municipal contribution.

The proposal would result in an increase in aggregate unfunded actuarial accrued liabilities ranging from $0 to $300,000,000. If this proposed change to the Municipal Police Pension Law is adopted but no municipality increases the pension above the currently specified one-half of final average salary, there will be no cost impact. If, however, all municipalities amend their police officer pension plans to provide pensions of 75 percent of final average salary, there will be a large increase in aggregate unfunded actuarial accrued liabilities and normal costs. Because the proposal is permissive and the actual changes cannot be known in advance, the actual increase is unknown but obviously will be more than $0 but less than $300,000,000.

Potential Statewide Increase in Unfunded Actuarial Accrued Liabilities	$300,000,000
Potential Statewide Increase in Employer Normal Costs	$ 14,800,000

In reviewing the bill, the Commission identified the following policy considerations.

Permissive Legislation. The proposal authorizes municipalities to increase police officers' pensions from 50 percent of final average salary to some larger percentage. It is appropriate for the Commonwealth to permit benefit structure modifications rather than require them because of the decentralized nature of local governments and the need to accommodate the variation that exists. Because pension benefits of police officers are subject to collective bargaining under Act 111 of 1968, an arbitrator could require a municipality to increase benefits above one-half of final average salary.

Level of Retirement Benefit.

Pension Benefit. The proposal would permit a pension that is the equivalent of the product of three percent multiplied by years of service multiplied by final average salary and that can be supplemented by length of service increments, cost-of-living allowances, and Social Security benefits to which the municipality contributed.

Social Security Integration. In those municipalities that have removed from their police officers' pension plans the Social Security integration provision that reduces the pension by up to 75 percent of the Social Security benefit earned as a police officer, the proposal could result in total retirement benefits that equal or exceed 100 percent of final average salary. The issue of better integrating the basic pension with Social Security benefits should be addressed.

Cost-of-Living Allowance Limitation. As drafted, the proposal still limits the total of the pension plus cost-of-living allowances to 75 percent of final average salary. Where pensions of 75 percent of final average salary are provided, granting future cost-of-living allowances would be prohibited. The issue of integrating the basic pension with cost-of-living allowances should be addressed.

Drafting Ambiguities.

Maximum Pension. The Commission assumes that the intention of the proposal is to limit police officers pensions to not less than one-half nor more than three-quarters of final average salary. The proposed wording is clear in that the pension cannot be less than one-half of final average salary, but the proposal only indicates that a municipal ordinance may provide for a monthly pension up to seventy-five percent of final average salary. This wording could be construed not as a maximum limit but only as permitting one possible level of benefits above the minimum, thereby, by implication, also permitting any level of benefits above the minimum.

Actuarial Soundness. Since the enactment of the Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), any change in the provisions of a municipal pension plan must be actuarially valued prior to the municipality's enactment of the proposed change and paid for on an actuarial basis. The clause "Provided, That such monthly pension or retirement benefit would not impair the actuarial soundness of the pension fund" should be deleted from the proposed new paragraph in section 5 and replaced with a clause worded something like "Provided, That the governing body of the borough, town, or township has received and considered an actuarial cost estimate under section 305 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act."

COMMISSION RECOMMENDATION

On June 16, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 1138, Printer's Number 1256, was referred to the House Local Government Committee on April 19, 1993.

Bill ID: House Bill 1524, Printer's Number 1796

System: All Municipal Employee Retirement Systems

Subject: Retroactively Permitting Municipalities with Financially Distressed Retirement Systems to Further Defer Funding

SYNOPSIS

House Bill 1524, Printer's Number 1796, would amend the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) retroactively to permit certain municipalities with moderately and severely financially distressed municipal employee retirement systems to further delay full compliance with the actuarial funding standard but, after January 1, 1994, requiring the Public Employee Retirement Commission to approve such further delays.

DISCUSSION

The Municipal Pension Plan Funding Standard and Recovery Act (Act) requires actuarial and financial reporting by municipal retirement systems, establishes a minimum actuarial funding standard for all municipal pension plans in cities, boroughs, townships and authorities, provides for the allocation of General Municipal Pension System State Aid, and establishes a recovery program for financially distressed municipal retirement systems. Adopted as a public employee pension plan reform measure, the Act has significantly slowed the growth of unfunded actuarial accrued liabilities in Pennsylvania's municipal retirement systems through the establishment and enforcement of an actuarial funding standard. During the time period that the bill addresses retroactively, the minimum municipal contribution to a municipal retirement system was specified as the sum of the normal costs, the administrative costs and the amortization costs less estimated state aid and the employee contributions.

Under the Act's Financially Distressed Municipal Pension System Recovery Program, a distress determination is based on a quantified evaluation of both the aggregate actuarial condition of the municipality's pension systems and the general fiscal condition of the municipality. If determined to be moderately or severely distressed, a municipality is permitted to use remedial measures designed to facilitate recovery. Among the remedies is relaxation of the actuarial funding standard.

Considerable relaxation of the Act's actuarial funding standard is provided under the recovery program for financially distressed systems. The recovery program permits participating municipalities to extend the amortization period for unfunded actuarial accrued liabilities from 30 to 40 years and to defer amortization requirements through the use of level percentage of payroll calculation of the amortization payments. Because some municipalities with moderately or severely distressed systems had a considerable difference between current contribution levels and even the relaxed funding level, the recovery program also permits them to delay making full payments at the relaxed funding level by adopting a schedule of increasing payments to facilitate the phase-in to the full relaxed funding level. The bill proposes to retroactively sanction a procedure that would result in additional deferral of funding during the phase-in period. The procedure, which was employed in seven cities of the third class based on advice received from an actuarial consulting firm, provides for the municipality initially to determine contributions through the phase-in schedule, then to achieve full funding through the unusual allocation of state aid, and subsequently revert to the phase-in schedule for determining contributions. Since the determination of contribution requirements under the phase-in schedule assumes a normal progression of increasing contributions until they satisfy the full relaxed funding level, the proposed procedure would result in a significantly reduced level of contributions to the municipal pension systems involved.

The Department of the Auditor General has taken exception to the procedure and is requiring that the funding deficiencies resulting from its utilization be remedied. The policy of the Public Employee Retirement Commission supports the position of the Department of the Auditor General regarding the impropriety of the procedure.

There are means available for the affected cities to resolve the funding deficiencies without fiscal hardships. One method, as recommended by the actuarial consulting firm of the affected cities, would rectify the problem, minimize the long term costs to the cities, and spread the cost of compliance over a period of time to minimize the negative effect on cash flow. The method uses private sector borrowing, or interest free public sector borrowing under the Municipalities Financial Recovery Act, to avoid further interest accruals and anticipates that actuarial gains resulting from the immediate payment of the deferred contributions would make the transaction partially or entirely self-funding. If borrowing is not feasible, the Act permits funding deficiencies from prior years to be added to the next year's funding requirement. Accordingly, there is considerable flexibility under the existing statute to accommodate financing a funding deficiency over a period of time provided that the municipality makes a good faith effort to resolve it.

Prior to the enactment of the actuarial funding standard under the Act, the unfunded actuarial accrued liabilities of Pennsylvania's municipal retirement systems represented a serious threat to the financial health of the municipalities. The municipalities participating in the Act's recovery program have retirement systems that continue to be funded at levels that are reason for concern. In fact, several of the municipal retirement systems for which funding would be deferred under the bill are among the most critically underfunded in the Commonwealth.

The Financially Distressed Municipal Pension System Recovery Program provides for the allocation of Supplemental State Assistance (SSA) to eligible participating municipalities to accelerate recovery of their distressed retirement systems. The SSA allocations, which are financed by annual general fund appropriations, totalled approximately $9 million in 1992. Four of the seven cities that utilized the proposed procedure in determining their annual pension plan contributions received SSA allocations in 1992.

SUMMARY OF ACTUARIAL COST IMPACT

The reversion of a municipal pension plan to phase-in funding after achieving full funding greatly reduces the amount of annual municipal contributions. Because of reduced asset balances and investment earnings below anticipated levels, significant actuarial losses occur. When normal costs and scheduled amortization contributions are not provided on an annual basis, the unfunded actuarial accrued liabilities increase and result in even larger amortization payments in future periods.

POLICY CONSIDERATIONS

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

Impact on Actuarial Funding Standard. To legislatively grant an exception to the actuarial funding standard because of a localized effort to reduce municipal contributions for short term budgetary purposes would undermine compliance with and enforcement of the actuarial funding standard and limit the effectiveness of the reform implemented by Act 205 of 1984.

Availability of Non-legislative Remedies. Current law provides a reasonable means to resolve funding deficiencies without compromising the already relaxed actuarial funding standard for distressed municipal retirement systems. Where a municipality makes a good faith effort to comply with the actuarial funding standard, the Act allows any funding deficiency in the current year to be added to the next year's funding requirement. Additionally, borrowing moneys to remedy the funding deficiencies, either from private sources at low rates of interest or from public sources interest free, is an option that produces actuarial gains to offset interest charges, if incurred, and spreads payments over a period of time to minimize the negative impact on the cash flows of the affected municipalities.

Inequity of Retroactive Application. The bill seeks to sanction retroactively a procedure deferring funding to distressed municipal retirement systems that was implemented without authorization by seven of the more than 29 municipalities eligible to use the relaxed actuarial funding standard authorized under the Act. Since the municipalities that did not use the procedure are, for all practical purposes, precluded from its utilization, the bill would effectively implement two different funding standards for similarly situated municipalities.

Conflict with Program Objectives. The Act's Supplemental State Assistance Program provides annual allocations from general fund appropriations to accelerate the recovery of financially distressed municipal retirement systems. The bill would continue providing Supplemental State Assistance to four of the seven affected cities while permitting those cities to substantially reduce their contributions below the funding level prescribed by current law.

Drafting Ambiguities. The bill provides for the Commission to pre-approve the reversions to phase-in funding after January 1, 1994, with automatic approval on a date certain, but it fails to set time parameters for submission of requests from municipalities.

COMMISSION RECOMMENDATION

On May 19, 1993, the Commission voted to attach the actuarial note to the bill, expressing general concern about the policy issues identified above and particular concern about the propriety of significantly increasing the unfunded actuarial accrued liabilities through a deferred funding procedure in municipal pension plans classified as moderately and severely distressed, and to recommend that the General Assembly and the Governor not enact the bill into law.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 1524, Printer's Number 1796, was referred to the House Appropriations Committee on May 5, 1993.

Bill ID: House Bill 1596, Printer's Number 1784

System: Public School Employes' Retirement System

Subject: Commonwealth's Share of Employer Contributions for Pensions and Social Security

SYNOPSIS

House Bill 1596, Printer's Number 1784, would amend the Public School Employees' Retirement Code to do two things:

> For new members first employed by school districts after the close of the 1992-93 school term, change the contributions by the Commonwealth to the Public School Employees' Retirement Fund for annuities from one-half of employer costs to the product of employer costs multiplied by the market value/income aid ratio; and
>
> For new members first employed by school districts after the close of the 1992-93 school term, change the contributions by the Commonwealth to the school districts for social security from one-half of employer costs to the product of employer costs multiplied by the market value/income aid ratio.

DISCUSSION

The Public School Employees' Retirement System (PSERS) is the administrator of a cost-sharing multiple-employer plan established by the Commonwealth to provide retirement allowances and other benefits, including disability and death benefits, for all employees of school districts and some employees of certain other employers (including area vocational technical schools, intermediate units, colleges and universities, and a few other employers). As of June 30, 1989 there were 634 employers.

Under the Public School Employees' Retirement Code (Code), the employer and the Commonwealth equally share the cost of required contributions. The bill proposes to change the Commonwealth's share from one-half of the employer contribution rate to the product of the employer contribution rate multiplied by the market value/income aid ratio for new members first employed by school districts after the close of the 1992-93 school term. The ratio is defined in section 2501(14.1) of the Public School Code of 1949 and is used in calculating reimbursements by the Commonwealth and between school districts.

Under the Code, the Commonwealth pays to the employers one-half of the employer contributions payable under the Social Security Act. The bill proposes to change the Commonwealth's share from one-half of the employer contribution to the product of the employer contribution multiplied by the market value/income aid ratio for new members first employed by school districts after the close of the 1992-93 school term.

The intent of the bill, apparently was to change the share of the employer costs among school districts and between school districts and the Commonwealth. It does this for social security for new school district employees, but not for PSERS pensions for new school district employees.

Because the provisions that require the employers to pay the other one-half of employer contributions for PSERS pensions remain unchanged, the result is that the employers will have to pay one-half of the employer costs while the Commonwealth, in the aggregate, will pay 100 percent of employer costs for new employees of school districts, resulting in total contributions in excess of required employer contributions and, ultimately, approaching 150 percent of required employer contributions for employees of school districts. The result for other employers is not clear because they are not school districts and do not receive Commonwealth aid using the market value/income aid ratio.

The Commission understands that this was an unintended result and that the bill will be amended in a way similar to the attached draft amendment. Under the draft amendment, the Code would be amended to change the contributions by the Commonwealth and employers after June 30, 1993, as follows:

For PSERS pensions:

> For new members first employed by school districts after June 30, 1993, the Commonwealth would pay the product of the employer contribution rate multiplied by the market value/income aid ratio while the school districts would pay the difference between the employer contributions and the Commonwealth's contributions;
>
> For existing members and new members first employed by other participating employers after June 30, 1993, the Commonwealth would continue to pay one-half of the employer contribution rate while the employer would continue to pay the other one-half.

For Social Security:

> For new members first employed by school districts after June 30, 1993, the Commonwealth would pay the product of the employer contribution rate multiplied by the market value/income aid ratio to the school district;
>
> For existing members and new members first employed by other participating employers after June 30, 1993, the Commonwealth would continue to pay one-half of the employer contribution rate where it has heretofore paid it.

The result of the proposal with the amendment would be that employer contributions for both PSERS pensions and Social Security would remain at 100% of the required contributions but that the amount paid by individual school districts and the Commonwealth for new members first employed by school districts after June 30, 1993, will be changed. Thus, there would be an alteration among school districts and between school districts and the Commonwealth in the share of employer contributions paid.

SUMMARY OF ACTUARIAL COST IMPACT

As indicated in the discussion, the bill with the draft amendment would have no actuarial cost impact because 100 percent of the required employer contributions to the Public School Employees' Retirement Fund would continue to be made.

POLICY CONSIDERATIONS

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

Additional Administrative Costs. The administrative task of tracking the two types of members and quarterly calculating over 500 different contribution rates will add to the administrative costs of the Public School Employees' Retirement System.

Reallocation of Employer Costs. While assuring continued payment of the required employer contributions, the amendment may result in a reallocation of the share of employer costs for pensions and social security among school districts and between the school districts and the Commonwealth. The allocation of such costs is a policy matter for determination by the public policy makers of the Commonwealth through the legislative process.

