

1994
ANNUAL REPORT
OF THE
PUBLIC EMPLOYEE RETIREMENT
COMMISSION

Public Employee Retirement Commission
Commonwealth of Pennsylvania
January, 1995

PUBLIC EMPLOYEE RETIREMENT COMMISSION

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT COMMISSION
HARRISBURG
17120

January, 1995

To: Governor Ridge 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 1994.

During 1994, the Commission authorized the attachment of twenty-five actuarial notes to nine bills and sixteen amendments at the request of the various committees of the General Assembly. This report contains a synopsis of each of these notes and contains a summary of the Commission's reviews of the State Employees' Retirement System and the Public School Employees' Retirement System. This report also describes research conducted during 1994 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 twelfth 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 1994.

Sincerely,

A handwritten signature in cursive script that reads "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 \$122 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 ninth 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 1994.

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**DUTIES AND RESPONSIBILITIES
OF THE COMMISSION**

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 1994 ACTIVITY.

During 1994, the Commission authorized the attachment of twenty-five actuarial notes to nine bills and sixteen amendments. In addition, the Commission's staff provided the General Assembly with seven advisory notes.

C. SYNOPSES OF ADVISORY NOTES.

- Amendment 4630 to Senate Bill 974, Printer's Number 1733. At the request of Representative Dwight Evans, Chairman, House Appropriations Committee, the Commission staff provided an Advisory Note on Amendment 4630 to Senate Bill 974, Printer's Number 1733, to him on September 7, 1994. The amendment would have amended the bill by amending both the Public School Employees' Retirement Code and the State Employees' Retirement Code to do three things: (1) In a case where the annuity was calculated lower than the amount to which the annuitant was entitled under the Code, to permit the annuitant to purchase enough credit for service to receive the annuity the annuitant should have had; (2) In a case where the annuity was calculated higher than the amount to which the annuitant was entitled under the Code, to require the retirement system to pay the annuitant the actuarial equivalent of the annuity to which the annuitant was entitled; and (3) In a case where an error in counseling was made that lead an annuitant to retire before full retirement, to permit the annuitant to purchase enough credit for service to receive the annuity the annuitant would have received at full retirement.

- House Bill 720, Printer's Number 784. At the request of Representative Frank L. Oliver, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 720, Printer's Number 784, to him on September 14, 1994. The bill would have amended the State Employees' Retirement Code to expand the definition of enforcement officer to include parole agent supervisors employed by the Pennsylvania Board of Probation and Parole. The affected employees would have become eligible for increased retirement, early retirement, death, and other benefits.
- Amendment 1259 to House Bill 1006, Printer's Number 1088. At the request of Representative David J. Mayernik, the Commission staff provided an Advisory Note on Amendment 1259 to House Bill 1006, Printer's Number 1088, to him on May 11, 1994. The amendment would have amended the bill by amending the Second Class County Code to permit an Allegheny County officer or employee who is a sheriff, deputy sheriff, or prison guard to retire and receive a full retirement allowance at age 50 or older with 20 or more years of service.
- Amendment 2096 to House Bill 1006, Printer's Number 3422. At the request of Representative David J. Mayernik, the Commission staff provided an Advisory Note on Amendment 2096 to House Bill 1006, Printer's Number 3422, to him on June 10, 1994. The amendment would have amended the bill by amending the Second Class County Code to permit an Allegheny County officer or employee who is a sheriff or deputy sheriff to retire and receive a full retirement allowance at age 50 or older with 20 or more years of service.
- House Bill 1825, Printer's Number 2186. At the request of Representative Frank L. Oliver, Chairman, and Representative Paul I. Clymer, Minority Chairman, House State Government Committee, the Commission staff provided Advisory Notes on House Bill 1825, Printer's Number 2186, to them on May 23, 1994. The bill would have amended the State Employees' Retirement Code to permit an active member who was an employee of the Office of Attorney General and the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network on December 31, 1992, to transfer service credit for nonstate service with the New Jersey State Police and the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network for the period December 1, 1988, to July 31, 1991.
- House Bill 1857, Printer's Number 2238. At the request of Representative Frank L. Oliver, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 1857, Printer's Number 2238, to him on May 13, 1994. The bill would have amended the State Employees' Retirement Code to permit an active member of the State Employees' Retirement System, under certain conditions, to purchase service credit for up to five years of previous nonstate service with a borough, city, county, incorporated town, or township.

- House Bill 1909, Printer's Number 2328. At the request of Representative Thomas C. Petrone, Chairman, House Urban Affairs Committee, the Commission staff provided an Advisory Note on House Bill 1909, Printer's Number 2328, to him on March 28, 1994. The bill would have amended both the firefighters and police officers retirement provisions of The Third Class City Code to remove the \$100 a month limit on service increments paid to retirees in addition to their retirement allowances.

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: Amendment 741 to Senate Bill 974, Printer's Number 1779

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

Subject: Extending the "30 and Out" Window until July 1, 1997, Adding a Two-Tier Longevity Factor to the COLA, Delaying the Effective Date of the Option 4 Amendment until January 1, 1995, and Delaying the Effective Date of the Changing of the Commonwealth Contributions Formulas until July 1, 1995

SYNOPSIS

Amendment 741 to Senate Bill 974, Printer's Number 1779, would amend the bill to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code.

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

Extend the termination date 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 an additional four years from June 30, 1993, to July 1, 1997, which is six months longer than proposed in the bill;

Restructure in two ways, the proposed ad hoc postretirement adjustment in annuities of annuitants proposed in the bill by:

Excluding annuitants who retired under the "Mellow Bills" provisions; and

Adding an additional amount for annuitants who retired before July 2, 1984, with 20 or more years of service of one-half percent for each full year from retirement through July 1, 1969, multiplied by the first \$3,000 of the June 30, 1994, annuity plus one-fourth percent for each full year of retirement from the later of retirement or July 1, 1969, through July 1, 1989, multiplied by the first \$3,000 of the June 30, 1994, annuity; and

Delay the effective date of the proposed elimination of the Option 4 accelerated payment option by eight months from May 1, 1994, to January 1, 1995.

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

Delay the effective date of the proposed change in the Commonwealth's reimbursement of school entities for the employer's cost of Public School Employees' Retirement System annuities from July 1, 1994, to July 1, 1995; and

Delay the effective date of the proposed change in the Commonwealth's reimbursement of school entities for the employer's cost of Social Security from July 1, 1994, to July 1, 1995.

DISCUSSION

Four 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 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 retroactively extend these benefits from June 30, 1993, and the amendment would extend these benefits to July 1, 1997, six months longer than proposed in the bill.

Cost of Living Adjustments 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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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 one 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 bill would 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 5.5 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, 1995. The amendment would amend both codes, to restructure, in two ways, the proposed ad hoc postretirement adjustment in annuities of annuitants proposed in the bill by:

Excluding annuitants who retired under the "Mellow Bills" provisions (that is, annuitants who were credited with an additional ten percent of their credited service under 24 Pa.C.S. § 8302(b.2) or 71 Pa.C.S. § 5302(c)); and

DISCUSSION (CONT'D)

Adding an additional amount for annuitants who retired before July 2, 1984, with 20 or more years of service of the product of one-half percent for each full year from retirement through July 1, 1969, multiplied by the first \$3,000 of the June 30, 1994, annuity plus the product of one-fourth percent for each full year of retirement from the later of retirement or July 1, 1969, through July 1, 1989, multiplied by the first \$3,000 of the June 30, 1994, annuity.

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, when 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. The amendment would delay the effective date of this change by eight months from May 1, 1994, to January 1, 1995.

Change in Cost Sharing Between the Employers of PSERS 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 (1) 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, (2) to require the school districts, intermediate units, and area vocational technical schools to pay the entire amount, and (3) to require the Commonwealth to reimburse school districts, intermediate units, and area vocational technical schools (a) for members whose effective dates of employment with the school entities 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 (b) for other members with an amount that is one-half of the employer costs. (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.) For other employers of members, the present one-half/one-half sharing would remain in effect. The amendment would delay the effective date of this change until July 1, 1995, and make it applicable to members newly employed after June 30, 1995.

Change in Cost Sharing Between the Employers of PSERS 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 entity shall receive less than the amount that would result of the ratio were 0.15. For other employers of members, the present one-half/one-half sharing would remain in effect. The amendment would delay the effective date of this change until July 1, 1995, and make it applicable to members newly employed after June 30, 1995.

SUMMARY OF ACTUARIAL COST IMPACT

**Four Years Extension of Full Retirement
for PSERS Members with 30 Years of Service**

The consulting actuary of the Public School Employees' Retirement System has estimated the costs for a three and one-half 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. Using this estimate, the Commission estimates that a four year extension would result in the following costs.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability		
Senate Bill 974	\$145,600,000	
Amendment 741	<u>20,800,000</u>	
Total Increase in Unfunded Actuarial Accrued Liability	\$166,400,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment Senate Bill 974 (First year cost, increasing five percent a year for 20 years)	11,200,000	0.16%
Amortization Payment Amendment 741 (First year cost, increasing five percent a year for 20 years)	<u>1,600,000</u>	<u>0.04%</u>
Total Increase in Employer Annual Costs (First year only)	\$12,800,000	0.18%

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

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

**Four Years Extension of Full Retirement
for SERS Members with 30 Years of Service**

The consulting actuary of the State Employees' Retirement System has estimated that a four 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 the following costs.

	Amount	
Increase in Unfunded Actuarial Accrued Liability		
Senate Bill 974	\$ 30,700,000	
Amendment 741	<u>5,500,000</u>	
Total Increase in Unfunded Actuarial Accrued Liability	\$ 36,200,000	
	Amount As a % of Payroll	
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment Senate Bill 974 (First year cost, increasing five percent a year for 20 years)	2,430,000	0.06%
Amortization Payment Amendment 741 (First year cost, increasing five percent a year for 20 years)	<u>410,000</u>	<u>0.01%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 2,840,000	0.07%

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

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

**COLA for Retirees of the
Public School Employees' Retirement System**

The consulting actuary of the Public School Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the bill as changed by the amendment will 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		
Senate Bill 974	\$ 430,300,000	
Amendment 741	<u>63,600,000</u>	
Total Increase in Unfunded Actuarial Accrued Liability	\$ 493,900,000	
	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment Senate Bill 974 (First year cost, increasing five percent a year for 20 years)	33,100,000	0.50%
Amortization Payment Amendment 741 (First year cost, increasing five percent a year for 20 years)	<u>4,900,000</u>	<u>0.06%</u>
Total Increase in Employer Annual Costs (First year only)	\$38,000,000	0.56%

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

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

**COLA for Retirees of the
State Employees' Retirement System**

The consulting actuary of the State Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the bill as changed by the amendment will 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	
Senate Bill 974	\$ 248,000,000
Amendment 741	<u>11,000,000</u>
Total Increase in Unfunded Actuarial Accrued Liability	\$ 259,000,000

	Amount	As a % of Payroll
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment Senate Bill 974 (First year cost, increasing five percent a year for 20 years)	19,200,000	0.50%
Amortization Payment Amendment 741 (First year cost, increasing five percent a year for 20 years)	<u>900,000</u>	<u>0.02%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 20,100,000	0.52%

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

**Delaying Effective Date of Elimination
of Accelerated Payment Options**

The actuaries for the Public School Employees' Retirement System and the State Employees' Retirement System have estimated that the cost of not eliminating the accelerated payment option under Option 4 will be 0.20 and 0.38 percent of payroll respectively. Delaying the effective date of eliminating the option will delay the beginning of the realization of the potential cost savings.

**Delaying Effective Date of Change in Commonwealth Contributions
for Public School Employees' Retirement System and Social Security**

Delaying the effective date of the change in the Commonwealth contributions formulas will have no actuarial cost impact because 100 percent of the required employer contributions to the Public School Employees' Retirement Fund and Social Security would continue to be made.

POLICY CONSIDERATIONS

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 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 Employees' retirement system have raised the issue of appropriate funding for continuing extension 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 provisions in the development of the normal costs of the systems rather than limiting it to recognition in amortization payments for unfunded actuarial accrued liabilities.

Financing of Cost of Living Adjustments. The bill and amendment require that the unfunded actuarial accrued liability attributable to the ad hoc postretirement adjustments be funded over a 20 year period. A 20 year period is longer than the remaining average retired lifetimes 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 March 10, 1994, 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.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into Law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 4872 to Senate Bill 974, Printer's Number 1779

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

Subject: Beginning Amortization Payments for Elimination of the Effect
of Frozen Present Value One Year Sooner on July 1, 1994

SYNOPSIS

Senate Bill 974, Printer's Number 1779, would, among other things, amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to 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 members' subsequent benefits. Amendment 4872 would amend Senate Bill 974, Printer's Number 1779, by beginning the amortization payments to pay off the unfunded actuarial accrued liabilities caused by this elimination of the effect of frozen present values on July 1, 1994, rather than on July 1, 1995.

DISCUSSION

Granting the right to eliminate the effect of the frozen present value results both in an increase in normal costs (for those members who join the systems on and after the effective date of the change in benefit) and in an increase in the unfunded actuarial accrued liability (for current members who are eligible for the benefit adjustment). The resulting unfunded actuarial accrued liability is paid off through amortization payments over a 20 year period with the payment increasing by five percent each year. The amendment would begin these amortization payments on July 1, 1994, a year earlier than the July 1, 1995, date proposed in the bill. Because of the time value of money, beginning amortization payments sooner results in lower total costs to the Commonwealth and other employers.

SUMMARY OF ACTUARIAL COST IMPACT

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

The consulting actuary of the Public School Employees' 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.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$5,500,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs*		
Normal Cost	\$ 766,500	0.010%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>434,251</u>	<u>0.006%</u>
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 Employees' 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.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$87,400,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
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)	<u>6,900,000</u>	<u>0.20%</u>
Total Increase in Employer Annual Costs (First year only)	\$11,500,000	0.33%

POLICY CONSIDERATIONS

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

More Equitable Treatment of Certain PSERS and SERS Members. Permitting members of the Public School Employes' Retirement System and the State Employes' Retirement System 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.

Smaller Contributions with Earlier Cash Flow. Because of the time value of money, beginning the amortization payments a year earlier results in smaller total contributions by the Commonwealth and other employers.

COMMISSION RECOMMENDATION

On January 18, 1994, 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.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 4895 to Senate Bill 974, Printer's Number 1779

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

Subject: Ad Hoc Postretirement Adjustment in Annuities

SYNOPSIS

Amendment 4895 to Senate Bill 974, Printer's Number 1779, would amend Senate Bill 974, Printer's Number 1779, 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, 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 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, 1995.

DISCUSSION

The Public School Employees' Retirement System (PSERS) and the State Employees' 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 in SERS. 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.

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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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%

DISCUSSION (CONT'D)

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.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employees' Retirement System

The consulting actuary of the Public School Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$453,900,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>34,900,000</u>	<u>0.50%</u>
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.

State Employees' Retirement System

The consulting actuary of the State Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$241,000,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>18,700,000</u>	<u>0.48%</u>
Total Increase in Employer Annual Costs (First year only)	\$18,700,000	0.48%

POLICY CONSIDERATIONS

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

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.

Drafting Ambiguity. Amendment 4895 would amend section 5 of Senate Bill 974, Printer's Number 1779, on page 38, line 8, to amend proposed section 8348.3 of the Public School Employees' Retirement Code by striking out "1991" and inserting "1992." Because "1992" is already in the bill and the analogous amendment proposed in the State Employees' Retirement Code is to strike out "1992" and insert "1991," the Commission presumed that there had been an inadvertent clerical error and that striking out "1992" and inserting "1991" was intended and will be corrected.