Drafting Ambiguities. The bill contains a number of drafting ambiguities with which the attached draft amendment deals:

> *Definition of School District.* The term school district is not defined in the Code, and Code definitions of public school and school employee are much broader than school districts and employees of school districts.
>
> *Differentiation of New Employes.* The bill provides for individuals not previously employed by school districts leaving uncertain the status of PSERS members previously employed by other employers. Because the Code generally deals with members, it would be better to reword the proposal to deal with existing and new members and then differentiate between new members employed by school districts and new members employed by other employers.
>
> *Variable Implementation Date.* The bill provides for members first employed after the close of the 1992-1993 school term. While the words school term are defined in the Public School Code of 1949, the close of the school term can be any number of dates in 1993. Because this will lead to needless administrative complexity, using a date certain would be preferable.
>
> *Allocation of Employer Contributions.* Although the bill intended to change the amount of the required share of employer contributions paid by individual employers as well as the amount paid by the Commonwealth, it failed to do so.
>
> *Impact on Other Employers.* The bill is unclear regarding the cost allocation between other employers and the Commonwealth.
>
> *Allocation of Employer Contributions for Existing Members.* The bill is unclear regarding the allocation of employer contributions for individuals who are members of PSERS on the date of change.

COMMISSION RECOMMENDATION

On May 19, 1993, 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.

House Bill 1596, passed the House (139-61) as Printer's Number 1842, was reconsidered (202-0), and passed the House (137-64) on May 28, 1993, and was referred to the Senate Education Committee on June 2, 1993.

Bill ID: House Bill 1741, Printer's Number 2016

System: Police Officers in Cities of the Third Class

Subject: Continuation of Surviving Spouse's Benefit until Death Regardless of Remarriage

SYNOPSIS

House Bill 1741, Printer's Number 2016, would amend sections 4301 and 4303 of The Third Class City Code to change the provision stopping the survivor spouse benefit when the police officer's surviving spouse remarries to a provision to pay the survivor spouse benefit for the life of the surviving spouse.

DISCUSSION

The Third Class City Code applies to every city of the third class; that is, all cities except Philadelphia, Pittsburgh, and Scranton. In each city of the third class with police officers, the statute provides for the establishment of a defined benefit retirement system for police officers. Under The Third Class City Code, the surviving spouse or child under age 18 of a retired police officer or an active police officer who dies while still in service is entitled to receive the pension payment the retired police officer was receiving or the active police officer would have been receiving had the active police officer been retired at the time of death. The pension is payable during the lifetime of the surviving spouse or until the surviving spouse remarries. If the surviving spouse dies or remarries, the pension is payable to a child under age 18. The bill would remove the requirement for the pension payment to a surviving spouse to stop if the surviving spouse remarries.

According to actuarial valuation reports filed with the Public Employee Retirement Commission, on January 1, 1991, there were 55 police officers' retirement systems in cities of the third class with a total of about 2,157 active members.

Similar provisions for pensions payable to the surviving spouse of an active or retired municipal employee to cease on remarriage also exist for nonuniformed employees under The Third Class City Code; for nonuniformed employees under the statute relating to the optional retirement systems for nonuniformed employees in cities of the third class; and police officers in boroughs, towns, and townships with three or more full time police officers under the Municipal Police Pension Law (Act 600). Similar provisions also used to exist for firefighters under The Third Class City Code, but these were repealed by Act 74 of 1992. Under the standard pension plans administered by the Pennsylvania Municipal Retirement System (PMRS), at the time of retirement, a retiring municipal employee may elect to receive a single life annuity or, if the retiring employee wishes to provide financial assistance for dependents who may outlive the retiree and is willing to receive a smaller monthly retirement allowance during the rest of the retiree's life, a retiring municipal employee may elect to receive retirement pay in one of the three optional ways provided. None of these three options terminates the retirement system benefit to a surviving spouse upon remarriage.

Public employee retirement system retirement benefits can be paid in any number of ways, but The Third Class City Code provides only one choice to a retiring police officer—a single life annuity or, if there are surviving dependants, a joint and survivor annuity that terminates when a surviving spouse remarries or a surviving child reaches age 18. Not only are there no other choices, the two variations do not have the same present value. A single life annuity for a retiring police officer with no dependants has a lower present value than a joint and survivor annuity for a retiring police officer with a surviving spouse.

SUMMARY OF ACTUARIAL COST IMPACT

Because most, if not all, current contribution rates are based on the assumption that all surviving spouses will receive their full retirement system benefits for their entire lives without termination because of remarriage, there is no material actuarial cost attributable to the proposed liberalization of the conditions under which surviving spouses may receive their retirement system benefits.

POLICY CONSIDERATIONS

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

> Uniformity and Equity of Pension Benefits. Similar termination of surviving spouses' annuities upon remarriage provisions for firefighters were repealed by Act 74 of 1992 but continue in effect for nonuniformed employees in cities of the third class. If this proposal is determined to be appropriate, the modification of survivor benefit provisions should be extended to all other employees of cities of the third class as well.
>
> Provision of Uniform Retirement Options. Because not all retiring local government employees have the same situation with dependents and finances, the availability of various retirement options of equal present value is appropriate. The General Assembly may wish to consider legislation providing a uniform set of equal present value optional retirement benefits for all local government employees regardless of job or local government classification.

COMMISSION RECOMMENDATION

On October 13, 1993, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor favorably consider the bill.

LEGISLATIVE STATUS ON DECEMBER 31, 1993

House Bill 1741, Printer's Number 2016, was re-committed to the House Appropriations Committee on September 29, 1993.

PART II

PUBLIC EMPLOYEE RETIREMENT SYSTEM ADMINISTRATION

A. ACT 205 of 1984

1991 Filing Period

In May of 1993, the Commission issued its *Status Report on Local Government Pension Plans* based on the data contained in the 1991 Act 205 local government pension planreports. In addition to statistical information, the report disclosed that 103 of the 2,704 (3.8%) local government pension plans were reported to have funding deficiencies. The Commission enforced compliance with the actuarial funding standard in all instances. The *Status Report on Local Government Pension Plans* also disclosed significant municipal pension policy issues for consideration by the Governor and the General Assembly.

1993 Filing Period

In August of 1993, the Commission transmitted filing notices to the 4,500 local governments required to file employee pension plan reports pursuant to Act 205. Several follow-up notices were sent to local governments that failed to respond to the filing notice in the fall of 1993. The filing deadline for the 1993 Act 205 reports will be March 31, 1994.

Municipal Pension Cost Certification

In the summer of 1993, the Commission certified municipal pension cost data to the Department of the Auditor General for use in the 1993 allocation of General Municipal Pension System State Aid. In 1993, the state aid provided to municipalities to offset their employee pension costs totalled more than $121 million. Over 80% of the individual municipal allocations were determined by the cost data certified by the Commission.

Recovery Program

The Commission calculated and certified distress determinations for the 48 municipalities participating in the Act 205 Recovery Program for Financially Distressed Municipal Pension Systems. The Commission calculated the 1993 allocations of Act 205 Supplemental State Assistance and certified the allocation amounts to the Department of the Auditor General to permit the disbursement of the $5.8 million Supplemental State Assistance Allocation in December of 1993.

B. ACT 293 of 1972

1992 Filing Period

Since the passage of the Municipal Pension Plan Funding Standard and Recovery Act, the actuarial reporting program under Act 293 has only been applicable to county employee retirement systems. The 1992 actuarial reports on these systems were filed in 1993. The financial, demographic, and actuarial data contained in the reports has been reviewed and will be summarized in the Status Report on Local Government Pension Plans to be published by the Commission in the spring of 1995.

PART III

PUBLIC EMPLOYEE RETIREMENT SYSTEM
POLICY DEVELOPMENT AND COORDINATION

A. STATUTORY PROVISIONS.

The Public Employee Retirement 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.

Special Report: Study of the Current Situation of Local Government Retirement Systems and Recommended Establishment of a Statewide Retirement System.

In December 1992, the Commission issued a special report documenting the many serious problems with the current structure of local government employee retirement systems. The problems included benefit inadequacies, lack of pension portability, inflated pension costs, administrative inefficiencies and inadequacies, and benefit inequities. To effectively address these problems, the Commission recommended that the current decentralized administrative structure of local government employee retirement systems be replaced with one statewide retirement system, that the statewide retirement system for local government employees be gradually phased-in over 20 to 30 years by mandating participation only for newly hired employees while providing incentives for local governments to elect participation for current employees, and that the statewide retirement system for local government employees be implemented by expanding the State Employes' Retirement System to provide additional membership classifications designated for local government employees.

In May 1993, Senators Michael M. Dawida and Harold F. Mowery, Jr., members of the Commission, and Senator H. Craig Lewis, a former member of the Commission, together with other Senators introduced Senate Bill 1130, Printer's Number 1287, to implement the recommendations in the report. The bill was referred to the Senate Finance Committee. In June 1993, Representatives Terry E. Van Horne and James C. Lynch, members of the Commission, and Representative (now Senator) David W. Heckler, a former member of the Commission, together with other Representatives introduced House Bill 1761, Printer's Number 2079, to implement the recommendations in the report. The bill was referred to the House Local Government Committee.

In the last quarter of 1993, research began on the fiscal impact of the proposed statewide retirement system on individual local governments, including both the potential for one-time asset reversions and the effect on the ongoing costs of providing employee pension benefits. The research will be completed during the first half of 1994 and issued as a report to the members of the General Assembly before July 1994.

Status Report on Local Government Pension Plans.

During the second half of 1992, research began on the Commission's fourth report on the status of the Commonwealth's local government retirement systems since the enactment of the Municipal Pension Plan Funding Standard and Recovery Act. The research was completed during the first half of 1993 and issued as a report in May 1993. The report was a summary and analysis of municipal employee retirement system actuarial valuation reports as of January 1, 1991, submitted to the Commission under the Act and of county employee retirement system actuarial valuation reports as of January 1, 1990, submitted to the Commission under Act 293 of 1972. The data in the report were extracted from the individual pension plan reports containing actuarial, financial, and demographic information. The report noted that there had been progress in achieving the objectives of the Municipal Pension Plan Funding Standard and Recovery Act but that additional reform was needed. The report clearly demonstrated that the Act has addressed and continues to address the funded condition of municipal pension plans, and the previous inequitable distribution of state aid. Problems which evidence the need for reform outside of the parameters of the Act include the extremely small size of most municipal pension plans, the lack of incentive to contain cost, and the policy structure for operation of local government pension systems.

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 Public School Employes' Retirement System (PSERS) in November 1993 and the State Employes' Retirement System (SERS) in October 1993.

Commission Review of PSERS Actuarial Valuation Report

At the November 16, 1993, meeting of the Commission, the staff presented a summary of the June 30, 1992, actuarial valuation report of the Public School Employes' Retirement System. The following are some significant facts contained in these reports.

June 30, 1992, Actuarial Valuation Report

Changes in Contribution Rates

	1991	1992
Normal Cost Rate	7.90%	7.34%
Health Care Rate	.50%	.25%
Unfunded Actuarial Accrued Liability Rate	5.84%	5.58%

Funding Facts

Since the prior valuation:

- The employer contribution rate has decreased 1.07%.

- Decrease due to change in salary increase assumption	(.75)%
- Decrease due to change in asset valuation method	(.40)
- Increase due to accelerated payment option	.20
- Increase due to Mellow Bill	.20
- Decrease in health care contribution rate	(.25)
- Decrease due to other actuarial gains/losses and other experience factors	(.07)
- Total	(1.07)%

- The funding ratio has increased by 2.04%.

Actuarial Assumptions and Method Changes

- The rate of salary increase was changed to 7¼% from 7½% by board action.
- The board also changed the asset valuation method by reducing the five-year "smoothing period" for recognizing realized and unrealized gains and losses to four years.

Implementation of Accelerated Payment Option

- An option was implemented by the board to permit a member to slip up (increase) his annuity prior to age 65 so that income prior to age 65 before Social Security benefits begin is approximately the same as income after age 65 including Social Security benefits.

The Commission reviewed the reports with Mr. James A. Perry, PSERS Executive Director, Mr. Arthur J. Granito, PSERS Assistant Executive Director, and Ms. Kim M. Nicholl, PSERS consulting actuary.

SUMMARY OF ACTUARIAL VALUATION
PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM
as of
June 30, 1992

The following is a summary of the June 30, 1992, actuarial valuation of the Public School Employes' Retirement System and a comparison of the 1992 results with those of 1991.

	6/30/91	6/30/92
Membership		
Active Members	202,631	202,991
Inactive and Vested Members	33,029	34,601
Retired Members	94,267	96,119
Disabled Members	4,041	4,146
Survivors and Beneficiaries	4,614	4,761
Payroll and Annuities Payable		
Total Annual Payroll	$ 5,744,798,176	$ 6,098,222,000
Annual Annuities and Benefits	$ 816,447,077	$ 862,562,000
Valuation Data		
Accrued Liability	$22,573,986,000	$24,569,674,000
Assets[1]	17,961,839,000	20,068,289,000
Unfunded Accrued Liability	$ 4,612,147,000	$ 4,501,385,000
Fund Ratio	79.57%	81.67%

	6/30/91		6/30/92	
Funding Costs				
Normal Cost	$ 768,653,995	13.38%	$ 783,621,527	12.85%
Amortization[2]	335,496,213	5.84%	340,280,787	5.58%
Full Actuarial Funding	$1,104,150,208	19.22%	$1,123,902,314	18.43%
Support				
Member	$ 314,814,940	5.48%	$ 336,012,032	5.51%
School District	394,667,634	6.87%	393,945,141	6.46%
Commonwealth	394,667,634	6.87%	393,945,141	6.46%
Total Support[3]	$1,104,150,208	19.22%	$1,123,902,3141	8.43%

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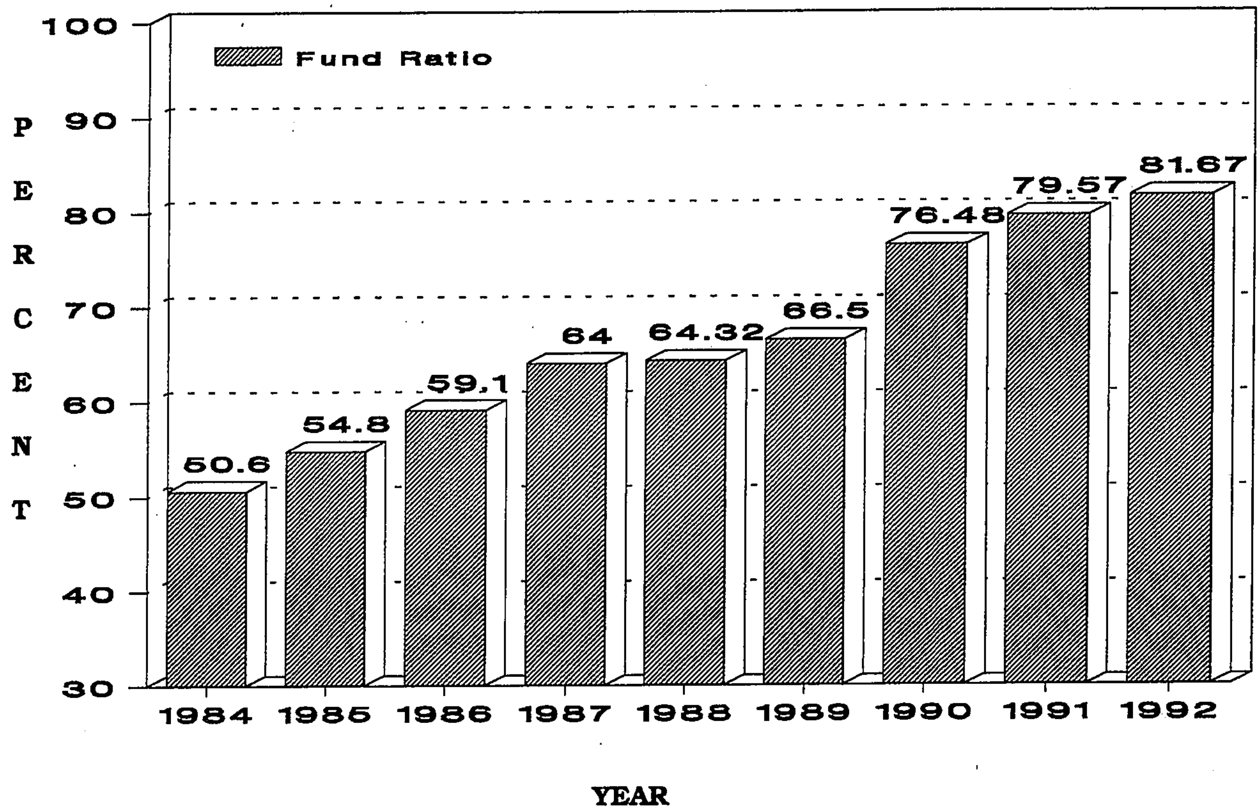
EXPLANATORY FOOTNOTES

1. Since June 30, 1992, the asset valuation method reflects a market-related method which averages market gains and losses over a five year period.

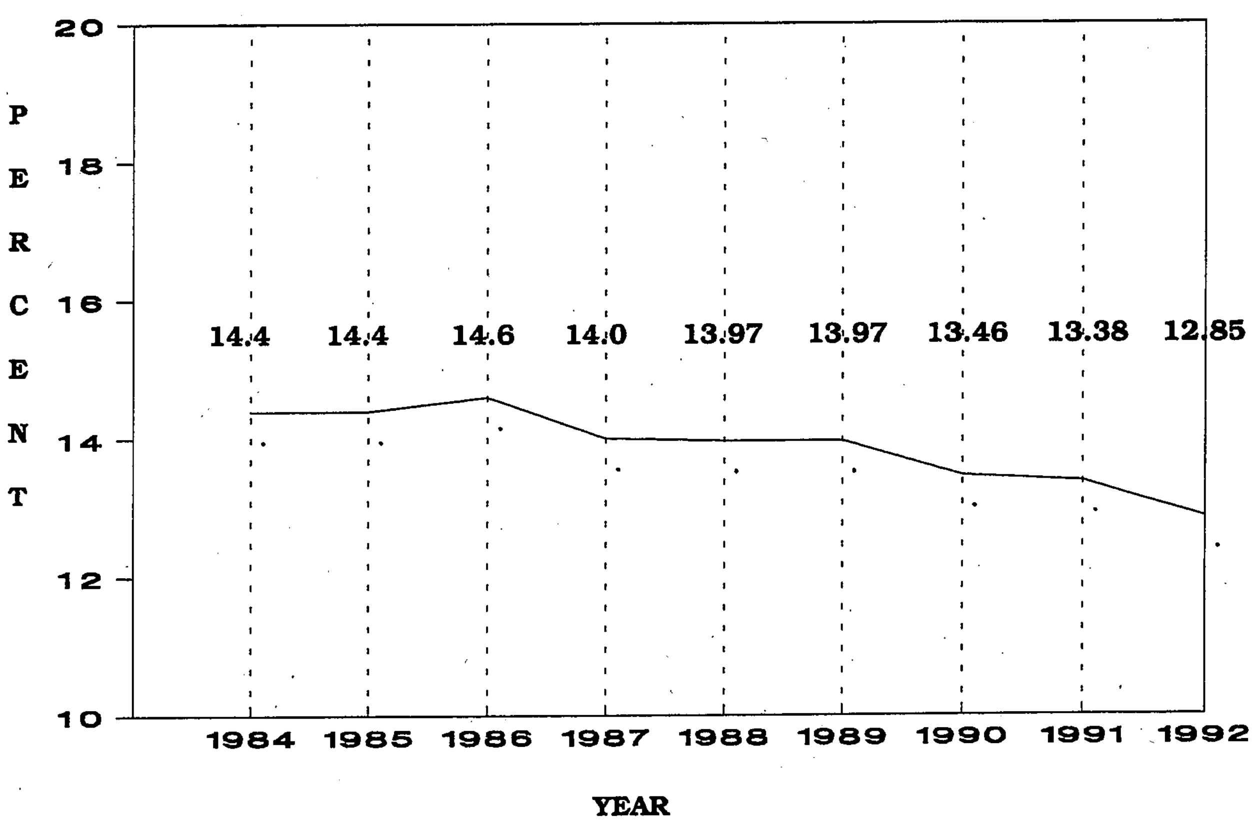
2. Act 23 of 1991 established payment for additional liabilities to be payable over a twenty-year period with the dollar amount of the annual payment increasing at five percent per year over the twenty-year period.

3. The employer health care contribution rate of .25% is not included in this total.

PSERS FUNDING RATIO TREND



PSERS NORMAL COST TREND



Commission Review of SERS Actuarial Valuation Report

At the October 13, 1993, meeting of the Commission, the staff presented a summary of the December 31, 1992, actuarial valuation report of the State Employes' Retirement System. The following are some significant facts contained in that report.

<u>December 31, 1992, Actuarial Valuation Report</u>

Summary of Changes

- The employer contribution rate remained at 8.92 percent.
- The valuation employer contribution rate was 9.27 percent. This increase, according to the December 31, 1992 valuation, was caused primarily by the elimination of the additional 1.25 percent employee contribution and unexpectedly high increases in salary.
- The unexpectedly high salary increase was attributable to both an increase in the number of overtime hours and the number of promotions. Both these events were the result of personnel actions following the retirements under the Mellow bill.
- The board of SERS determined that the 8.92 percent contribution for 1992/93 should be continued into 1993/94 because the payroll reported for this valuation was unusually high and not expected to re-occur and that the employer cost is expected to decline in the next three years as past investment gains are folded into the actuarial value of assets. The system's actuary agreed with the decision of the SERS board.

Analysis of Change in Employer Contribution Rate

	Normal Cost	Unfunded Liabilities	Total
I) December 31, 1991	8.50%	.42%	8.92%
II) Changes - December 31, 1992			
1) Excess Investment Earnings		(1.04%)	(1.04%)
2) Changes in Demographics of the New Entrants	.29%	(0.23%)	.06%
3) Decrease in Employee Contribution Rate	1.02%	(0.49%)	.53%
4) Difference Due to Salaries Larger than Expected		.07%	.07%
5) Difference Due to Actual Experience Different from Actuarial Assumptions		.73%	.73%
6) Total Change:	1.31%	(.96%)	.35%
III) December 31, 1992 Valuation	9.81%	(.54%)	9.27%

Commission Review of SERS Actuarial Valuation Report (Cont'd)

Analysis of Change in Unfunded Liability

I)	December 31, 1991 Unfunded Liability	$ 147,537,390
II)	Expected Amortization Payment	14,347,348
III)	Expected Liability as of December 31, 1992 [((I) x 1.099) - (II)]	147,796,243
IV)	Change in Liability Due to:	
	1) Excess Investment Earnings	(462,914,778)
	2) Change in Demographics of New Entrants	(103,897,224)
	3) Decrease in Employee Contribution Rate	(218,212,485)
	4) Difference Due to Salaries Larger than Expected	34,335,480
	5) Difference Due to Actual Experience Different from Actuarial Assumptions	321,918,923
	6) Total Change:	$(428,770,084)
V)	December 31, 1992 Unfunded Liability: (III) + (IV)	$(280,973,841)

The Commission reviewed this report with Mr. John Brosius, SERS Executive Director, Mr. Peter M. Gilbert, SERS Chief Investment Officer, and Mr. Edwin C. Hustead, SERS consulting actuary.

SUMMARY OF ACTUARIAL VALUATION
STATE EMPLOYES' RETIREMENT SYSTEM
as of
December 31, 1992

The following is a summary of the December 31, 1992, actuarial valuation of the State Employes' Retirement System and a comparison of the 1992 results with those of 1991.

	12/31/91	12/31/92
Membership		
Active	104,651	109,609
Inactive	4,362	4,293
Retired	70,015	69,580
Disabled	4,227	4,317
Survivors and Beneficiaries	6,332	6,595
Payroll and Annuities Payable		
Total Annual Payroll	$3,119,516,246	$3,358,961,881
Annual Annuities and Benefits	$ 501,909,761	$ 601,658,734
Valuation Data		
Accrued Liability	$10,937,782,936	$11,488,414,449
Assets [1]	10,790,245,546	11,769,388,290
Unfunded Accrued Liability	$ 147,537,390	$ (280,973,841)
Funding Ratio	98.6%	102.4%

Funding Costs

	12/31/91		Valuation		Actual	
Normal Cost [2]	$460,128,646	14.75%	$479,323,860	14.81%	$479,323,860	14.81%
Amortization [3]	13,101,968	.42%	(18,138,394)	(.54)	(29,894,760)	(.89)%
Full Actuarial Funding	$473,230,614	15.17%	$461,190,466	14.27 %	$449,434,100	13.92 %

Support

Member	$194,969,765	6.25%	$167,948,094	5.00%
Commonwealth	278,260,849	8.92%	299,619,400	8.92%
Total Support	$473,230,614	15.17%	$467,567,494	13.92%

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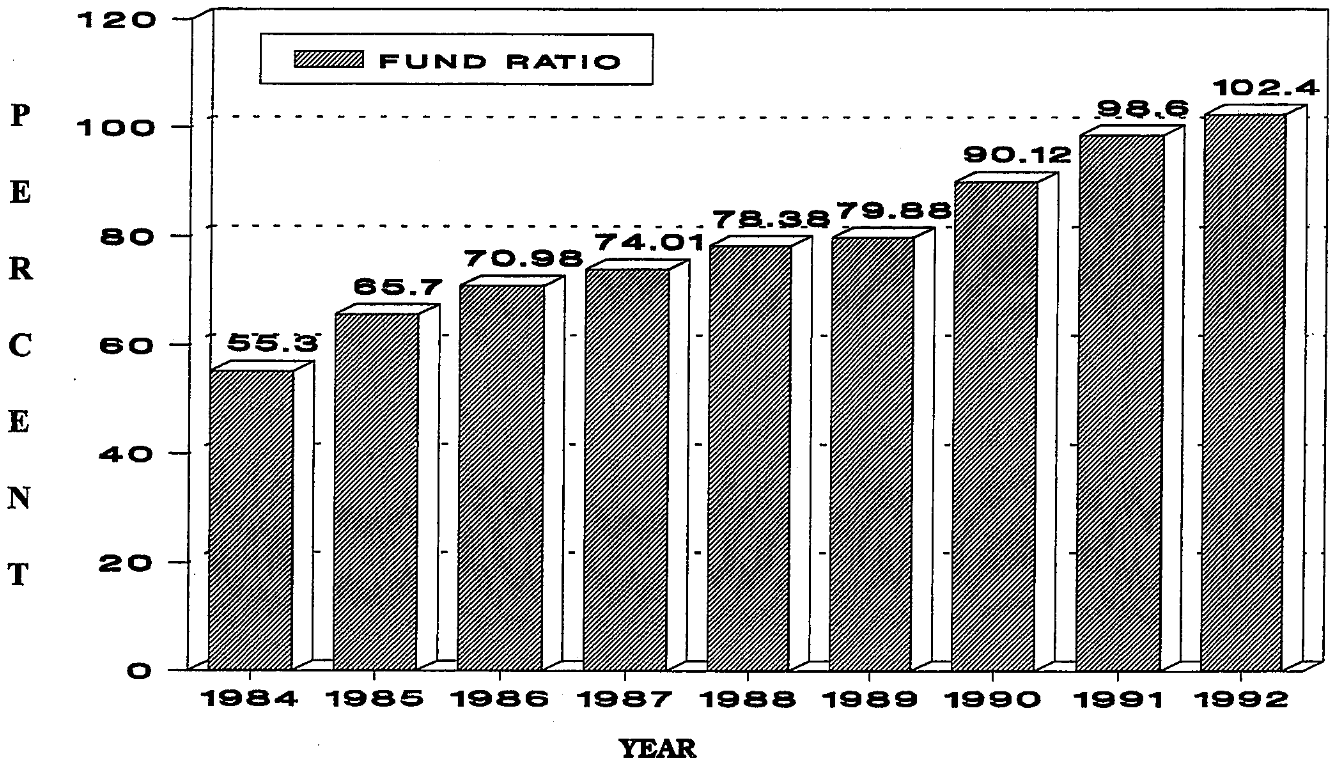
EXPLANATORY FOOTNOTES

1. The figure is the actuarial value not the market value.

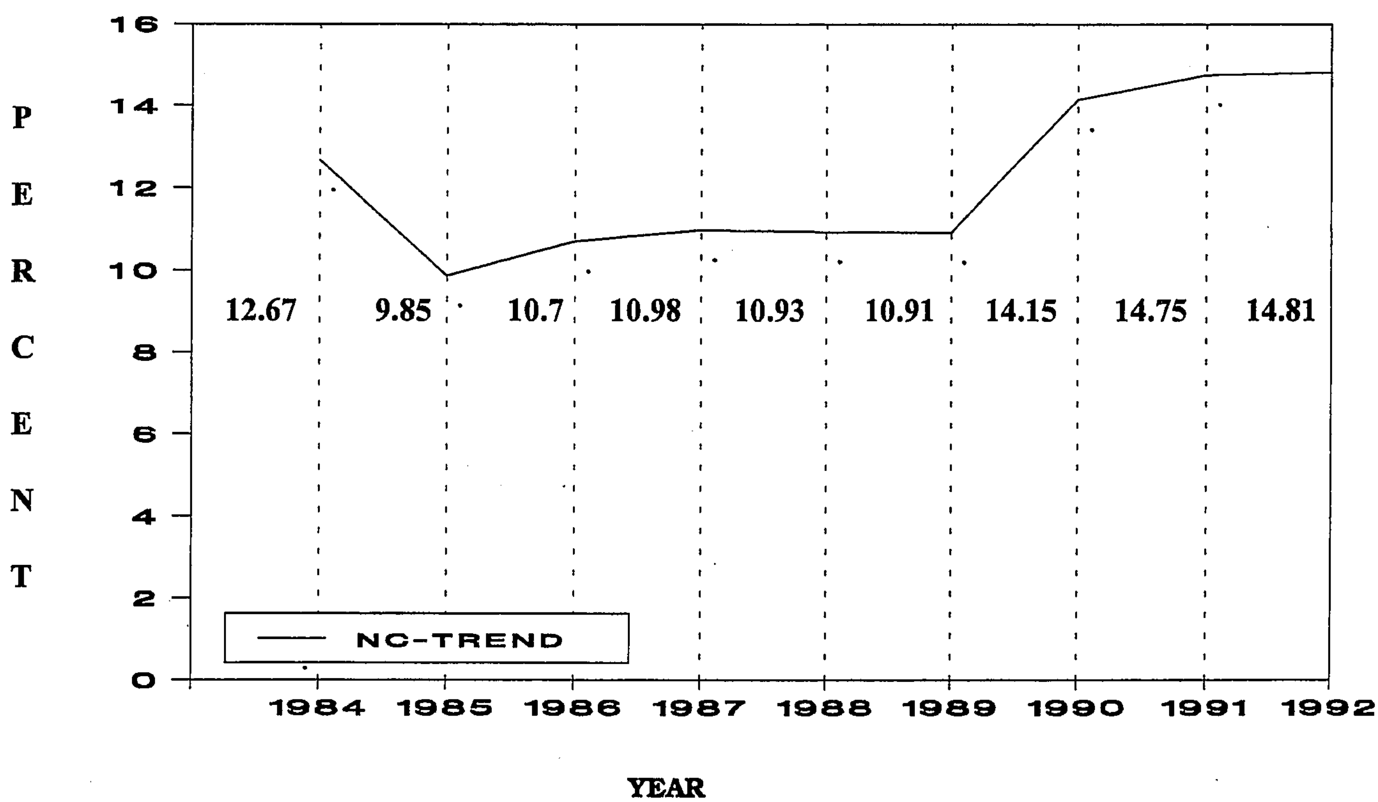
2. The State Employes' Retirement Code requires that the employer normal contribution rate be based on the level percentage of payroll normal cost determined under the entry age normal actuarial cost method for the average new member less the portion of the cost to be funded by member contributions. As of the valuation date, all accrued liability contributions have been completed in accordance with the statute, therefore, the additional 1.25 percent employee contribution was discontinued effective July 1, 1993. The member contribution rate for all employees is established at 5 percent.