COMMISSION RECOMMENDATION

On January 18, 1994, 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.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 4897 to Senate Bill 974, Printer's Number 1779

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

Subject: Restructuring Proposed Ad Hoc Postretirement Adjustment by Adding a Longevity
Factor Equal to One-Half Percent for Each Year Retired

SYNOPSIS

Amendment 4897 to Senate Bill 974, Printer's Number 1779, would amend Senate Bill 974, Printer's Number 1779, to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to restructure the proposed ad hoc postretirement adjustment in annuities of retirees by adding an additional one-half percent for each full year of retirement for those retirees who have been retired at least ten years and retired with at least 20 years of service credit.

DISCUSSION

The Public School Employees' Retirement System (PSERS) and the State Employees' 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 in SERS. 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.

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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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%

DISCUSSION (CONT'D)

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.

Senate Bill 974, Printer's Number 1779, would 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, 1995. Amendment 4897 would restructure this proposed postretirement adjustment by adding a longevity factor equal to one-half percent for each full year of retirement multiplied by the gross pension amount received as of June 30, 1994. The proposed longevity factor would be limited to those retirees who retired before July 2, 1984, and who retired with at least 20 years of service credit.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employees' Retirement System

The consulting actuary of the Public School Employees' Retirement System estimates that providing the additional longevity factor to the ad hoc postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$192,000,000	
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>14,800,000</u>	<u>0.21%</u>
Total Increase in Employer Annual Costs (First year only)	\$14,800,000	0.21%

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

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

State Employees' Retirement System

The consulting actuary of the State Employees' Retirement System estimates that providing the additional longevity factor to the ad hoc postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$70,000,000	
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>5,500,000</u>	<u>0.14%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 5,500,000	0.14%

POLICY CONSIDERATIONS

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

Funding Policy. The ad hoc postretirement adjustment proposed in the bill and 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. 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 January 18, 1994, 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.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 4933 to Senate Bill 974, Printer's Number 1779

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

Subject: Beginning Amortization Payments for Elimination of the Effect of
Frozen Present Value and Ad Hoc Postretirement Adjustments
on July 1, 1994, Rather Than July 1, 1995

SYNOPSIS

Senate Bill 974, Printer's Number 1779, would increase the unfunded actuarial accrued liabilities of the two statewide retirement systems. These increases are 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. Amendment 4933 would amend Senate Bill 974, Printer's Number 1779, by beginning the amortization payments for the unfunded actuarial accrued liabilities caused by these benefit changes one year sooner, or on July 1, 1994, rather than on July 1, 1995.

DISCUSSION

Granting the right to eliminate the effect of the frozen present value results both in an increase in normal costs (for those members who join the systems on and after the effective date of the change in benefit) and in an increase in the unfunded actuarial accrued liability (for current members who are eligible for the benefit adjustment). Granting the ad hoc postretirement adjustments results in an increase in the unfunded actuarial accrued liability because only current retirees are affected. The resulting unfunded actuarial accrued liability is paid off through amortization payments over a 20 year period with the payment increasing by five percent each year. The amendment would begin these amortization payments on July 1, 1994, a year earlier than the July 1, 1995, date proposed in the bill. Because of the time value of money, beginning amortization payments sooner results in lower total costs to the Commonwealth and other employers.

SUMMARY OF ACTUARIAL COST IMPACT

**Elimination of the Effect of the Frozen Present Value
for Members of the Public School Employees' Retirement System**

The consulting actuary of the Public School Employees' 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.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability		\$5,500,000
Increase in Employer Annual Costs*		
Normal Cost	\$ 766,500	0.010%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>434,251</u>	<u>0.006%</u>
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 Members of the State Employees' Retirement System**

The consulting actuary of the State Employees' 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.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability		\$87,400,000
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)	<u>6,900,000</u>	<u>0.20%</u>
Total Increase in Employer Annual Costs (First year only)	\$11,500,000	0.33%

POLICY CONSIDERATIONS

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

More Equitable Treatment of Certain PSERS and SERS Members. Permitting members of the Public School Employees' Retirement System and the State Employees' Retirement System 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.

Smaller Contributions with Earlier Cash Flow. Because of the time value of money, beginning the amortization payments a year earlier results in smaller total contributions by the Commonwealth and other employers.

Funding Policy. The amendment requires that the unfunded actuarial accrued liability attributable to the ad hoc postretirement adjustments 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. 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 January 18, 1994, 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.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 5106 to Senate Bill 974, Printer's Number 1779

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

Subject: Ad Hoc Postretirement Adjustment in Annuities

SYNOPSIS

Amendment 5106 to Senate Bill 974, Printer's Number 1779, would amend Senate Bill 974, Printer's Number 1779, 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 2, 1992, equal to the sum of the product of one dollar multiplied by the number of years of credited service plus two dollars multiplied by the number of full years on retirement on July 1, 1993, plus one percent of the monthly annuity being received on June 30, 1994 (but not more than \$20), 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, 1995.

DISCUSSION

The Public School Employees' Retirement System (PSERS) and the State Employees' 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 in SERS. 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.

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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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%

DISCUSSION (CONT'D)

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.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employees' Retirement System

The consulting actuary of the Public School Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$486,800,000	
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>37,400,000</u>	<u>0.54%</u>
Total Increase in Employer Annual Costs (First year only)	\$37,400,000	0.54%

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

State Employees' Retirement System

The consulting actuary of the State Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$270,000,000	
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>21,000,000</u>	<u>0.54%</u>
Total Increase in Employer Annual Costs (First year only)	\$21,000,000	0.54%

POLICY CONSIDERATIONS

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

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. 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 January 18, 1994, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy consideration identified above.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 5110 to Senate Bill 974, Printer's Number 1779

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

Subject: Ad Hoc Postretirement Adjustment in Annuities

SYNOPSIS

Amendment 5110 to Senate Bill 974, Printer's Number 1779, would amend Senate Bill 974, Printer's Number 1779, 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 2, 1992, equal to the sum of the product of one dollar multiplied by the number of years of credited service plus two dollars multiplied by the number of full years on retirement on July 1, 1993, 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, 1995.

DISCUSSION

The Public School Employees' Retirement System (PSERS) and the State Employees' 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 in SERS. 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.

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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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%

DISCUSSION (CONT'D)

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.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employees' Retirement System

The consulting actuary of the Public School Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$420,600,000	
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>32,400,000</u>	<u>0.46%</u>
Total Increase in Employer Annual Costs (First year only)	\$32,400,000	0.46%

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

State Employees' Retirement System

The consulting actuary of the State Employees' Retirement System estimates that providing the special postretirement adjustment provided for in the amendment will result in the following costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$230,000,000	
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>17,900,000</u>	<u>0.46%</u>
Total Increase in Employer Annual Costs (First year only)	\$17,900,000	0.46%

POLICY CONSIDERATIONS

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

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. 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 January 18, 1994, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy consideration identified above.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 5120 to Senate Bill 974, Printer's Number 1779

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

Subject: Restructuring Proposed Ad Hoc Postretirement Adjustment by Adding
a Longevity Factor Equal to One-Fourth Percent for Each Year Retired

SYNOPSIS

Amendment 5120 to Senate Bill 974, Printer's Number 1779, would amend Senate Bill 974, Printer's Number 1779, to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to restructure the proposed ad hoc postretirement adjustment in annuities of retirees by adding an additional one-fourth percent for each full year of retirement for those retirees who have been retired at least ten years and retired with at least 20 years of service credit.

DISCUSSION

The Public School Employees' Retirement System (PSERS) and the State Employees' 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 in SERS. 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.

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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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%

DISCUSSION (CONT'D)

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.