3. Act 23 of 1991 established payment for additional liabilities to be payable over a 20-year period with the dollar amount of the annual payment increasing at 5 percent per year over the 20-year period.

SERS FUNDING RATIO TREND



SERS NORMAL COST TREND



APPENDICES

APPENDIX A

ADVISORY COMMITTEES AND CONSULTING ACTUARIES

Advisory Committees

Under Section 8 of the Public Employee Retirement 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 1993 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 BOROUGHS

Mr. Jay D. Himes
PENNSYLVANIA LEAGUE OF CITIES AND MUNICIPALITIES

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

Mr. Douglas E. Hill
COUNTY COMMISSIONERS ASSOCIATION OF PENNSYLVANIA

Mr. William J. Woll
PENNSYLVANIA MUNICIPAL AUTHORITIES ASSOCIATION

MUNICIPAL EMPLOYEE PENSION ADVISORY COMMITTEE

Mr. Leo V. Marchetti - Chairman
PENNSYLVANIA FRATERNAL ORDER OF POLICE

Mr. David W. Schmidt - Vice Chairman
PENNSYLVANIA PROFESSIONAL FIREFIGHTERS' ASSOCIATION

Mr. David J. Gondak - Secretary
PENNSYLVANIA STATE EDUCATION ASSOCIATION

Mr. W. Ronald Smeal
PENNSYLVANIA CHIEFS OF POLICE ASSOCIATION

Mr. William Willis
AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES

Consulting Actuaries

The actuarial services committee developed and adopted guidelines for providing actuarial services to the Commission on June 2, 1982. The guidelines establish the educational and experience standards for the selection of consulting actuaries. The engagement of multiple actuarial consultants was considered appropriate to provide the Commission with an enhanced scope of actuarial experience and a greater response capacity, and to avoid potential conflicts of interest. The actuarial consultants engaged by the Commission during 1993 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
December 31, 1993

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 3 P. N. 3 (Schwartz)	Family and Medical Leave Act, providing for the entitlement of family leave for employees in certain cases with protection of the employee's employment and benefit rights	Referred to Senate Labor and Industry Committee	01/05/93
S. B. 4 P. N. 1298 (Fumo)	Constitution of Pennsylvania, adding section 15 to article 9 to place restrictions on the enactment of statutes requiring political subdivisions to spend money or limiting their ability to raise revenue but excepting statutes that amend funding formulae existing on the effective date of the section and laws adopted to require funding of pension benefits existing on the effective date of the section	Referred to Senate Labor and Industry Committee Rereferred to Senate Local Government Committee Reported as committed Second Consideration Re-committed to Senate Local Government Committee Re-reported as amended Amended on Third Consideration Passed Senate (48-0) Referred to House Local Government Committee	01/05/93 02/10/93 03/30/93 04/19/93 04/27/93 05/11/93 05/24/93 05/25/93 05/28/93
S.B. 30 P.N. 30 (Bell)	Brokerage Services Competitive Bidding Act, requiring Commonwealth funds, including PSERS and SERS, to award brokerage services by competitive bidding	Referred to Senate State Government Committee	01/05/93
S. B. 31 P. N. 31 (Bell)	Act regulating deposits of State funds, prohibiting investments in securities of corporations incorporated in a state that prohibits investment of its state or public employee retirement system funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee	01/05/93
S. B. 37 P. N. 37 (Bell)	PMRS, prohibiting investments in securities of corporations incorporated in a state that prohibits investment of its state or public employee retirement system funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee	01/05/93
S. B. 40 P. N. 40 (Holl)	Sunset Act, extending the expiration date of the act until December 31, 1995, and fixing the sunset date of the Public Employee Retirement Study Commission and the Municipal Employee Pension Advisory Committee as December 31, 1993, unless reestablished during calendar year 1991 (which they were) and of the Municipal Employee Pension Advisory Committee as December 31, 1995	Referred to Senate State Government Committee	01/05/93
S. B. 48 P. N. 48 (Holl)	Volunteer Firemen's Relief Association Act, permitting funds to be spent for financial assistance to volunteer firefighters who have actively participated in the fire service for 20 years and who have attained the age of 65	Referred to Senate Veterans Affairs and Emergency Preparedness Committee	01/05/93