Senate Bill 974, Printer's Number 1779, would 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, 1995. Amendment 5120 would restructure this proposed postretirement adjustment by adding a longevity factor equal to one-fourth percent for each full year of retirement multiplied by the gross pension amount received as of June 30, 1994. The proposed longevity factor would be limited to those retirees who retired before July 2, 1984, and who retired with at least 20 years of service credit.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employees' Retirement System

The consulting actuary of the Public School Employees' Retirement System estimates that providing an additional longevity factor of one-half percent to the ad hoc postretirement adjustment will result in certain costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable. Changing this proposal to one-fourth percent results in costs that are one-half of the costs of a one-half percent longevity factor.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$96,000,000	
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.000%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>7,400,000</u>	<u>0.105%</u>
Total Increase in Employer Annual Costs (First year only)	\$7,400,000	0.105%

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

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

State Employees' Retirement System

The consulting actuary of the State Employees' Retirement System estimates that providing an additional longevity factor of one-half percent to the ad hoc postretirement adjustment will result in certain costs. The Commission's consulting actuary reviewed these estimates and found them to be reasonable. Changing this proposal to one-fourth percent results in costs that are one-half of the costs of a one-half percent longevity factor.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$35,000,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>2,750,000</u>	<u>0.07%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 2,750,000	0.07%

POLICY CONSIDERATIONS

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

Funding Policy. The ad hoc postretirement adjustment proposed in the bill and 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. 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 be level dollar amortization payments over ten years.

COMMISSION RECOMMENDATION

On January 18, 1994, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy consideration identified above.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Amendment 5122 to Senate Bill 974, Printer's Number 1779

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

Subject: Restructuring Proposed Ad Hoc Postretirement Adjustment by Adding a One-Half Percent Longevity Factor for Each Year on Retirement, Limited to Five Percent, for Retirees Who Retired before July 2, 1984, and with At Least 20 Years of Service Credit

SYNOPSIS

Amendment 5122 to Senate Bill 974, Printer's Number 1779, would amend Senate Bill 974, Printer's Number 1779, to amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to restructure the proposed ad hoc postretirement adjustment in annuities of retirees by adding an additional one-half percent for each year on retirement, limited to five percent. The proposed longevity factor would be provided only to retirees who have been retired at least ten years and retired with at least 20 years of service credit.

DISCUSSION

The Public School Employees' Retirement System (PSERS) and the State Employees' 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 in SERS. 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.

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		Increase in CPI Since Last COLA		Percent of Increase in CPI Replaced
	PSERS	SERS	PSERS	SERS	
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%

DISCUSSION (CONT'D)

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.

Senate Bill 974, Printer's Number 1779, would 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, 1995. Amendment 5122 would restructure this proposed postretirement adjustment by adding a longevity factor equal to one-half percent for each year on retirement, which would be applied to the gross pension amount received as of June 30, 1994. The proposed longevity factor would be limited to those retirees who retired before July 2, 1984, and who retired with at least 20 years of service credit.

SUMMARY OF ACTUARIAL COST IMPACT

Public School Employees' Retirement System

The consulting actuary of the Public School Employees' Retirement System estimates that providing the additional longevity factor to the ad hoc postretirement adjustment provided for in the amendment will result in the following costs.

	Amount	
	Amount	As a % of Payroll
Increase in Unfunded Actuarial Accrued Liability		\$114,000,000
Increase in Employer Annual Costs*		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>8,800,000</u>	<u>0.13%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 8,800,000	0.13%

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

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

State Employees' Retirement System

The consulting actuary of the State Employees' Retirement System estimates that providing the additional longevity factor to the ad hoc postretirement adjustment provided for in the amendment will result in the following costs.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$48,000,000	
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>3,800,000</u>	<u>0.10%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 3,800,000	0.10%

POLICY CONSIDERATIONS

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

Funding Policy. The ad hoc postretirement adjustment proposed in the bill and 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. 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 January 18, 1994, 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.

FINAL LEGISLATIVE STATUS

As Printer's Number 2036, Senate Bill 974 was signed into law by the Governor on April 29, 1994, as Act 29 of 1994.

Bill ID: Senate Bill 1504, Printer's Number 1840

System: All County Retirement Systems Except Allegheny and Philadelphia

Subject: Optional Special Early Retirement

SYNOPSIS

Senate Bill 1504, Printer's Number 1840, would amend 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, including members who are elected officials or appointees to an elective office, would have a 60-day to 120-day period during which to elect retirement under the provision with a seven-day revocation period. If authorized, the minimum eligibility for special early retirement would not be less than age 55 with ten years of credited service, or not less than 30 years of credited service with no age requirement, or not less than either age 55 with ten years of credited service or 30 years of credited service with no age requirement. If authorized, the special early retirement provision would credit a member with years of service equal to not less than ten percent nor more than 30 percent of credited service with the result rounded to the next full year, at the currently designated county class base. The bill would require that the cost of each special early retirement provision be actuarially valued and funded annually over a period not to exceed five years.

DISCUSSION

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

The superannuation retirement age is 60 or, if a member has completed 20 years of total service, 55. A member who reaches superannuation retirement age is entitled to a retirement allowance for life upon retirement.

The retirement allowance is made up of two annuities: (1) a member's annuity and (2) a county annuity. The member's annuity is a defined contribution plan annuity that is the actuarial equivalent of the balance in that member's annuity reserve account. The county annuity is a defined benefit plan annuity that is equal to 1/120 of that member's final salary multiplied by the period of total service for which the member contributed at the 1/120 rate, 1/100 of that member's final salary multiplied by the period of total service for which the member contributed at the 1/100 rate, and so on. Final salary is defined as the average annual salary for the three highest years of county service. For a member who has served less than five years, the final salary is calculated by dividing the total salary received by the number of years served.

If involuntarily discontinued from service (including an elected county officer who completes a term of office and discontinues service) after having completed eight years of total service, or if

DISCUSSION (CONT'D)

voluntarily discontinued from service after having completed 20 years of total service but before having reached superannuation retirement age, a member may elect either to withdraw the balance in the member's annuity reserve account or to receive a retirement allowance. A member who separates from county service, after completing eight or more years of credited service, has the right to leave accumulated deductions credited to the member's account in the pension trust fund and, upon reaching superannuation retirement age, to receive a superannuation retirement allowance. In these cases, the retirement allowance is the actuarial equivalent of a county annuity, beginning at superannuation retirement age but based on the period of service up to the date of the discontinuance of service, plus a member's annuity calculated in the usual way.

The bill would create a permanent provision in the County Pension Law permitting 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, under which active members, including members who are elected officials or appointees to an elective office, have a 60-day to 120-day period during which to elect retirement under the provision with a seven-day revocation period. Under the proposed special early retirement incentive provision, the minimum eligibility would not be not less than age 55 with ten years of credited service, or 30 years of credited service with no age requirements, or not less than either age 55 with ten years of credited service or 30 years of credited service with no age requirement. If authorized, the special early retirement provision would credit a member with additional full years of service equal to not less than ten percent nor more than 30 percent of credited service with the result rounded to the next full year, at the currently designated county class base. The cost of each special early retirement provision must be actuarially valued and funded annually over a period not to exceed five years.

The three possible early retirement eligibility provisions are aimed at two separate types of county employees. The first early retirement eligibility provision is aimed at relatively older, short service employees (between ages 55 and 60 with between ten and 20 years of service). The second early retirement eligibility provision is aimed at relatively younger, long service employees (younger than 55 but with over 30 years of service). The last early retirement eligibility provision is aimed at both types of county employees. The bill provides the county governing body with the flexibility to choose which type of provision it wishes to implement, when it wishes to offer it, the amount of additional service credit to be given, and the length of the window of opportunity during which members choosing to retire early may retire.

SUMMARY OF ACTUARIAL COST IMPACT

Because the proposed special early retirement provisions are permissive both in terms of design and timing, no overall actuarial cost estimate is possible. Due to the funding requirements, the specific proposal probably will be actuarially valued in each county prior to implementation.

POLICY CONSIDERATIONS

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

Voluntary Retirement In Lieu of Furloughs. The bill provides a mechanism to effect voluntary reductions in county work forces in lieu of mandatory reductions effected through the furlough process.

Appropriateness of Design. By specifying the ranges of design of the early retirement incentive windows, the bill provides flexibility to county officials. Within a standard general design, the flexibility necessary to accommodate the variable needs of counties is provided without permitting designs that may be inequitable. The design is easily understood and administered, and it is equitable.