Bill Number Printer's No. (Prime Sponsor)	**Subject**	**Concise History and Status**	**Date**
S. B. 64 P. N. 64 (Holl)	SERS, permitting qualified veterans with 20 years of State service and who are at least age 50, upon termination of service, to elect to convert their medical, major medical, and hospitalization coverage to the plan for State annuitants	Referred to Senate Veterans Affairs and Emergency Preparedness Committee	01/05/93
S. B. 65 P. N. 65 (LaValle)	Family and Medical Leave Act, providing for the entitlement of family leave for employees in certain cases with protection of the employee's employment and benefit rights	Referred to Senate Labor and Industry Committee	01/05/93
S. B. 82 P. N. 82 (Bell)	PSERS and SERS, prohibiting investments in securities of corporations incorporated in a state that prohibits investment of its state or public employee retirement system funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee	01/05/93
S. B. 84 P. N. 84 (Bell)	PSERS, creating a Health Insurance Account to provide a health care program by paying health insurance premiums for eligible retirees and providing that active members shall contribute 1/4% of their salaries to it and employers shall contribute the lesser of 3% of system's investment earnings or the total premium cost of eligible retirees but excluding the bill from the provisions of § 7 of the Public Employee Retirement Study Commission Act	Referred to Senate Education Committee	01/05/93
S. B. 95 P. N. 95 (Holl)	SERS, permitting board, subject to approval of a majority of the Senate, to appoint six managers to assist it in carrying out its responsibilities and providing for semi-annual activity reports by the board to the General Assembly	Referred to Senate State Government Committee	01/05/93
S. B. 120 P. N. 120 (Holl)	SERS, expanding the definition of "correction officer" to include more employees of the Department of Corrections and certain employees of the Department of Public Welfare	Referred to Senate Judiciary Committee	01/05/93
S. B. 147 P. N. 147 (Holl)	PSERS, in the provisions regarding reduction of disability annuities for earned income above the greater of $5,000 a year or the last year's salary of the annuitant as a school employee, indexing the salary with cost-of-living adjustments	Referred to Senate Education Committee	01/05/93
S. B. 186 P. N. 188 (Greenleaf)	Constitution of Pennsylvania, amending sections 16 and 18 of article 9 to provide that, except as provided by law, no salary, retirement benefit or other compensation, present or deferred, shall be paid to any justice, judge, or justice of the peace, who,	Referred to Senate Judiciary Committee	01/12/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	under section 18 of article 9 or article 6, is suspended, removed, or barred from holding judicial office for conviction of a felony or misconduct in office or conduct that prejudices the proper administration of justice or brings the judicial office into disrepute, and making other changes in provisions relating to judicial discipline (See H. B. 1).		
S. B. 198 P. N. 200 (Salvatore)	County Division Act, providing for the establishment of new counties from existing counties having populations in excess of 1,500,000 and providing for the division of the assets and liabilities of the existing counties	Referred to Senate Urban Affairs and Housing Committees	01/12/93
S. B. 215 P. N. 217 (Salvatore)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, retroactive to February 12, 1989, require payment of automatic annual post retirement adjustments calculated based on the increase in the CPI-U, require adjustments also to be paid to surviving spouses with increases calculated from the retirement date of the retiree, and providing that some or all of the amount necessary to pay the adjustments to surviving spouses be paid out of the General Fund of the Commonwealth	Referred to Senate Local Government Committee	01/12/93
S. B. 274 P. N. 285 (Rhoades)	Constitution of Pennsylvania, amending section 31 of article 11 to provide for compulsory arbitration between teachers in a bargaining unit and their public employers	Referred to Senate Education Committee	01/27/93
S. B. 304 P. N. 315 (Hart)	PSERS, increasing the number of members of the board by increasing the number of annuitant members elected by annuitants from one to two	Referred to Senate Education Committee	01/27/93
S. B. 323 P. N. 1510 (Corman)	Transportation and Vehicle titles of Pennsylvania Consolidated Statutes, authorizing creation of transportation authority of the Philadelphia area extending to and including Philadelphia and counties within 20 miles of Philadelphia, which would have the power, among other things, to establish and maintain a pension and retirement system, and making various other changes to the titles	Referred to Senate Transportation Committee Reported as amended Second Consideration Passed Senate (47-0) Referred to House Transportation Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Amended and Passed House (202-0) Referred to Senate Rules and Executive Nominations Committee	02/01/93 03/30/93 03/31/93 04/19/93 04/21/93 04/27/93 05/03/93 05/10/93 05/10/93 05/28/93 06/07/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
		Re-reported on concurrence as amended	06/21/93
		Senate nonconcurred in House amendments as amended (24-24)	06/23/93
S. B. 326 P. N. 342 (Hart)	The Third Class City Code, requiring cities in which the general fund exceeds $6 million to maintain its accounts according to GAAP or regulations issued by DCA, withholding highway aid, General Municipal Pension System State Aid, and Supplemental State Assistance from violators, and requiring Director of Accounts and Finance to certify conformity in annual financial and audit report form	Referred to Senate Local Government Committee	02/01/93
S. B. 339 P. N. 355 (Shumaker)	General Appropriation Act of 1992, providing an additional appropriation of $607,000 to reimburse SERS annuitants who were required to pay a federal penalty to sign up for Medicare Part B coverage	Referred to Senate Appropriations Committee	02/01/93
S. B. 349 P. N. 365 (Mowery)	Constitution of Pennsylvania, amending section 26 of article 3 to permit the General Assembly to create classes of membership in public employee retirement systems and prospectively change contribution rates, retirement allowances, or pension benefits for both current and prospective members	Referred to Senate Finance Committee	02/01/93
S. B. 350 P. N. 366 (Mowery)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' money purchase deferred benefit plans	Referred to Senate Local Government Committee	02/01/93
S. B. 357 P. N. 380 (Salvatore)	Special Ad Hoc Municipal Firefighter Postretirement Adjustment Act, requiring that the special ad hoc adjustments granted under the act be added to the base pension for all pension computation purposes	Referred to Senate Local Government Committee	02/05/93
S. B. 403 P. N. 426 (Tilghman)	PSERS, changing the effective date of the window for the additional 10% service credit early retirement incentive to June 1, 1992, from July 1, 1993	Referred to Senate Education Committee	02/05/93
S. B. 442 P. N. 470 (Helfrick)	Volunteer Firemen's Relief Association Act, permitting associations to establish either defined benefit or defined contribution retirement plans for volunteer firefighters	Referred to Senate Veterans Affairs and Emergency Preparedness Committee	02/09/93
S. B. 514 P. N. 551 (Scanlon)	Liquor Code, eliminating the transfer of money to the Enforcement Officers' Retirement Account, providing for the transfer of money remaining in the account, and providing for the transfer of excess	Referred to Senate Law and Justice Committee	02/19/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	funds transferred to the Enforcement Officers' Benefit Account in the State Employees' Retirement Fund		
S. B. 625 P. N. 1656 (O'Pake)	PSERS and SERS; PSERS retroactively giving the additional 10% service credit retirement benefit to retirees who terminated service between 05/15/92 and 07/01/92; PSERS and SERS, extending from 06/30/93 to 06/30/95 the permission to retire with 30 years of service credit at any age without an actuarial reduction in annuity because the effective date of retirement is under superannuation age and permitting retirees to eliminate the effect of frozen present value upon reemployment	Referred to Senate Education Committee	03/08/93
		Reported as amended	04/21/93
		Second Consideration	04/26/93
		Re-referred to Senate Appropriations Committee	04/26/93
		Actuarial Note (P.N. 1072 with A. 1093)	05/19/93
		Re-reported as committed	05/28/93
		Re-committed to Senate Appropriations Committee	06/15/93
		Re-reported as amended	06/15/93
		Amended and Passed Senate (48-0)	06/23/93
		Referred to House Education Committee	06/28/93
		Reported as amended	09/27/93
		Re-referred to House Appropriations Committee	09/28/93
		Actuarial Note (P. N. 1656)	10/13/93
S. B. 674 P. N. 719 (Greenleaf)	PSERS, changing the eligibility for health insurance premium assistance from annuitants with 24 1/2 or more years of service to annuitants with 24 1/2 years of service regardless of age plus annuitants 65 years of age or older with 15 or more years of service	Referred to Senate Finance Committee	03/19/93
S. B. 685 P. N. 736 (LaValle)	PSERS, retroactively give additional 10% service credit retirement to retirees who terminated employment on May 30 or 31, 1992, or during June 1992	Referred to Senate Finance Committee	03/23/93
S. B. 686 P. N. 1067 (Fumo)	PSERS, fiscal year 1993-94 Appropriations Bill of $20,602,000	Referred to Senate Appropriations Committee	03/23/93
		Reported as amended	04/20/93
		Second Consideration	04/21/93
		Passed Senate (49-0)	04/26/93
		Referred to House Appropriations Committee	05/03/93
		Reported as committed	05/26/93
		Second Consideration	05/27/93
		Passed House (196-3)	06/15/93
		Act 1993-43A	06/23/93
S. B. 687 P. N. 1359 (Fumo)	SERS, fiscal year 1993-94 appropriations bill of $16,031,000	Referred to Senate Appropriations Committee	03/23/93
		Reported as committed	04/20/93
		Second Consideration	04/21/93
		Passed Senate (49-0)	04/26/93
		Referred to House Appropriations Committee	05/03/93
		Reported as amended	05/26/93
		Second Consideration	05/27/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
		Passed House (202-0)	06/15/93
		Referred to Senate Rules and Executive Nominations Committee	06/15/93
		Re-reported on concurrence as committed	06/21/93
		Senate nonconcurred in House amendments (24-24)	06/22/93
		Senate reconsidered nonconcurrence	06/22/93
		Passed Senate (48-0)	06/23/93
		Act 1993-44A	06/28/93
S. B. 712 (P. N. 765 (Dawida)	SERS, granting $55.00 a month health insurance premium assistance to annuitants who are 65 or older and have 15 or more years service credit	Referred to Senate State Government Committee	03/23/93
S. B. 797 P. N. 860 (Bortner)	The Third Class City Code, amend firefighter retirement provisions to provide for vesting of a proportional retirement benefit with 12 years of service as an optional benefit and to provide for the sale of real and personal property (See H. B. 853)	Referred to Senate Finance Committee	03/26/93
S. B. 819 P. N. 892 (Pecora)	PMRS, permitting local governments to define the qualifications for disability retirement, redefining the terms "municipal employee" and "retired members reserved account," changing the provisions regarding crediting of regular and excess interest to the total disability reserve account, changing mandatory membership from permanent to full-time employees, permitting withdrawal of the balance in members' excess interest account upon termination before vesting, changing the provisions for the purchase of service credit for military service, and making technical changes	Referred to Senate Local Government Committee	03/30/93
S. B. 848 P. N. 921 (Scanlon)	Automobile Theft Prevention Act, establishing an Automobile Theft Prevention Authority that would have the power and duty, among other things, to employ personnel	Referred to Senate Banking and Insurance Committee	03/30/93
S. B. 850 P. N. 923 (Scanlon)	Insurance Fraud Prevention Act, establishing an Insurance Fraud Prevention Authority that would have the power and duty, among other things to employ personnel	Referred to Senate Banking and Insurance Committee	03/30/93
S. B. 865 P. N. 943 (Mellow)	Statutes relating to police officers', firefighters', and nonuniformed employees' retirement systems in cities of the second class A (Scranton), authorizing the city to permit its employees to purchase service credit for prior military service time	Referred to Senate Finance Committee	03/31/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
S. R. 40 P. N. 951 (Shumaker)	Concurrent Resolution establishing a special commission to review legislative compensation and benefit levels of members of the General Assembly	Referred to Senate Rules and Executive Nominations Committee	03/31/93
S. B. 872 P. N. 955 (Tilghman)	An Act exempting political subdivisions from compliance with laws that require political subdivisions to spend funds or that limit the ability of political subdivisions to raise revenue but exempting statutes that amend formulae existing on the effective date of the bill	Referred to Senate Local Government Committee	04/01/93
S. B. 905 P. N. 989 (O'Pake)	SERS, permitting purchase of service credit for service in state governments other than Pennsylvania	Referred to Senate Finance Committee	04/06/93
S. B. 952 P. N. 1043 (Fumo)	Liquor Code, eliminating the transfer of money to the Enforcement Officers' Retirement Account, providing for the transfer of money remaining in the account, and providing for the transfer of excess money transferred to the Enforcement Officers' Benefit Account in the State Employes' Retirement Fund (See H. B. 343)	Referred to Senate Appropriations Committee	04/20/93
		Reported as committed	05/10/93
		Second Consideration	05/11/93
		Re-committed to Senate Appropriations Committee	06/07/93
S. B. 953 P. N. 1044 (Fumo)	PSERS, changing the method of determining the employer contribution rate to include an economic adjustment based upon the actual experience in the last 10 years with investment returns and salary increases	Referred to Senate Appropriations Committee	04/20/93
S. B. 974 P. N. 1779 (Schwartz)	PSERS and SERS; PSERS, expand provisions for retaining membership while working for collective bargaining organization, retroactively change beginning date of additional 10% service credit early retirement to May 15, 1992, change method of Commonwealth and employers sharing employer costs for PSERS and social security from half and half to employer paying 100% and being reimbursed by the Commonwealth under market value/income aid ratio for members newly hired after June 30, 1993, expand $55 a month health insurance premium assistance program on July 1, 1995, from retirees with 24 1/2 years of service to retirees age 60 with 15 years of service, paying the $55 directly to retirees; SERS, increase from 100 to 150 days a year the time during which a retiree may serve on a board or commission without suspension of annuity, permit multiple purchases of nonintervening military service with individual purchases of not less than one year of service credit being lim-	Referred to Senate State Government Committee	04/22/93
		Reported as amended	05/26/93
		Second Consideration	05/27/93
		Re-referred to Senate Appropriations Committee	05/27/93
		Re-reported as amended	05/28/93
		Commission Letter (P. N. 1077)	06/01/93
		Commission Letter (P. N. 1077)	06/04/93
		Amended on Third Consideration	06/08/93
		Passed Senate (37-11)	06/09/93
		Commission Letter (P. N. 1440)	06/14/93
		Referred to House Appropriations Committee	06/15/93
		Reported as amended	11/23/93
		Second Consideration	11/24/93
		Commission Letter (P.N. 1733, A4561)	12/03/93
		Commission Letter (P.N. 1733, A4604)	12/03/93
		Commission Letter (P.N. 1733, A4607)	12/03/93
		Commission Letter (P.N. 1733, A4602)	12/06/93
		Commission Letter (P.N. 1733, A4623)	12/06/93
		Commission Letter (P.N. 1733, A4631)	12/06/93
		Actuarial Note (P. N. 1733)	12/07/93
		Actuarial Note (P. N. 1733, A. 4565)	12/07/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	ited to one in each 12 month period, and authorize legislative members of the board to appoint designees; and PSERS and SERS, extend 30 and out provisions from June 30, 1993, to January 1, 1996, essentially guarantee a minimum disability benefit of 1/3 of the employee's final average salary, require unreduced annuities under Option 4 rather then permit members to elect to receive an annuity reduced upon attainment of age 65 in anticipation of receipt of social security, permit certain annuitants returning to service to elect to eliminate the effect of the frozen present value resulting from all previous periods of retirement by repaying all payments received, give COLA to retirees whose effective dates of retirement were before July 1. 1992, of 1.5%, 2.8%, 5.3%, and 7.9% effective July 1, 1994, with amortization payments beginning July 1, 1995, require both boards annually submit a list of proposed and a report on directed commissions and that the directed commissions be used for the exclusive benefit of the systems and members, add and revise provisions relating to investments by adopting a prudent persion rule in lieu of a specific "legal list," and change nonalienation provisions to permit attachment of members rights in favor of alternate payees under an approved domestic relations order and to permit direct roll-overs of distributions into an eligible retirement plan	**Actuarial Note** (P. N. 1733, A. 4609) **Actuarial Note** (P. N. 1733, A. 4622) **Commission Letter** (P.N. 1733, A4667) Amended and Passed House (164-34) Referred to Senate Rules and Executive Nominations Committee **Commission Letter** (P.N. 1779, A4873) **Commission Letter** (P.N. 1779, A4874) **Commission Letter** (P.N. 1779, A4875) **Commission Letter** (P.N. 1779, A4876) **Commission Letter** (P.N. 1779, A4878) **Commission Letter** (P.N. 1779, A4884) **Commission Letter** (P.N. 1779, A4893) **Commission Letter** (P.N. 1779, A4987) **Commission Letter** (P.N. 1779, A5006) Senate non-concurred in House Amendments (24-23)	12/07/93 12/07/93 12/07/93 12/07/93 12/08/93 12/13/93 12/13/93 12/13/93 12/13/93 12/13/93 12/13/93 12/13/93 12/13/93 12/14/93 12/14/93
S. B. 981 P. N. 1084 (Pecora)	PSERS, providing for the compensation and classification of board appointees to be consistent with the standards established by the Executive Board of the Commonwealth	Referred to Senate Education Committee	04/22/93
S. B. 1009 P. N. 1112 (Brightbill)	County Pension Law, adding to the retirement board a retiree elected by other retirees and an active member, who is not an elected official, elected by other similar active members in addition to the existing board members of 3 county commissioners, the county controller, and the county treasurer	Referred to Senate Local Government Committee Reported as committed Re-referred to Senate Appropriations Committee	04/23/93 12/07/93 12/13/93
S. B. 1062 P. N. 1185 (Fumo)	Philadelphia Regional Airport Authority Act, creating Philadelphia Regional Airport Authority with, among other things, the right and power to enroll its employees in SERS	Referred to Senate Intergovernmental Affairs Committee Reported as committed Second Consideration Re-referred to Senate Appropriations Committee	04/30/93 05/05/93 05/10/93 05/10/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 1065 P. N. 1188 (Greenleaf)	SERS, providing for health insurance premium assistance payments for SERS annuitants who are 65 or older, have 15 or more years of service credit, and are not enrolled in a Commonwealth-sponsored health insurance plan of $55 a month	Referred to Senate State Government Committee	04/30/93
S. B. 1068 P. N. 1369 (Fumo)	PSERS and SERS; PSERS, removing restrictions on covered service with collective bargaining organizations, changing employer contribution rates paid by Commonwealth and school entities for pensions and social security, statutorily fixing interest rate and salary increase rate assumptions, and changing the way of paying health insurance premium assistance; SERS, authorizing legislative designees on the board; and PSERS and SERS, extending 30 and out to 12/31/95, compliance with federal requirements for disability benefits and rollovers, requiring unreduced annuities under Option 4, reporting requirements for directed commissions, prudent person standard for investing, investing in Pennsylvania, and attachment of benefits in domestic relations matters	Referred to Senate Education Committee	05/04/93
		Reported as amended	05/24/93
		Second Consideration	05/26/93
		Re-referred to Senate Appropriations Committee	05/26/93
		Re-reported as amended	05/26/93
		Passed Senate (25-23)	05/27/93
		Referred to House Appropriations Committee	05/27/93
		Commission Letter (P. N. 1369, A. 2291)	06/02/93
		Commission Letter (P. N. 1369, A. 2384)	06/07/93
		Commission Letter (P. N. 1369, A. 2677)	06/14/93
		Reported as committed	06/15/93
		Actuarial Note (P. N. 1369)	06/16/93
		Second Consideration	06/16/93
		Commission Letter (P. N. 1369, A. 2423)	06/21/93
		Advisory Note (P. N. 1396, A. 3130)	06/21/93
		Commission Letter (P. N. 1369, A. 2384)	06/22/93
		Commission Letter (P. N. 1369, A. 2677)	06/22/93
		Commission Letter (P. N. 1369, A. 3215)	06/22/93
		Defeated in House (95-105)	06/22/93
		Commission Letter (P. N. 1369, A. 3648)	08/02/93
		Commission Letter (P. N. 1369, A. 3649)	08/02/93
		Advisory Note (P. N. 1369, A. 3629)	08/03/93
		Commission Letter (P. N. 1369, A. 2975)	08/18/93
		Commission Letter (P. N. 1369, A. 3089)	08/18/93
		Commission Letter (P. N. 1369 A. 3647)	08/18/93
		Actuarial Note (P.N. 1369, A. 2385)	09/14/93
		Actuarial Note (P.N. 1369, A. 2982)	09/14/93
		Actuarial Note (P.N. 1369, A. 3646)	09/14/93
S. B. 1084 P. N. 1221 (Greenleaf)	PSERS, permitting annuitants to eliminate the effect of frozen present value upon reemployment	Referred to Senate Education Committee	05/10/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 1090 P. N. 1251 (Dawida)	Public School Code of 1929, among other things, permitting professional employees of charter schools to continue to contribute to PSERS	Referred to House Education Committee	05/11/93
S. B. 1093 P. N. 1235 (Mowery)	Charter School Demonstration Act, providing for the establishment, implementation, and operation of a charter school demonstration program, which would, among other things, permit PSERS members who leave school district employment to teach in charter schools to continue to aggregate service credits in PSERS paying member and school district contributions themselves based upon last school district salary, require the Commonwealth to continue its match of school district contributions, and permit charter schools to make employer contributions out of other than State money	Referred to Senate Education Committee	05/11/93
S. B. 1100 P. N. 1256 (Tilghman)	Act exempting political subdivisions from certain laws that require political subdivisions to spend funds or that limit the ability of political subdivisions to raise revenue but exempting any funding necessary to supply any pension benefit that exists on the effective day of the act	Referred to Senate Appropriations Committee	05/13/93
S. B. 1130 P. N. 1287 (Dawida)	Government Employees' Retirement System Act, establishes statewide retirement system for all government employees as recommended in the Commission's Special Report	Referred to Senate Finance Committee	05/17/93
S. B. 1154 P. N. 1336 (Belan)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205), retroactively permitting certain municipalities with moderately and severely financially distressed municipal employee retirement systems to further delay full compliance with the actuarial funding standard but, after January 1, 1994, requiring the Public Employee Retirement Commission to approve such further delays	Referred to Senate Finance Committee	05/26/93
S. B. 1167 P. N. 1378 (Andrezeski)	PSERS and SERS, providing that the compensation of the secretary, assistant secretary, investment professionals, and other professionals designated by the board shall be established by the board consistent with the standards of the Executive Board of the Commonwealth and repealing the provision permitting former members of the Senate and House of Representatives to serve as legislative members of the SERS board	Referred to Senate Finance Committee	05/27/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 1243 P. N. 1512 (Mowery)	PSERS, requiring that the basic contribution of 6 1/4% be adjusted annually to pay for one-half of the additional cost of any newly created retirement benefit or any modification of an existing retirement benefit that increases the benefit	Referred to Senate Education Committee	06/22/93
S. B. 1309 P. N. 1598 (Salvatore)	An act specifically authorizing collective bargaining between school administrators in school districts of the first class (Philadelphia) and their public employers, providing for collective bargaining and arbitration regarding terms and conditions of employment, including retirement, pension, and other benefits, and repealing all acts and parts of acts insofar as they are inconsistent with this act	Referred to Senate Labor and Industry Committee	07/27/93
S. B. 1320 P. N. 1609 (Greenleaf)	PSERS, providing a permanent annual cost of living adjustment equal to the increase in the CPI-U but not to exceed 3% in any year	Referred to Senate Education Committee	07/30/93
S. B. 1345 P. N. 1634 (Salvatore)	PSERS, further defining the term "maternity leave of absence" to include an involuntary leave of absence required by the employer because of an adoption by the member and commencing prior to May 17, 1975	Referred to Senate Education Committee	09/03/93
S. B. 1359 P. N. 1649 (Fisher)	Charter Schools for Troubled Youth Act, providing for the establishment, implementation and operation of a charter school program for troubled youth, requiring, among other things, that the charter school petition included the manner by which staff members of the charter schools will be covered by the Public School Employees' Retirement System	Referred to Senate Education Committee	09/20/93
S. B. 1367 P. N. 1658 (Greenleaf)	Municipal Police Pension Law (Act 600), change optional vesting provision to permit a vestee who has less than 25 years of service to receive the individual's partial superannuation retirement allowance upon attaining the age of 60	Referred to Senate Local Government Committee	09/28/93
S. B. 1382 P. N. 1674 (Porterfield)	The Pennsylvania Workmen's Compensation Act, making certain interscholastic sports officials employees of the school district that uses their services	Referred to House Labor and Industry Committee	10/07/93
S. B. 1433 P. N. 1738 (Belan)	SERS, permitting purchase of service credit for nonstate service for intervening furlough	Referred to Senate State Government Committee	11/29/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 1463 P. N. 1787 (Rhoades)	PSERS and SERS, creating an automatic COLA beginning January 1, 1994, for retirees retired at least two years based on the increase in the CPI-U rounded to the nearest 0.1% but not to exceed 3%	Referred to Senate State Government Committee	12/13/93
S. B. 1472 P. N. 1796 (Greenleaf)	Public School Code of 1949, providing for final best-offer arbitration	Referred to House Education Committee	12/13/93
S. B. 1480 P. N. 1810 (Helfrick)	PSERS, providing for the forfeiture of annuities for conviction of certain sexual offenses	Referred to Senate Education Committee	12/15/93
S. B. 1491 P. N. 1824 (Williams)	Housing Authorities Law, permitting housing authorities to appoint police officers and making authorities employers under the Policemen and Collective Bargaining Act (Act 111)	Referred to Senate Urban Affairs Committee	12/20/93
H. B. 1 P. N. 2 (DeWeese)	Constitution of Pennsylvania, amending sections 16 and 18 of article 9 to provide that, except as provided by law, no salary, retirement benefit or other compensation, present or deferred, shall be paid to any justice, judge, or justice of the peace, who, under section 18 of article 9 or article 6, is suspended, removed, or barred from holding judicial office for conviction of a felony or misconduct in office or conduct that prejudices the proper administration of justice or brings the judicial office into disrepute, and making other changes in provisions relating to judicial discipline	Referred to House Rules Committee Reported as committed Second Consideration Passed House (201-2) Referred to Senate Judiciary Committee Reported as committed Second Consideration Passed Senate (49-0) Filed in Office of the Secretary of the Commonwealth Passed Sessions of 1992 and 1993 Approved by the Electorate (1,018,318 — 208,187)	01/25/93 01/25/93 01/26/93 01/27/93 01/27/93 02/01/93 02/02/93 02/03/93 02/03/93 05/18/93
H. B. 14 P. N. 24 (Corrigan)	PSERS, permitting purchase of nonschool service credit 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 Rules Committee Reported as committed Re-referred to House Education Committee	01/27/93 02/10/93 02/10/93
H. B. 60 P. N. 70 (Nickol)	PSERS, amendments to make the code conform to the provisions of the Older Workers Benefits Protection Act by allowing a member to apply for a disability benefit on or after superannuation age and changing the disability annuity formula to apply the minimum of one-third of final average salary to all disabled employees	Referred to House Rules Committee Reported as committed Re-referred to House Education Committee **Advisory Note** (P. N. 70)	01/27/93 02/10/93 02/10/93 03/08/93
H. B. 68 P. N. 78 (Zug)	Constitution of Pennsylvania, amending section 26 of article 3 to permit the General Assembly to create classes of membership in public employee retirement	Referred to House Rules Committee Reported as committed Re-referred to House State Government Committee	01/27/93 02/10/93 02/10/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	systems and prospectively change contribution rates, retirement allowances, or pension benefits for both current and prospective members		
H. B. 76 P. N. 86 (Cappabianca)	Third Class City Port Authority Act, permitting authorities to appoint police officers	Referred to House Rules Committee Reported as committed Re-referred to House Urban Affairs Committee Re-reported as committed Second Consideration Passed House (196-1) Referred to Senate Urban Affairs and Housing Committee	01/27/93 02/10/93 02/10/93 05/04/93 05/11/93 06/09/93 06/10/93
H. B. 80 P. N. 90 (Cappabianca)	The Second Class Township Code, changing the compensation provisions for supervisors by, among other things, restricting eligibility for township paid for participation in a retirement system to working supervisors with the prior approval of the board of auditors	Referred to House Rules Committee Reported as committed Re-referred to House Local Government Committee	01/27/93 02/10/93 02/10/93
H. B. 108 P. N. 117 (Blaum)	Family and Medical Leave Act, providing for the entitlement of family leave for employees in certain cases with protection of the employee's employment and benefit rights	Referred to House Rules Committee Reported as committed Second Consideration Laid on the table	01/27/93 01/27/93 01/28/93 02/09/93
H. B. 132 P. N. 143 (Gigliotti)	Pittsburgh nonuniformed employees retirement system, increasing the number of members of the board from 5 to 7 by adding a member chosen by the mayor and a member elected by beneficiaries of the system	Referred to House Rules Committee Reported as committed Re-referred to House Urban Affairs Committee Re-reported as committed Re-committed to House Rules Committee Re-reported as committed Re-committed to House Appropriations Committee	02/01/93 02/10/93 02/10/93 06/08/93 06/08/93 09/27/93 09/27/93
H. B. 173 P. N. 190 (Wozniak)	Judicial Code, providing for payment of compensation into an escrow account following a justice's, judge's, or district justice's conviction of misbehavior in office	Referred to House Rules Committee Reported as committed Re-referred to House Judiciary Committee Reported as committed Re-referred to House Appropriations Committee	02/03/93 02/10/93 02/10/93 03/24/93 03/29/93
H. B. 203 P. N. 219 (E. Taylor)	PSERS, making the additional ten percent service credit created by Act 186 of 1992 available to those who retired after May 31, 1992, rather than to those who retired after June 30, 1992	Referred to House Rules Committee Reported as committed Re-referred to House Education Committee	02/03/93 02/10/93 02/10/93
H. B. 204 P. N. 220 (E. Taylor)	PSERS, extending the period of the special early retirement provisions for retirement at any age with 30 years of service and no reduction in annuity due	Referred to House Rules Committee Reported as committed Re-referred to House Education Committee	02/03/93 02/10/93 02/10/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	to being under superannuation age from June 30, 1993, to June 30, 1994		
H. B. 231 P. N. 258 (Pesci)	Act of March 30, 1811, relating to the settlement of the public accounts and the payment of the public monies, adding local authorities to local governments permitted to establish deferred compensation plans for their employees	Referred to House Local Government Committee	02/08/93
H. B. 242 P. N. 269 (Pitts)	Constitution of Pennsylvania, adding sections 18, 19, and 20 to article 8 that would provide for tax increase limitations and spending limitations on the Commonwealth and its political subdivisions but exempting political subdivision costs arising from mandated increases in pension or retirement costs to the extent of these additional costs, exempting Commonwealth costs to fund unfunded actuarial accrued liabilities of public employee retirement systems existing on the effective date of the amendment, exempting by inference Commonwealth public employee pension trust funds, requiring actuarial funding for all new deferred compensation or benefits or pensions	Referred to House State Government Committee	02/08/93
H. B. 244 P. N. 271 (Nailor)	Act to require the Commonwealth to pay any penalty that is assessed against an annuitant who retired or was placed on disability before July 1, 1992, and enrolled in Medicare Part B coverage as a result of the withdrawal of the option to retain the Blue Shield portion of Basic Health Coverage (See H. B. 815)	Referred to House State Government Committee	02/08/93
H. B. 251 P. N. 278 (D.R. Wright)	SERS, providing that annuitants with 20 to 24 eligibility points must contribute only 20% of the cost of retiree health insurance, those with 15 to 19, 40%, those with 10 to 15, 60%, and those with less, 100%	Referred to House State Government Committee **Advisory Note** (P. N. 278)	02/08/93 03/30/93
H. B. 263 P. N. 290 (Pesci)	Public Education Reform Act, creating the Commission on Education Reform and, among other things, requiring it to study the salaries, contractual and vested rights, benefits, and other forms of compensation for public school teachers in each school district	Referred to House Education Committee	02/08/93
H. B. 270 P. N. 297 (Kukovich)	SERS, providing an ad hoc postretirement adjustment in 1994 of \$2 x years of credited service + \$1 x number of years on retirement to annuitants who	Referred to House State Government Committee **Advisory Note** (P. N. 297) Reported as committed	02/08/93 02/18/93 03/16/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	began receiving benefits before July 2, 1992	Re-committed to House Appropriations Committee **Actuarial Note** (P. N. 297)	03/17/93 04/15/93
H. B. 275 P. N. 302 (Uliana)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, amending section 302(c) to require a reduction in the adjustment under the Act for any subsequent adjustment received from a municipal retirement system only in a municipality where, as of the most recent actuarial valuation prepared under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), the fund ratio is less than 50%	Referred to House Local Government Committee	02/08/93
H. B. 304 P. N. 331 (Lescovitz)	Municipal Officials Compensation Change Act, prohibiting compensation change during a municipal official's term	Referred to House Local Government Committee	02/08/93
H. B. 333 P. N. 360 (Lescovitz)	The Second Class Township Code, general reenacting, amending, revising, consolidating, and changing, including limiting participation in pension plans to working supervisors with the approval of the auditors but with exculpatory provisions for those who wrongly participated in the past, prohibiting other elected and appointed officials who are not employees from participation in pension plans but with exculpatory provisions for those who wrongly participated in the past, permitting working supervisors to participate in group insurance programs at township expense and permitting other supervisors and other elected and appointed officials who are not employees to participate in group insurance programs at their own expense but with exculpatory provisions for those who wrongly participated in the past, continuing the police pension plan provisions but with a clear distinction between the plan under the code where there are less than 3 full time police officers and the plan under the Municipal Police Pension Law where there are 3 or more full time police officers and requiring making the minimum municipal obligation under the Municipal Pension Plan Funding Standard and Recovery Act to the plan, and continuing the authorization for pensions or annuities for employees who are not police officers	Referred to House Local Government Committee	02/08/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 343 P. N. 367 (Evans)	Liquor Code, eliminating the transfer of money to the Enforcement Officers' Retirement Account, providing for the transfer of money remaining in the account, and providing for the transfer of excess funds transferred to the Enforcement Officers' Benefit Account in the State Employes' Retirement Fund	Referred to House Appropriations Committee **Commission Letter** (P. N. 367) Reported as committed Second Consideration Passed House (173-18) Referred to Senate Appropriations Reported as committed Second Consideration Passed Senate (47-0) Act 1993-13	02/08/93 03/19/93 04/19/93 04/20/93 05/03/93 05/04/93 05/26/93 05/27/93 05/28/93 05/28/93
H. B. 344 P. N. 373 (Cessar)	Act establishing the Pennsylvania Railroad Authority and providing for the establishment of the Pennsylvania Railway Capital Loan Fund, and, among other things, granting the authority the power to enroll its employees in the SERS	Referred to House Transportation Committee	02/10/93
H. B. 358 P. N.2882 (Tangretti)	County Pension Law, permit certain active members who have attained age 55, have completed 10 years of service, and terminate active service after December 31, 1993, and before January 2, 1995, to apply for retirement before January 1, 1995 and receive credit for an additional 10% of their service without paying any additional member contributions, and during the same period permit active members with at least 30 years of service credit to receive a maximum single life annuity without any reduction because of being under superannuation age	Referred to House Local Government Committee **Advisory Note** (P. N. 387, A. 3655) Reported as amended Re-referred to House Appropriations Committee	02/10/93 09/17/93 12/06/93 12/08/93
H. B. 384 P. N. 413 (D.R. Wright)	Act establishing a shared work program under an unemployment compensation statute for the sharing of the work remaining after a reduction in the total hours of work and a corresponding reduction employees' wages under which the employer would consider the work force as continuing on full-time status for fringe benefits	Referred to House Labor Relations Committee	02/10/93
H. B. 399 P. N. 428 (Godshall)	Constitution of Pennsylvania, amending section 16(b) of article 5 to require justices, judges, and district justices to retire on the last day of the calendar year in which they attain the age of 70 years rather than upon attaining the age of 70 years as the section now requires	Referred to House State Government Committee	02/10/93
H. B. 545 P. N. 596 (Godshall)	Constitution of Pennsylvania, amending section 31 of article 3 to permit binding arbitration in collective bargain-	Referred to House State Government Committee	03/15/93

Bill Number Printer's No. (Prime Sponsor)	**Subject**	**Concise History and Status**	**Date**
	ing involving not only firefighters and police officers but also other classes of essential public employees designated by the General Assembly		
H. B. 592 P. N. 643 (DeLuca)	Tax Reform Code of 1971, amending section 2111 to exempt from inheritance tax payments to a surviving spouse under a pension plan	Referred to House Finance Committee Reported as committed Re-committed to House Appropriations Committee	03/15/93 09/27/93 09/28/93
H. B. 612 P. N. 676 (Stairs)	The Pennsylvania Workmen's Compensation Act, making interscholastic sports officials employees of the school district or the Pennsylvania Interscholastic Athletic Association for purposes of the act	Referred to House Labor Relations Committee	03/22/93
H. B. 625 P. N. 689 (Daley)	PSERS, changing the effective date of the window for the additional 10% service credit early retirement incentive to June 1, 1992, from July 1, 1992	Referred to House Appropriations Committee **Actuarial Note** (P. N. 689)	03/22/93 04/15/93
H. B. 634 P. N. 698 (Laub)	PSERS, changing the provisions for the additional 10% service credit early retirement incentive to require that a member's declaration of intent to retire become irrevocable 30 days after its receipt by the school district	Referred to House Appropriations Committee **Commission Letter** (P. N. 698)	03/22/93 03/25/93
H. B. 659 P. N. 2890 (Withdrew)	Second Class County Code, creating the Allegheny County Asset District, whose board whould have the power, among other things, to enroll its employees in a retirement system, including an existing retirement system of Allegheny County, the City of Pittsburgh, or some other governmental entity	Referred to House Urban Affairs Committee Reported as committed Second Consideration Amended and Passed House (193-1) Referred to Senate Finance Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as amended Second Consideration Passed Senate (35-13) Referred to House Rules Committee Reported as amended House concurred in Senate amendments as amended Referred to Senate Rules and Executive Nominations Committee Rereported as committed Senate concurred in House amendments to Senate amendments Act 1993-77	03/22/93 09/28/93 10/07/93 11/23/93 11/29/93 12/06/93 12/06/93 12/07/93 12/08/93 12/13/93 12/13/93 12/14/93 12/14/93 12/14/93 12/14/93 12/14/93 12/22/93
H. B. 665 P. N. 729 (Pistella)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, extending the provisions of the act to include survivors of police officers and firefighters	Referred to House Local Government Committee	03/22/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 675 P. N. 1611 (Tangretti)	Volunteer Firemen's Relief Association Act, expanding the list of permitted expenditures and making certain editorial changes that include replacing references to the act of June 28, 1895, with references to chapter 7 of the Municipal Pension Plan Funding Standard and Recovery Act	Referred to House Local Government Committee Reported as amended Second Consideration Amended and Passed House (192-8) Referred to Senate Local Government Committee Reported as committed Second Consideration Passed Senate (48-0) Act 1993-78	03/22/93 04/20/93 04/26/93 04/27/93 04/29/93 12/07/93 12/08/93 12/13/93 12/22/93
H. B. 676 P. N. 740 (Steighner)	SERS, providing for the purchase of either nonintervening or intervening military service by the surviving spouse of a State Police officer within 90 days of the death of the officer	Referred to House State Government Committee	03/22/93
H. B. 704 P. N. 768 (Hanna)	SERS, adding campus police officer to those public safety employees permitted to superannuation age retirement at age 50	Referred to House State Government Committee	03/22/93
H. B. 709 P. N. 773 (Hanna)	Constitution of Pennsylvania, providing for compensation and retirement of judicial officers including permitting the General Assembly to prospectively establish differing retirement benefits or pensions for various classes of judicial officers	Referred to House State Government Committee	03/22/93
H. B. 720 P. N. 784 (Veon)	SERS, amending the definition of "enforcement officer" to include parole agent supervisors	Referred to State Government Committee	03/22/93
H. B. 722 P. N. 786 (Veon)	PSERS, increasing the number of members of the Public School Employees' Retirement Board to 16 by adding a second annuitant elected by annuitants	Referred to House Education Committee	03/22/93
H. B. 727 P. N. 791 (Veon)	PSERS, providing for an ad hoc postretirement adjustment in 1994 totaling $2 x years of credited service + $2 x number of years on retirement + 2% of these two to annuitants who began receiving benefits before July 2, 1992	Referred to House Education Committee **Advisory Note** (P. N. 791)	03/22/93 07/12/93
H. B. 731 P. N. 795 (McGeehan)	PSERS, changing the effective date of the window for the additional 10% service credit early retirement incentive to June 1, 1992, from July 1, 1992	Referred to House Appropriations Committee **Actuarial Note** (P. N. 795)	03/22/93 04/15/93
H. B. 778 P. N. 842 (Michlovic)	The Third Class City Code, providing for vesting of a proportional retirement benefit amount with 12 years of service as an optional benefit for firefighters benefit vested	Referred to House Urban Affairs Committee	03/22/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 815 P. N. 1924 (Evans)	General Appropriation Act of 1993, providing an additional appropriation of $607,000 to reimburse SERS annuitants who were required to pay a federal penalty to sign up for Medicare Part B coverage	Referred to House Appropriations Committee	03/17/93
		Reported as amended	03/22/93
		Second Consideration	03/23/93
		Amended and Passed House (119-80)	03/24/93
		Referred to Senate Appropriations Committee	03/26/93
		Reported as committed	05/24/93
		Second Consideration	05/25/93
		Re-committed to Senate Appropriations Committee	05/25/93
		Re-reported as amended	05/25/93
		Passed Senate (25-24)	05/26/93
		House non-concurred in Senate amendments	05/26/93
		Senate insisted on Senate amendments	05/26/93
		Referred to Conference Committee	05/26/93
		Reported as amended to House	05/26/93
		Reported as amended to Senate	05/27/93
		Passed House (104-98)	05/28/93
		Passed Senate (25-22)	05/28/93
		Act 1993-1A	05/28/93
H. B. 816 P. N. 2258 (Mundy)	Sunset Act of 1993, enacting a new sunset act retroactive to 12/22/91 that would expire on 12/31/98 and under which the Municipal Employee Pension Advisory Committee would terminate on 12/31/94 and the Public Employee Retirement Commission and the Municipal Pension Advisory Committee on 12/31/02 unless reestablished by the General Assembly	Referred to House State Government Committee	03/22/93
		Reported as committed	04/19/93
		Re-committed to House Appropriations Committee	04/19/93
		Re-reported as committed	04/20/93
		Second Consideration	04/20/93
		Amended and Passed House (197-0)	05/04/93
		Referred to Senate State Government Committee	05/06/93
		Reported as amended	06/21/93
		Second Consideration	06/22/93
		Re-referred to Senate Appropriations Committee	06/22/93
H. B. 839 P. N. 902 (McNally)	Municipal Police Pension Law, changing the pension from a maximum of 1/2 of final average salary to a minimum of one-half and a maximum of 3/4 of final average salary	Referred to House Local Government Committee	03/22/93
H. B. 841 P. N. 904 (Pistella)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, retroactively extending the provisions of the act to include additional retirees, retroactively extending the provisions of the act to include survivors of public safety officers, and repealing the provisions relating to modification of postretirement adjustments, and mandating the City of Pittsburgh to pay a minimum pension of $350 a month to retired public safety officers and their survivors	Referred to House Local Government Committee	03/22/93
		Advisory Note (P. N. 904)	04/13/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 853 P. N. 1980 (Sturla)	The Third Class City Code, providing for vesting of a proportional retirement benefit amount with 12 years of service as an optional benefit for firefighters, providing for fire officers, appointments to the board of health, and sale of real and personal property, adding a definition, and making an editorial change	Referred to House Urban Affairs Committee	03/22/93
		Reported as committed	03/23/93
		Re-committed to House Appropriations Committee	03/24/93
		Actuarial Note (P. N. 915)	04/15/93
		Re-reported as committed	04/20/93
		Second Consideration	04/20/93
		Passed House (198-0)	04/28/93
		Referred to Senate Local Government Committee	04/29/93
		Reported as committed	05/11/93
		Second Consideration	05/24/93
		Re-referred to Senate Appropriations Committee	05/24/93
		Re-reported as amended	05/26/93
		Amended on Third Consideration	05/27/93
		Third Consideration	05/28/93
		Senate Reconsidered	05/28/93
		Passed Senate (47-0)	05/28/93
		Referred to House Rules Committee	05/28/93
		Reported as committed	06/07/93
		House concurred in Senate Amendments (197-0)	06/07/93
		Act 1993-21	06/16/93
H. B. 878 P. N. 2108 (McCall)	Transportation and Vehicles titles of Pennsylvania Consolidated Statutes, authorizing creation of a Metropolitan Transportation Authority within Philadelphia and counties within 20 miles of Philadelphia that shall, among other things, establish and maintain a pension and retirement system, providing for suspension for offenses involving controlled substances, for certain out-of-state documentations, and for reports by courts, for the allocation of oil company franchise tax revenues to the Pennsylvania Turnpike Commission, and making a repeal	Referred to House Transportation Committee	03/24/93
		Reported as committed	03/30/93
		Second Consideration	04/19/93
		Passed House (196-0)	04/20/93
		Referred to Senate Transportation Committee	04/22/93
		Reported as committed	05/11/93
		Second Consideration	05/26/93
		Re-referred to Senate Appropriations Committee	05/26/93
		Re-reported as amended	05/26/93
		Re-referred to Senate Rules and Executive Nominations Committee	05/27/93
		Re-reported as amended	05/27/93
		Passed Senate (25-22)	05/28/93
		Referred to House Rules Committee	05/28/93
		Reported as amended	06/15/93
		House concurred in Senate Amendments as amended (199-0)	06/16/93
		Referred to Senate Rules and Executive Nominations Committee	06/21/93
H. B. 900 P. N. 979 (Cawley)	Statutes relating to police officers', firefighters', and nonuniformed employees' retirement systems in cities of the second class A (Scranton), authorizing the city to permit its employees to purchase service credit for prior military service time	Referred to House Urban Affairs Committee	03/24/93
		Reported as committed	09/28/93
		Re-referred to House Appropriations Committee	10/07/93
		Actuarial Note (P. N. 979)	11/16/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 926 P. N. 1003 (Reber)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, retroactive to January 1, 1989, granting a special ad hoc postretirement adjustment of $25 a month to retired public safety officers who retired in 1984	Referred to House Local Government Committee	03/24/93
H. B. 1004 P. N. 1202 (Cowell)	PSERS and SERS; PSERS, retroactively giving the additional 10% service credit retirement benefit to retirees who terminated service in June 1992, and permitting former annuitants to elect to eliminate the effect of their frozen present value upon return to school service; PSERS and SERS, extending from 06/30/93 to 06/30/95 the permission to retire with 30 years of service credit at any age without an actuarial reduction in annuity because the effective date of retirement is under superannuation age	Referred to House Education Committee Reported as amended Re-committed to House Appropriations Committee **Actuarial Note** (P. N. 1202) **Commission Letter** (P. N. 1202, Proposed Amendment)	03/25/93 04/19/93 04/21/93 05/19/93 06/15/93
H. B. 1006 P. N. 1088 (Trello)	Second Class County Code, providing a supplemental monthly retirement benefit of $28 times the member's full years of service as a paid full-time firefighter employed by a county of the second class (Allegheny) payable either as a single life annuity with 10 years certain or as a joint and survivor spouse annuity at an actuarially reduced amount	Referred to House Local Government Committee **Advisory Note** (P. N. 1088) **Actuarial Note** (P. N. 1088) Reported as committed Re-referred to House Appropriations Committee	03/25/93 07/02/93 09/14/93 12/06/93 12/08/93
H. B. 1007 P. N. 1089 (Trello)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), providing for general municipal pension system State aid for paid firefighters in counties of the second class (Allegheny) and for actuarial valuation reporting by eligible recipient municipalities	Referred to House Local Government Committee **Advisory Note** (P. N. 1089) **Actuarial Note** (P. N. 1089) Reported as committed Re-referred to House Appropriations Committee	03/25/93 07/02/93 09/14/93 12/06/93 12/08/93
H. B. 1013 P. N. 1097 (Lawless)	Municipal Police Pension Law, permitting the purchase of service credit for service as a police officer in another Pennsylvania borough, town, or township with the member paying an amount equal to the amount the member would have contributed if a police officer of the local government and providing that an actuarial study shows that the plan is feasible	Referred to House Local Government Committee	03/29/93
H. B. 1022 P. N. 1106 (Bunt)	PSERS, permitting purchase of service credit for previous service as an administrator, teacher, or instructor in any public, American, or international school or educational institution accredited by a regional credit agency but located in an area not under the jurisdiction of the Federal Government	Referred to House Education Committee	03/29/93