Salary Savings Potential. The economic rationale of the bill is highly dependent on whether the employees induced to retire are replaced. Lower replacement practices will effect salary savings that offset a portion of the actuarial cost of the bill, while higher replacement practices will effect lesser salary savings to offset the actuarial cost of the bill and could result in an increase in overall costs. Because implementation of the early retirement provisions is discretionary with the county, the potential will exist for a county to evaluate the probable net cost prior to implementing the provision.

Cost-of-Living Adjustments. To the extent that members take advantage of the special early retirement incentive provisions, 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.

Funding Policy. The bill requires that the unfunded actuarial accrued liability attributable to an early retirement window be funded over a five-year period. The unfunded actuarial accrued liabilities of an early retirement window usually are amortized over a longer period, typically ten to 20 years.

Drafting Ambiguities.

Governing Body. In proposed section 14.1(a), the bill speaks of the commissioners or the council in counties having an optional form of government. Unless the intention is to exclude counties that have adopted home rule charters or unless section 301 of the Home Rule Charter and Optional Plans Law is read to give counties that have adopted home rule charters the power given to all other counties by the bill, the governing body should be referred to in a way that includes counties that have adopted home rule charters. Language to include home rule counties is attached.

Eligibility Criteria. In proposed section 14.1(b), the bill authorizes three different possible early retirement eligibility provisions based on different criteria. The authorization, however, could be read to provide for only two early retirement eligibility provisions, either older short service employees or long service employees but not both. Language to clarify the potential ambiguity is attached.

Amortization Basis. In proposed section 14.1(c), the bill does not indicate the basis for calculating the required amortization payments. A level dollar basis for calculating the amortization payments is consistent with the conservative amortization period established in the bill and the general practice in public employee pension plans. Language to insert "on a level dollar basis" is attached.

Amortization Payment Period. In proposed section 14.1(c), the bill does not indicate when the five-year amortization payment period is to begin and end. Language to require the amortization payments to be completed by the end of the five-year period commencing with the first plan year beginning after the end of the early retirement period is attached.

POLICY CONSIDERATIONS (CONT'D)

Increase in Actuarial Cost. In proposed section 14.1(c), the bill speaks of the increase in "actuarial cost." According to the Joint Committee on Pension Terminology, the preferred expression is "actuarial accrued liability" although the expression "accrued liability" is acceptable, having been used in the past both in actuarial practice and in law. Language making this change is attached.

COMMISSION RECOMMENDATION

On May 18, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

Senate Bill 1504, Printer's Number 1840, was re-referred to the Senate Local Government Committee on June 27, 1994.

Bill ID: Amendment 5236 to Senate Bill 1686, Printer's Number 2108

System: All Municipal Employee Retirement Systems

Subject: Issuing Bonds to Fund Unfunded Actuarial Accrued Liabilities

SYNOPSIS

Senate Bill 1686, Printer's Number 2108, would add section 404 to the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) to hold harmless, with respect to the receipt of General Municipal Pension System State Aid, a municipality that reduces or eliminates the unfunded actuarial accrued liability in its employee retirement system with the proceeds of a bond sale. Amendment 5236 would amend proposed section 404 to provide that, for the purposes of section 404 only, the definition of "unfunded actuarial accrued liability" would be the one in the Local Government Unit Debt Act and not the one in the Municipal Pension Plan Funding Standard and Recovery Act, which is used throughout the rest of the act.

DISCUSSION

Senate Bill 1687, Printer's Number 2109, as amended by Amendment 5237, a companion bill to Senate Bill 1686, Printer's Number 2108, as amended by Amendment 5236, would permit a local government unit to issue pension obligation bonds for the purpose of reducing or eliminating the unfunded actuarial accrued liability in one or more of its retirement systems. The proposed amendment to the bill amending the Local Government Unit Debt Act would expand the definition of unfunded actuarial accrued liability to include a municipality's financial obligation to its retirement systems for the current year. The proposed amendment to the bill amending the Municipal Pension Plan Funding Standard and Recovery Act would result in that expanded definition being used in the administration of the proposed section 404 that governs reporting by and state aid allocations to municipalities issuing bonds to fund pension debt. Based upon January 1, 1993, data, about 700 retirement systems in these affected municipalities with total unfunded actuarial accrued liabilities of over \$1.1 billion could take advantage of this permission. The effect of the amendment would be to permit municipalities to exchange a short-term current liability for new long-term debt every year.

SUMMARY OF ACTUARIAL COST IMPACT

A municipality that elects to reduce or eliminate its required annual contribution to one or more of its retirement systems by including the contribution in a pension bond issue will incur no actuarial cost but will incur debt service costs.

POLICY CONSIDERATIONS

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

Incurring New Debt. Under the proposal in the amendment, every year a municipality could incur new, long-term debt to pay a current, short-term liability. Issuing long-term debt to pay current operating expenses is questionable from a public policy perspective.

Need of Concurrent Legislative Action on Companion Bills. Because Senate Bill 1686, Printer's Number 2108, and Senate Bill 1687, Printer's Number 2109, are interrelated companion bills, it is essential that both bills be considered and acted upon together. Amendment 5236 and Amendment 5237 are interrelated and should not be considered separately.

COMMISSION RECOMMENDATION

On November 10, 1994, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor review the amendment in view of the policy issues identified above and not consider the amendment.

FINAL LEGISLATIVE STATUS

As Printer's Number 2108, Senate Bill 1686 was signed into law by the Governor on December 28, 1994, as Act 168 of 1994.

Bill ID: Amendment 5237 to Senate Bill 1687, Printer's Number 2109

System: All Municipal Employee Retirement Systems

Subject: Issuing Bonds to Fund Unfunded Actuarial Accrued Liabilities

SYNOPSIS

Senate Bill 1687, Printer's Number 2109, as amended by Amendment 5237, would amend the Local Government Unit Debt Act (Act 185 of 1972) to add to the purposes for which a local government unit may incur debt borrowing to fund the actuarial accrued liability in one or more of its retirement systems. If such borrowing occurs, the amendment would permit it to include the required contribution to the pension trust fund for a plan year in which the debt is issued and permit the municipality to pledge its General Municipal Pension System State Aid and Supplemental State Assistance Program to the bond holders until the bonds are paid off.

DISCUSSION

When the value of the actuarial accrued liabilities exceeds the actuarial value of assets of a pension trust fund, the fund has an unfunded actuarial accrued liability. As of January 1, 1993, about 839 municipal employee retirement systems had unfunded actuarial accrued liabilities totaling over \$3.4 billion.

Senate Bill 1687, Printer's Number 2109, would permit a local government unit to issue debt for the purpose of reducing or eliminating the actuarial accrued liability in one or more of its retirement systems. Amendment 5237 would permit the borrowing to also include the municipality's required contribution to its pension trust fund for the plan year in which the debt is issued. To the extent that this is done, the municipality will be incurring new long-term debt to pay a current short-term liability. Because there is no limit to the authorization to borrow funds to pay the current year's required contribution to employee pension funds, the amendment would permit municipalities to borrow funds repetitively to satisfy the annual funding requirements of their retirement systems. Consequently, the amendment would provide the means for municipalities to circumvent the actuarial funding standard established in the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984).

The bill also would permit the municipality to pledge the proceeds of the borrowing to the debt holders as additional security and, in such a case, require the identifiable segregation of these proceeds from the other assets of the pension trust fund. Municipal employee retirement system trustees owe a fiduciary duty to the system's members and their beneficiaries and probably to the municipality and to the Commonwealth for the proper operation of the pension trust fund. To pledge any of the pension trust fund assets to the lenders may result in a breach of fiduciary duty. The amendment, however, would remove the proposed section permitting the pledging and segregation of the debt proceeds and substitute a section permitting the municipality to pledge General Municipal Pension System State Aid and any Supplemental State Assistance. In this way,

DISCUSSION (CONT'D)

both the members and their beneficiaries and the bond holders are protected. The members and their beneficiaries are protected both by the assets of a fully funded pension trust fund and the municipality's statutory duty to continue funding its retirement system. The bond holders are protected both by the full faith and credit of the municipality and a pledge of a specified revenue stream.