Bill Number Printer's No. (Prime Sponsor)	**Subject**	**Concise History and Status**	**Date**
H. B. 1026 P. N. 1110 (O'Brien)	SERS, permitting Philadelphia bail commissioners to elect membership in Class E-2 with a multiplier of 1.5	Referred to House State Government Committee	03/29/93
H. B. 1138 P. N. 1256 (Gamble)	Municipal Police Pension Law, changing the pension from a maximum of 1/2 of final average salary to a minimum of 1/2 and a maximum of 3/4 of final average salary	Referred to House Local Government Committee **Actuarial Note** (P. N. 1256)	04/19/93 06/16/93
H. B. 1157 P. N. 2877 (Colafella)	Insurance Fraud Prevention Act, creating the Insurance Fraud Prevention Authority that would have the power and duty, among other things, to employ staff	Referred to House Insurance Committee Reported as amended Re-referred to House Appropriations Committee	04/19/93 12/06/93 12/08/93
H. B. 1158 P. N. 1838 (Colafella)	Automobile Theft Prevention Act, creating the Automobile Theft Prevention Authority that would have the power and duty, among other things, to employ staff	Referred to House Insurance Committee Reported as amended Re-referred to House Appropriations Committee	04/19/93 05/11/93 05/24/93
H. B. 1181 P. N. 1298 (James)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act; changing the postretirement adjustments for retired public safety officers to an annual COLA based on the increase in the CPI-U; granting postretirement adjustments to certain survivors of public safety officers, with the survivor adjustments being paid out of the Commonwealth's General Fund in the first year and, in subsequent years, being paid in a decreasing amount out of the General Fund and in an increasing amount out of the proceeds of the foreign casualty insurance premium tax; and repealing the requirement for a reduction in the postretirement adjustments under the act for any subsequent postretirement adjustments received from a municipal retirement system	Referred to House Local Government Committee	04/19/93
H. B. 1188 P. N. 1305 (Zug)	Constitution of Pennsylvania, creating section 18 of article 8 that would limit Commonwealth spending but excluding expenditures for funding the unfunded pension liabilities existing on the effective date of the amendment	Referred to House State Government Committee	04/19/93
H. B. 1252 P. N. 1369 (Civera)	PMRS, repealing provision permitting excess interest to be credited to municipal accounts	Referred to House Local Government Committee	04/19/93
H. B. 1292 P. N. 1714 (Gerlach)	Act establishing a Citizens' Compensation Commission to review salaries, benefits and other forms of compensation	Referred to House State Government Committee	05/05/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	and providing for the conduct of and compensation of the Commission		
H. B. 1407 P. N. 1559 (Maitland)	PSERS and SERS, providing for the compensation and classification of board appointees to be consistent with the standards established by the Executive Board	Referred to House Education Committee	04/27/93
H. B. 1423 P. N. 1574 (Roberts)	Act requiring the Commonwealth to maintain Blue Shield portion of Basic Health Coverage, another comprehensive health insurance program, or the penalties for delayed enrollment in Medicare Part B for current SERS annuitants (See H. B. 815)	Referred to House State Government Committee	04/27/93
H. B. 1484 P. N. 1660 (Piccola)	The Administrative Code of 1929, adding sunset of administrative agencies article under which on December 31, 1994, the Municipal Employee Pension Advisory Committee and on December 31, 2002, the Municipal Pension Advisory Committee and the Public Employee Retirement Commission would terminate and go out of existence unless reestablished	Referred to House State Government Committee	05/03/93
H. B. 1485 P. N. 1661 (Fairchild)	Constitution of Pennsylvania, providing for spending limitations on the Commonwealth and its political subdivisions and requiring future liabilities resulting for adoption of or contracting for new or improved retirement benefits to be fully funded in accordance with an accepted advance funding actuarial method	Referred to House State Government Committee	05/03/93
H. B. 1524 P.N. 1796 (Trich)	Municipal Pension Plan Funding Standard and Recovery Act (Act 1984-205), retroactively permitting municipalities with financially distressed retirement systems to further delay funding	Referred to House Appropriations Committee **Actuarial Note** (P. N. 1796)	05/05/93 05/19/93
H. B. 1593 P. N. 1781 (Evans)	PSERS, Fiscal Year 1993-94 appropriation bill of $20,195,000	Referred to House Appropriations Committee	05/05/93
H. B. 1594 P. N. 1782 (Evans)	SERS, Fiscal Year 1993-94 appropriation bill of $15,157,000	Referred to House Appropriations Committee	05/05/93
H. B. 1596 P. N. 1842 (Evans)	PSERS, changing Commonwealth contributions for social security and PSERS pensions for school district employees hired after June 30, 1993 from one-half to market value/income aid ratio multiplied by entire required contribution	Referred to House Education Committee **Actuarial Note** (P. N. 1784) Reported as amended Re-referred to House Appropriations Committee	05/05/93 05/19/93 05/24/93 05/24/93