SUMMARY OF ACTUARIAL COST IMPACT

A municipality that elects to reduce or eliminate its required annual contribution to one or more of its retirement systems by including the contribution in a pension bond issue will incur no actuarial cost but will incur debt service costs.

POLICY CONSIDERATIONS

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

Public Debt Policy. Among the public policy reasons for the enactment of the Local Government Unit Debt Act was the exercise of the General Assembly's inherent legislative authority over the incurring of local government unit debt by prescribing the purposes for which local government units may borrow and prescribing the limits of these borrowings. Public policy makers must determine whether borrowing long-term to pay current operating expenses is a proper reason to borrow.

Potential Deviation From Actuarial Funding Standard. Repetitively issuing long-term debt to pay current funding requirements of municipal pension systems would effectively circumvent the actuarial funding standard established under Act 205 of 1984.

Fiduciary Duty. It may be contrary to fiduciary responsibility to pledge pension trust fund assets to lenders as proposed in the bill. The alternative proposal in the amendment of the pledging of future revenue streams while the municipality remains responsible for funding its retirement systems on an actuarial basis is preferable from a fiduciary responsibility standpoint.

Need for Concurrent Legislative Action on Companion Bills. Because Senate Bill 1686, Printer's Number 2108, and Senate Bill 1687, Printer's Number 2109, are interrelated companion bills, it is essential that both bills be considered and acted upon together. Amendment 5237 and Amendment 5236 are interrelated and should not be considered separately.

COMMISSION RECOMMENDATION

On November 10, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor review the policy issues identified above and not consider the amendment further.

FINAL LEGISLATIVE STATUS

As Printer's Number 2109, Senate Bill 1687 was signed into law by the Governor on December 28, 1994, as Act 169 of 1994.

Bill ID: Senate Bill 1898, Printer's Number 2472

Systems: Municipal Police Pension Law Systems (Boroughs and Townships)

Subject: Extending Provisions of the Municipal Police Pension Law
to Include Regional Police Departments

SYNOPSIS

Senate Bill 1898, Printer's Number 2472, would amend the Municipal Police Pension Law (Act 600) to extend its provisions to include regional police departments.

DISCUSSION

Senate Bill 1898, Printer's Number 2472, would amend the Municipal Police Pension Law (Act 600) to extend its coverage to include each regional police department organized and operated by two or more boroughs, towns, townships, or cities through an intermunicipal agreement under the Intergovernmental Cooperation Law. There are about 22 regional police departments in Pennsylvania, most of which have developed in the past ten years.

Although most regional police departments have modeled their pension plans on the provisions of the Municipal Police Pension Law, the language of the Law does not indicate that they are required to do so. Amending the Municipal Police Pension Law to specifically include all regional police departments will insure that regional police officers are covered by the same pension plan as police officers in all boroughs, incorporated towns, and townships with three or more full-time officers. At the same time, amending the Law will clarify that regional police departments have the power to adopt such pension plans and prescribe that the regional police department pension plans have the same benefit structure parameters as applicable to individual boroughs and townships.

The Municipal Police Pension Law governs the establishment of a police officer retirement system in a borough, incorporated town, or township with three or more police officers. At its option, a borough, incorporated town, or township with fewer than three full-time police officers also may establish a police pension plan under the Municipal Police Pension Law. The local government's police officer pension trust fund is under the direction of the local government's governing body. The main sources of revenue for the fund are contributions by police officers, contributions by the local government, General Municipal Pension System State Aid, and earnings from the investment of the fund assets. A synopsis of the Municipal Police Pension Law provisions follows:

Contributions. The local government annually must contribute an amount equal to the minimum local government obligation under the Municipal Pension Plan Funding Standard and Recovery Act. A police officer must pay into the pension trust fund an amount from five to eight percent of salary. However, if the police pension plan provides for a social security offset (a set percentage of the primary insurance amount of social security is subtracted from the retirement allowance), the police officer's contribution rate is reduced to below five percent. If an actuarial valuation shows that payments into the police pension trust fund by police officers may be reduced below the minimum percentage or eliminated

DISCUSSION (CONT'D)

without requiring contributions by the local government to keep the fund in compliance with the actuarial funding standard, the local government may, on an annual basis, reduce or eliminate the police officers' contributions.

Benefit Provisions. A police officer may retire after a total of 25 years of service with the same local government when the officer reaches age 55. If an actuarial valuation shows it is feasible, the age may be reduced to 50. The basic monthly pension or retirement allowance is one-half of the monthly salary of the officer averaged over the last 36 to 60 months of employment. If a retiree's position as a police officer was covered by an agreement under the Social Security Act of 1935, the retirement system may reduce the monthly pension or retirement allowance to the retiree by up to 75 percent of the police officer's primary social security benefit based on compensation earned while in service as a police officer. In addition, the police pension plan may provide for length of service increments, survivor benefits, and disability pension benefits.

The Commission has prepared and attached a proposed amendment to the bill that "grandfathers" the eligibility and benefit provisions of all existing regional police department retirement system pension plans while providing that any future modifications must conform to the Municipal Police Pension Law.

Because most regional police departments are created by a pooling of the personnel and equipment of existing police departments, the bill amends the Municipal Police Pension Law to provide for the portability of service credits from any of the pre-existing local government police officer retirement systems to the new regional police officer retirement system. The portability is carefully restricted to the service credits of those police officers who were full-time in their old positions and become police officers of the regional police department within six months of its creation. The Commission's proposed amendment to the bill provides discretion for the participating municipalities in allocating the costs of the regional police department retirement system and requires pre-disclosure of those costs in an actuarial valuation report on the proposed pension plan.

The bill also divides section 3 of the Law into subsections, with proposed section 3(b), which had been technical law under an amendatory act, made substantive law. For clarity, the bill further divides section 5 of the Law into subsections and section 5(b) into clauses. The bill further deletes the first paragraph of section 6 of the Law, which has been superseded by the provisions of the Municipal Pension Plan Funding Standard and Recovery Act, and for clarity, the bill then divides the remainder of section 6 into subsections.

Some unofficial copies of the Municipal Police Pension Law show a second paragraph in section 3. Technically, the provisions of the paragraph were made applicable to the Law by the act of October 21, 1965, P.L. 643, No. 317, but not as a part of section 3. The Commission's proposed amendment prevents the confusion that would be created by making the paragraph a part of section 3 and retains the Municipal Police Pension Law in its present form.

SUMMARY OF ACTUARIAL COST IMPACT

The bill will impose no additional actuarial cost on either existing regional police department retirement systems with Municipal Police Pension Law retirement benefits nor those regional police department retirement systems created in the future.

POLICY CONSIDERATIONS

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

Legislative Guidelines for Regional Police Department Retirement Systems. The bill will provide enabling legislation for regional police department retirement systems, which currently have no clear legislative authorization and operational guidelines. Since the provisions for the retirement systems of regional police departments will be the same as those authorized for the participating local governments, the bill will facilitate both the creation and the dissolution of regional police department retirement systems.

Portability and Retention of Service Credits. The bill will assure that full-time police officers in existing local government police departments will not lose service credit when their department is consolidated into a regional police department.

Clarifying Amendment. The attached proposed amendment clarifies that existing eligibility and benefit provisions of a regional police pension plan may be retained while future modifications to those provisions must conform to Act 600.

Discretion in Allocating Costs. The bill specifies procedures to govern the transfer of assets from participating local government police retirement systems to the regional police department retirement system. Allowing for discretion in the transfer of assets may facilitate efforts to establish regional police departments. The attached proposed amendment deletes the procedures specified in the bill for asset transfers involved with the establishment of regional police department retirement systems and provides for pre-disclosure of the actuarial costs of the proposed regional police pension system.

Technical Amendment. The bill unintentionally amends a paragraph from an amendatory act into the Municipal Police Pension Law and, as a result, changes the service requirement for retirement eligibility established in the Law. A proposed amendment was prepared to correct this error and is attached.

COMMISSION RECOMMENDATION

On November 10, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor favorably consider the bill in view of the policy issues identified above.

FINAL LEGISLATIVE STATUS

Senate Bill 1898, Printer's Number 2472, was referred to the Senate Finance Committee on October 4, 1994.

Bill ID: House Bill 358, Printer's Number 2882

System: All County Retirement Systems Except Allegheny and Philadelphia

Subject: Optional Special Early Retirement

SYNOPSIS

House Bill 358, Printer's Number 2882, would amend 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, including members who are elected officials or appointees to an elective office, would have a 60-day to 120-day period during which to elect retirement under the provision with a seven-day revocation period. If authorized, the minimum eligibility for special early retirement would not be less than age 55 with ten years of credited service or 30 years of credited service with no age requirement. If authorized, the special early retirement provision would credit a member with additional full years of service equal to not less than ten percent nor more than 30 percent of credited service with the result rounded to the next full year, at the currently designated county class base. The cost for each special early retirement provision must be actuarially valued and funded annually over a period not to exceed five years.

DISCUSSION

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

The superannuation retirement age is 60 or, if a member has completed 20 years of total service, 55. A member who reaches superannuation retirement age is entitled to a retirement allowance for life upon retirement.

The retirement allowance is made up of two annuities: (1) a member's annuity and (2) a county annuity. The member's annuity is a defined contribution plan annuity that is the actuarial equivalent of the balance in that member's annuity reserve account. The county annuity is a defined benefit plan annuity that is equal to 1/120 of that member's final salary multiplied by the period of total service for which the member contributed at the 1/120 rate, 1/100 of that member's final salary multiplied by the period of total service for which the member contributed at the 1/100 rate, and so on. Final salary is defined as the average annual salary for the three highest years of county service. For a member who has served less than five years, the final salary is calculated by dividing the total salary received by the number of years served.

If involuntarily discontinued from service (including an elected county officer who completes a term of office and discontinues service) after having completed eight years of total service, or if voluntarily discontinued from service after having completed 20 years of total service but before

DISCUSSION (CONT'D)

having reached superannuation retirement, a member may elect either to withdraw the balance in the member's annuity reserve account or to receive a retirement allowance. A member who separates from county service, after completing eight or more years of credited service, has the right to leave accumulated deductions credited to the member's account in the pension trust fund and, upon reaching superannuation retirement age, to receive a superannuation retirement allowance. In these cases, the retirement allowance is the actuarial equivalent of a county annuity, beginning at superannuation retirement age but based on the period of service up to the date of the discontinuance of service, plus a member's annuity calculated in the usual way.

The bill would create a permanent provision in the County Pension Law permitting 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, under which active members, including members who are elected officials or appointees to an elective office, have a 60-day to 120-day period during which to elect retirement under the provision with a seven-day revocation period. Under the proposed special early retirement incentive provision, the minimum eligibility would not be less than age 55 with ten years of credited service or 30 years of credited service with no age requirements. If authorized, the special early retirement provision would credit a member with additional full years of service equal to not less than ten percent nor more than 30 percent of credited service with the result rounded to the next full year, at the currently designated county class base. The cost of each special early retirement provision must be actuarially valued and funded annually over a period not to exceed five years.

The two possible early retirement eligibility provisions are aimed at two separate types of county employees. The one early retirement eligibility provision is aimed at relatively older, short service employees (between ages 55 and 60 with between ten and 20 years of service). The other early retirement eligibility provision is aimed at relatively younger, long service employee (younger than 55 but with over 30 years of service). The bill provides the county governing body with the flexibility to choose which type of provision it wishes to implement, when it wishes to offer it, the amount of additional service credit to be given, and the length of the window of opportunity during which members choosing to retire early may retire.

SUMMARY OF ACTUARIAL COST IMPACT

Because the proposed special early retirement provisions are permissive both in terms of design and timing, no overall actuarial cost estimate is possible. Due to the funding requirements, the specific proposal probably will be actuarially valued in each county prior to implementation.

POLICY CONSIDERATIONS

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

Voluntary Retirement In Lieu of Furloughs. The bill provides a mechanism to effect voluntary reductions in county work forces in lieu of mandatory reductions effected through the furlough process.

Salary Savings Potential. The economic rationale of the bill is highly dependent on whether the employees induced to retire are replaced. Lower replacement practices will effect salary savings that offset a portion of the actuarial cost of the bill, while higher replacement practices will effect lesser salary savings to offset the actuarial cost of the bill and, if high

enough, could result in an increase in overall costs. Because implementation of the early retirement provisions is discretionary with the county, the potential will exist for a county to evaluate the probable net cost prior to implementing the provision.

Cost-of-Living Adjustments. To the extent that members take advantage of the special early retirement incentive provisions, 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.

Funding Policy. The bill requires that the unfunded actuarial accrued liability attributable to an early retirement window be funded over a five year period. The unfunded actuarial accrued liabilities of an early retirement window usually are amortized over a longer period, typically ten to 20 years.

Appropriateness of Design. By specifying the ranges of design of the early retirement incentive windows, the bill provides flexibility to county officials. Within a standard general design, flexibility necessary to accommodate the variable needs of counties is provided without permitting designs that may be inequitable. The design is easily understood and administered, and it is equitable.

Drafting Ambiguities.

Governing Body. In proposed section 14.1(a), the bill speaks of the commissioners or the council in counties having an optional form of government. Unless the intention is to exclude counties that have adopted home rule charters or unless section 301 of the Home Rule Charter and Optional Plans Law is read to give counties that have adopted home rule charters the power given to all other counties by the bill, the governing body should be referred to in a way that includes counties that have adopted home rule charters. Language to include home rule counties is attached.

Amortization Basis. In proposed section 14.1(c), the bill does not indicate the basis for calculating the required amortization payments. A level dollar basis for calculating the amortization payments is consistent with the conservative amortization period established in the bill and the general practice in public employee pension plans. Language to insert "on a level dollar basis" is attached.

Amortization Payment Period. In proposed section 14.1(c), the bill does not indicate when the five year amortization payment period is to begin and end. Language to require the amortization to be completed by the end of the fifth plan year occurring after the end of the early retirement period is attached.

Increase in Actuarial Cost. In proposed section 14.1(c), the bill speaks of the increase in "actuarial cost." According to the Joint Committee on Pension Terminology, the preferred expression is "actuarial accrued liability" although the expression "accrued liability" is acceptable, having been used in the past both in actuarial practice and in law. Language making this change is attached.

COMMISSION RECOMMENDATION

On January 18, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

As Printer's Number 3475, House Bill 358 was signed into law by the Governor on July 7, 1994, as Act 71 of 1994.

Bill ID: House Bill 665, Printer's Number 729

System: All Municipal Police Officer and Firefighter Retirement Systems

Subject: Providing Retroactive Ad Hoc Postretirement Adjustments
to Certain Survivors of Retired Public Safety Employees

SYNOPSIS

House Bill 665, Printer's Number 729, would amend the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) to retroactively grant special ad hoc postretirement adjustments to certain survivors of retired municipal police officers and firefighters, with the cost of reimbursing municipalities for making 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.

DISCUSSION

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that initially was payable at retirement. The increase usually is made at some time after the retirement benefit is commenced. 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 decision to pay a postretirement adjustment generally is made either by the governing body of the retirement system or by the governing body of the governmental entity that established and maintains the public employee retirement system.

In 1988, the General Assembly enacted and the Governor signed into law the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act mandating postretirement adjustments for certain retired municipal police officers and firefighters. The act specifies that a portion of the proceeds of the premium tax on casualty insurance sold in Pennsylvania by out of state insurance companies be used to pay for this benefit increase, with the remainder of the proceeds continuing to be used for General Municipal Pension System State Aid. In effect, the funding for the program reduces the general state aid available for allocation to municipalities to offset their employee retirement system costs.