Bill Number Printer's No. (Prime Sponsor)	**Subject**	**Concise History and Status**	**Date**
	and changing employer contributions for social security and PSERS pensions for these employees from one-half to entire required contribution less Commonwealth payment	Re-reported as committed	05/24/93
		Second Consideration	05/25/93
		Commission Letter (P. N. 1842, Proposed Amendment)	05/28/93
		Passed House (139-61)	05/28/93
		House Reconsidered (202-0)	05/28/93
		Passed House (137-64)	05/28/93
		Referred to Senate Education Committee	06/02/93
H. B. 1613 P. N. 1844 (Veon)	PSERS, effective July 1, 1993, changing the amortization payment period from 20 years to 30 years and giving a cost-of-living supplement to those retired before July 1, 1992, equal to the increase in the CPI-U but not to exceed three percent	Referred to House Education Committee	05/24/93
		Advisory Note (P.N. 1844)	07/30/93
		Replacement Advisory Note (P.N. 1844)	09/13/93
H. B. 1616 P. N. 1847 (Saurman)	Judicial Code, providing that a public official or public employee convicted of committing certain offenses through public office or position shall be sentenced to the next higher grade of punishment than that otherwise provided by law	Referred to House Judiciary Committee	05/24/93
H. B. 1628 P. N. 1884 (Roebuck)	PSERS and SERS, excepting the system boards from the terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments and adopting prudent-person rule in lieu of specific "legal-list" of authorized investments	Referred to House State Government Committee	05/25/93
H. B. 1629 P. N. 1858 (Caltagirone)	The Third Class City Code, changing definition of "salary" in police officers' retirement systems to be compensation paid for services performed in the course of the member's employment and from which pension contributions shall be deducted	Referred to House Urban Affairs Committee	05/24/93
		Advisory Note (P. N. 1858)	09/27/93
H. B. 1630 P. N. 1859 (Caltagirone)	The Third Class City Code permitting the surviving spouse of a police officer to receive a pension for life rather than until remarriage and increasing that pension from 50% to 100% of the member's pension	Referred to House Urban Affairs Committee	05/24/93
H. B. 1637 P. N. 1889 (McNally)	Second Class County Code, permitting ballots for election of retirement system members of the board to be distributed as well as mailed and removing two years after date of re-employment limitation on repayment for withdrawn member contributions, and also providing for the collection of tax and municipal claims and for deputy fire marshals	Referred to House Local Government Committee	05/25/93
		Reported as committed	12/06/93
		Re-committed to House Urban Affairs Committee	12/06/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1705 P. N. 1973 (Kenney)	SERS, permitting multiple purchases of service credit for nonintervening military service with each purchase being restricted to at least one year of service credit	Referred to House State Government Committee	05/26/93
H. B. 1740 P. N. 2015 (Caltagirone)	The Third Class City Code, increasing pension of surviving spouse or surviving minor child of a deceased member of the police officers' retirement system from 50% to 100% of the member's pension	Referred to House Urban Affairs Committee **Advisory Note** (P. N. 1858) Reported as committed Re-referred to House Appropriations Committee	06/07/93 09/27/93 12/07/93 12/08/93
H. B. 1741 P. N. 2016 (Caltagirone)	The Third Class City Code, permitting survivor spouse of a member of the police officers' retirement system to receive a pension during the survivor spouse's lifetime even if the survivor spouse remarries	Referred to House Urban Affairs Committee Reported as committed Re-committed to House Appropriations Committee **Actuarial Note** (P. N. 2016)	06/07/93 09/28/93 09/29/93 10/13/93
H. B. 1743 P. N. 2018 (Caltagirone)	Municipal Police Pension Law (Act 600), providing that the partial retirement superannuation retirement allowance be paid to a vestee upon attaining age 65 rather than upon reaching what would have been the police officer's superannuation retirement date	Referred to House Local Government Committee	06/07/93
H. B. 1761 P. N. 2079 (Van Horne)	Government Employees' Retirement System Act, establishes statewide retirement system for all government employees as recommended in the Commission's Special Report	Referred to House Local Government Committee	06/09/93
H. B. 1783 P. N. 2111 (Richardson)	PSERS, prohibiting investments in corporations doing business in the Republic of South Africa and Namibia	Referred to House Education Committee	06/15/93
H. B. 1784 P. N. 2112 (Richardson)	Act to regulate the deposits of State Funds, prohibiting State depositories from maintaining financial transactions with the Republic of South Africa and Namibia	Referred to House Finance Committee	06/15/93
H. B. 1785 P. N. 2113 (Richardson)	PMRS, providing for divestiture of investments with corporations doing business in South Africa and Namibia	Referred to House Local Government Committee	06/15/93
H. B. 1786 P. N. 2114 (Richardson)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205), prohibiting investments in corporations doing business in the Republic of South Africa and Namibia and giving the Public Employee Retirement Commission the duty to enforce the prohibition	Referred to House Local Government Committee	06/15/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1787 P. N. 2115 (Richardson)	Act providing priorities for the reinvestment of public moneys currently invested in the Republic of South Africa and Namibia	Referred to the House Finance Committee	06/15/93
H. B. 1788 P. N. 2116 (Richardson)	Act requiring cities to enact responsible investment ordinances providing for the withdrawal of city funds from banks and business entities doing business with the Republic of South Africa and Namibia	Referred to House Local Government Committee	06/15/93
H. B. 1789 P. N. 2117 (Richardson)	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 Education Committee	06/15/93
H. B. 1817 P. N. 2178 (Krebs)	County Pension Law, increasing the membership of the county retirement board to seven by adding a retiree who is receiving a pension elected by similar retirees and an active member who is a current county employee who is not an elected county official elected by similar members	Referred to House Local Government Committee	06/21/93
H. B. 1825 P. N. 2186 (Heckler)	SERS, permitting members who were employees of Office of Attorney General and the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network on December 31, 1992, to Purchase service credit for service with the New Jersey State Police and the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network during the period of December 1, 1988, to July 31, 1991, by payment of member contributions with interest by the member and the remainder of the calculated present value by Office of the Attorney General and Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network	Referred to House State Government Committee	06/21/93
H. R. 141 P. N. 2227 (McNally)	Concurrent Resolution directing the Public Employee Retirement Commission to conduct an analysis of the funding formula in the Municipal Pension Plan Funding Standard and Recovery Act	Referred to House Rules Committee	06/22/93
H. B. 1857 P. N. 2238 (Coy)	SERS, permitting purchase of service credit for up to 5 years of previous service with a county, city, borough, incorporated town, or township	Referred to House State Government Committee	06/22/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1876 P. N. 2257 (M. Wright)	Uniform Municipal Police Identification Act, creating a uniform photo identification card system for all municipal police officers and municipal authority security officers and, among other things, giving the Governor the discretion to withhold any and all moneys due the municipality served by a municipal police department that fails to meet the requirements of the act	Referred to House Local Government Committee	06/22/93
H. B. 1905 P. N. 2324 (Staback)	SERS, defining "enforcement officer" to include a full-time Pennsylvania Game Commission employee empowered to enforce or investigate alleged violations of the Game and Wildlife Code and a waterways conservation officer and other commissioned law enforcement personnel employed by the Pennsylvania Fish and Boat Commission who has and exercises the same law enforcement powers as a waterways conservation officer but not including a deputy waterways conservation officer	Referred to House State Government Committee **Advisory Note** (P. N. 2324)	06/23/93 11/04/93
H. B. 1909 P. N. 2328 (Van Horne)	The Third Class City Code, removing the limit of a maximum of $100 a month on service increments paid in addition to the retirement allowance to retired police officers and firefighters	Referred to House Urban Affairs Committee	06/23/93
H. B. 1913 P. N. 2884 (Pistella)	Second Class County Port Authority Act, providing mediation, fact-finding, and binding arbitration of labor disputes	Referred to House Local Government Committee Reported as amended Re-committed to House Appropriations Committee	06/23/93 12/06/93 12/07/93
H. B. 1941 P. N. 2359 (Tigue)	PSERS, requiring that the basic contribution of 6 1/4% be adjusted annually to pay for one-half of the additional cost of any newly created retirement benefit or any modification of an existing retirement benefit that increases the benefit	Referred to House Education Committee	06/23/93
H. B. 2000 P. N. 2451 (M. Cohen)	Housing Authorities Law, changing security officers to police officers and making the provisions of the Policemen and Firemen Collective Bargaining Act (Act 111) apply to these officers	Referred to House Urban Affairs Committee	09/29/93
H. B. 2003 P. N. 2490 (Tigue)	Policemen and Firemen Collective Bargaining Act (Act 111), requiring arbitration panel, among other things, to consider the economic cost increase in pensions	Referred to House Labor Relations Committee	09/29/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. R. 156 P. N. 2498 (Gerlach)	A resolution directing the Joint State Government Commission to undertake a study and review of the General Assembly, including whether salary, benefits and other forms of compensation should be changed and whether the process of determining compensation should be changed	Referred to House Rules Committee	09/29/93
H. B. 2031 P. N. 2501 (Lawless)	Constitution of Pennsylvania, adding section 18 to article 8 to limit total spending by the Commonwealth but excluding expenditures for funding the unfunded pension liabilities existing on the effective date of the amendment	Referred to House State Government Committee	10/04/93
H. B. 2039 P. N. 2509 (Josephs)	PSERS, providing for payment for service credit purchase in PSERS by multiple service members who are active members of SERS by payment to SERS and remission by SERS to PSERS, for repayment of annuities paid to a member after return to service or entering service under SERS, for newly eligible members to have 365 rather than 30 days within which to become multiple service members, and for current eligible members to have until 12/31/94 to become multiple service members	Referred to House Education Committee	10/04/93
H. B. 2059 P. N. 2529 (Druce)	Tax Reform Code of 1971, prohibiting Pennsylvania courts from recognizing claims for personal income tax against any citizen of Pennsylvania for failure to pay another state's income tax on benefits received from a pension or to the retirement plan to the extent these benefits were received while the citizen was a resident of Pennsylvania	Referred to House Finance Committee	10/04/93
H. B. 2073 P. N. 2543 (Gladeck)	Constitution of Pennsylvania, amending section 31 of article 3 to permit the enactment of statutes providing for collective bargaining between public employees and public employers and limiting the arbitrators to choice between last offers of each	Referred to House Labor Relations Committee	10/04/93
H. B. 2106 P. N. 2593 (M. Cohen)	PSERS and SERS, providing for the payment of a special supplemental postretirement adjustment to certain annuitants who have military service that was not considered to be purchasable nonschool or nonstate service at the time of their active service but that subsequently was determined to be eligible for purchase based on federal court decisions	Referred to House Education Committee	10/04/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 2109 P. N. 2596 (Scrimenti)	Act 411 of 1935, restricting use of the Pennsylvania State Police Academy in training prospective police officers for political subdivisions to individuals not exceeding 34 years of age	Referred to House Judiciary Committee	10/06/93
H. B. 2118 P. N. 2605 (Oliver)	PSERS, changing the nonalienation provisions to permit attachment of members' rights in favor of alternate payees under an approved domestic relations order and prescribe the contents of and approval process for the domestic relations orders	Referred to House Education Committee	10/06/93
H. B. 2119 P. N. 2606 (Oliver)	SERS, changing the nonalienation provisions to permit attachment of members' rights in favor of alternate payees under an approved domestic relations order and prescribe the contents of and approval process for the domestic relations orders	Referred to House State Government Committee	10/06/93
H. B. 2120 P. N. 2607 (Oliver)	PSERS and SERS, providing for payment for service credit purchases in one system by multiple service members who are active members of the other system by payment to the other system and remission by the other system to the one system, for repayment of annuities paid to a member or multiple service member after return to service or entering service under the other system, for newly eligible members to have 365 rather than 30 days within which to become multiple service members, and for current eligible members to have until 12/31/95 within which to become multiple service members	Referred to House State Government Committee	10/06/93
H. B. 2121 P. N. 2608 (Oliver)	PSERS and SERS, essentially guaranteeing a minimum disability benefit of 1/3 of the employees' final average salary and making other changes necessary to make the codes conform to the requirements of both the Pennsylvania Human Relations Act and the Older Workers Benefit Protection Act	Referred to House State Government Committee Reported as committed Re-committed to House Appropriations Committee	10/06/93 11/22/93 11/24/93
H. B. 2122 P. N. 2609 (Oliver)	PSERS and SERS, add and revise provisions relating to authorized investments, exempt the boards from certain terms, conditions, limitations, and restrictions imposed on other administrative boards of the Commonwealth in making investments, adopt a prudent person rule in	Referred to House State Government Committee Reported as committed Re-committed to House Appropriations Committee Referred to House Transportation Committee	10/06/93 11/22/93 11/24/93 10/06/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
	lieu of a specific "legal list" of authorized investments, and clarify venture capital investment provisions		
H. B. 2126 P. N. 2613 (Mihalich)	Pennsylvania High-Speed Rail Commission Act, creating the Pennsylvania High-Speed Rail Commission, whose powers and duties would include employing professional, technical, and clerical staff	Referred to House State Government Committee	10/13/93
H. B. 2158 P. N. 2661 (Caltagirone)	SERS, permitting members of the Pennsylvania State Police to purchase up to five years of service credit for service as a municipal police officer	Referred to House Business and Economic Development Committee **Advisory Note** (P. N. 2661)	10/13/93 12/01/93
H. B. 2166 P. N. 2676 (Hasay)	Lenders and Fiduciaries Liability Protection Act, providing a safe harbor from liability for certain lenders and fiduciaries for environmental liability and remediation relating to releases that were not caused by these entities	Referred to House State Government Committee	11/24/93
H. B. 2216 P. N. 2777 (Lloyd)	SERS, permitting purchase of service credit for up to ten years of nonstate service as an employee of another state government but with the purchase price being the full actuarial cost	Referred to House State Government Committee	11/24/93
H. B. 2264 P. N. 2823 (Tangretti)	SERS, permitting purchase of up to ten years of service credit for nonstate service as a county employee	Referred to House State Government Committee	11/24/93
H. B. 2275 P. N. 2834 (Armstrong)	Constitution of Pennsylvania, adding section 18 to Article 8 to impose spending limits on the Commonwealth, municipalities, and school districts of the preceding fiscal year's expenditures increased by the CPI but excluding expenditures for funding unfunded pension liabilities existing on the effective date of the section and requiring future liabilities resulting from the adoption of or contracting for new or improved deferred compensation, benefits, or pensions on or after the effective date of the section to be fully funded in accordance with an accepted, advance-funding actuarial method using actuarial assumptions and asset valuation methods	Referred to House State Government Committee	11/24/93
H. B. 2321 P. N. 2899 (Jarolin)	SERS, authorizing members of the Pensylvania State Police to purchase up to five years of service credit for nonstate service as a municipal police officer	Referred to House Local Government Committee	12/07/93

Bill Number Printer's No. (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 2331 P. N. 2908 (Flick)	Second Class Township Code, permitting townships of the second class to use the proceeds of the special fire tax for the purpose of paying the salary, benefits, and other expenses of necessary personnel, among other things	Referred to House State Government Committee	12/08/93
H. B. 2353 P. N. 2945 (D.R. Wright)	SERS, permitting certain academic administrators, teachers, and instructors to purchase up to ten years of service credit for nonstate service with a governmental agency other than the Commonweath	Referred to House Local Government Committee	12/08/93
H. B. 2355 P. N. 2947 (Michlovic)	Allegheny Regional Asset District Enabling Act, authorizing creation of the Allegheny Regional Asset District and giving its board the power, among other things, to enroll its employees in a retirement system, including an existing retirement system of Allegheny County, Pittsburgh, or other governmental entity	Referred to House Education Committee	12/15/93
H. B. 2395 P. N. 3010 (Daley)	PSERS, permitting purchase of service credit for previous work experience of the type required for permanent certification as a vocational teacher not to exceed five years of service credit at the rate of one year for every three years of previous work experience with the purchase payemnts begun within three years of eligibility and not payable as part of an Option 4 withdrawal	Referred to House Labor Relations Committee	12/15/93
H. B. 2418 P. N. 3033 (Gladeck)	Constitution of Pennsylvania, adding subsection C to section 31 of article 3 to require binding arbitration in disputes between teachers and their public employers by the courts with the determination subject to a referendum in certain cases	Referred to House Labor Relations Committee	12/15/93
H. B. 2421 P. N. 3036 (Murphy)	Requiring collective bargaining and arbitration between emergency medical service employees and the City of Pittsburgh	Referred to House Labor Relations Committee	12/15/93