House Bill 665, Printer's Number 729, would, retroactive to the first municipal pension payment in 1989, grant a special ad hoc postretirement adjustment to individuals who, on February 12, 1989, were survivors of retired municipal police officers or retired municipal firefighters who began receiving retirement benefits before January 1, 1985, paid for, in part, out of the General Fund, as follows:

Grant a \$25 a month adjustment to a survivor where the deceased public safety employee retired after December 31, 1978, and before January 1, 1984;

DISCUSSION (CONT'D)

Grant a \$50 a month adjustment to a survivor where the deceased public safety employee was totally disabled and retired after December 31, 1978, and before January 1, 1985;

Grant a \$75 a month adjustment to a survivor where the deceased public safety employee retired after December 31, 1968, and before January 1, 1979; and

Grant a \$150 a month adjustment to a survivor where the deceased public safety employee retired before January 1, 1969.

The bill specifies that the money to reimburse municipalities for the first year of the survivor adjustments shall come from the Commonwealth's General Fund, and the money to pay for succeeding years of the survivor adjustments shall come from two sources. The first source will be small but increasing amounts of foreign casualty insurance tax proceeds equal to the decreases in the monies needed to fund the retiree adjustments under the act. These monies would otherwise have reverted to the General Municipal Pension System State Aid Program. The second source of the funding required for the survivor adjustments will be the Commonwealth's General Fund.

Except for the 15-year Supplemental State Assistance Program to aid municipal employee retirement systems participating in the Recovery Program for Financially Distressed Municipal Pension Systems, the Commonwealth's General Fund previously has not been used to pay for retirement benefits for retired local government employees or their survivors. The Supplemental State Assistance Program was established as part of the public employee retirement system reforms contained in the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984).

From the adoption of the 1874 Constitution of Pennsylvania, the Constitution had prohibited enactment of legislation giving extra compensation to any public officer, servant, or employee after that individual's services have been rendered. The Supreme Court of Pennsylvania interpreted this section to hold unconstitutional legislation granting increases in retirement pay to already retired public employees [*Koehnlein v. Allegheny County Employees' Retirement System*, 373 Pa. 535, 97 A.2d 88 (1953); *Jameson v. City of Pittsburgh*, 381 Pa. 366, 113 A.2d 454 (1955)]. In a 1955 opinion, relying, in part, upon *Koehnlein*, the Attorney General of Pennsylvania reached the same conclusion [1955 & 56 Op. Att'y Gen. of Pa. 20 (No. 656)(1955)]. In response to these readings, the Constitution was amended in 1955 specifically to permit increases in retirement allowances or pensions for members of Pennsylvania public employee retirement or pension systems after the termination of the services of these members.

Since the 1955 amendment became effective, the General Assembly has enacted and the Governor has signed into law a number of statutes requiring or permitting special ad hoc postretirement adjustments in the retirement pay of retired public employees. None of these statutes, however, have granted an increase in the benefits paid to the surviving spouses of deceased, retired public employees.

A proposal to amend section 26 of article 3 to permit enactment of legislation increasing retirement benefits or pensions of the surviving spouses of public employees after the termination of the public services of these employees was submitted to the electors at the municipal election on November 3, 1981, and was rejected. On July 8, 1993, in holding that the widow of a retired police officer of a city of the third class who would have been eligible for a special ad hoc postretirement adjustment under the act was entitled to one-half of the adjustment as part of her survivor's pension under The Third Class City Code, the Commonwealth Court of Pennsylvania came to the

DISCUSSION (CONT'D)

conclusion that, at least under The Third Class City Code, a surviving spouse is a member of the pension plan within the meaning of section 26 of article 3 of the Constitution of Pennsylvania [*Hutskow v. Washowich*, 156 Pa. Commw. Ct. 655, 628 A.2d 1202 (1993), appeal denied, No. 0444 W.D. Alloc, Dkt. 1993, ____ Pa. ____, ____ A.2d ____]. Therefore, the survivors of a retiree that was receiving an ad hoc postretirement adjustment at the time of death are entitled to the survivor's portion of the adjustment. The proposed legislation would grant the entire adjustment to individuals who were survivors of retirees on the original effective date of the act.

SUMMARY OF ACTUARIAL COST IMPACT

	Amount
Increase in Unfunded Actuarial Accrued Liabilities	\$48,200,000

	Amount
Increase in Employer Annual Costs	
Normal Costs	\$ 0
Amortization Payments (Ten years, level dollar amounts)	<u>6,800,000</u>
Total Increase in Employer Annual Costs	\$ 6,800,000

	Amount
Total Amortization Payments	\$68,000,000

	First Year *	Second Year	Third Year
Commonwealth Reimbursements			
from General Fund	\$21,800,000	\$ 3,210,000	\$ 2,730,000
from Foreign Casualty Insurance			
Premium Tax	0	310,000	610,000
Total Commonwealth Reimbursements	\$21,800,000	\$ 3,520,000	\$ 3,340,000

* Reimbursement for Six Years of Survivor Adjustments.

POLICY CONSIDERATIONS

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

Benefit Design Targets Greatest Need. The design of the benefit increase proposed in the bill targets the most assistance to those survivors who have experienced the greatest erosion in benefit adequacy.

Erosion of Purchasing Power. The proposed adjustments will help survivors who have suffered an erosion in the purchasing power of their survivor benefits.

Commonwealth Mandates to Local Governments. The bill mandates benefit increases for certain municipal retirement systems. The appropriateness of the Commonwealth mandating local governments to provide specific pension benefits is questionable from a public policy standpoint.

General Fund Financing of Municipal Retirement Systems. The Commonwealth's General Fund previously has not had direct financial involvement in financing benefit increases in municipal employee retirement systems.

Survivor Benefit Amount. Most public employee pension plans either provide a standard benefit to retirees and a reduced benefit to survivors or provide a uniform reduced benefit to both retirees and survivors. The bill would provide the same full ad hoc postretirement adjustments to survivors as provided to retirees.

Equity Among Municipal Employees. The bill is limited in application to survivors of retired municipal police officers and firefighters. There is limited policy rationale for the Commonwealth to distinguish between municipal public safety employees and other municipal employees in mandating postretirement benefit increases and in providing substantial Commonwealth General Fund funding to finance the benefit increase.

Constitutionality. It is not clear whether the Commonwealth Court's reading of The Third Class City Code as recognizing that survivors are "members' of the municipal police retirement system within the meaning of" section 26 of article 3 of the Constitution of Pennsylvania also would apply to other municipalities.

Retroactive Effective Date.

Six Years of Reimbursements in One. Making the bill retroactive means that the reimbursements from the Commonwealth paid in 1995 will have to cover the retroactive payments made in 1994 for 1989, 1990, 1991, 1992, 1993, and 1994 as well as the regular adjustments paid in the remainder of 1994, a total of six years.

Definition of First Year. Proposed section 703 (in section 3 of the bill) is not clear as to which year is the "first year" for purposes of calculating the General Fund reimbursement amounts. To avoid problems of statutory interpretation, the bill should specify what year is the first year.

Definition of Survivor. The bill defines a survivor as an individual who is the survivor of a public safety employee and who is receiving a survivor benefit from a public employee retirement system on February 12, 1989. This leaves the ultimate definition of survivor to the municipal pension plan. Presumably, most of these survivors are surviving spouses or surviving minor children. If it is the intent of the sponsors to limit this benefit to surviving spouses and surviving minor children, the definition should be amended to clarify that intent.

State Pension Aid. The proposal would result in limiting the increase in the foreign casualty insurance premium tax receipts that would be available through the General Municipal Pension System State Aid to municipalities to offset their employee pension costs.

POLICY CONSIDERATIONS (CONT'D)

Drafting Ambiguity. Rather than designating the new section as 302(a.1), the bill proposes a new section 302(b) and to redesignate sections 302(b), (c) and (d) as 302(c), (d) and (e) but without amending the references to sections 302(b) and (c) in section 302(a). Either proposed new section 302(b) should be redesignated 302(a.1) or the references in section 302(a) to sections 302(b) and (c) should amended to be references to sections 302(c) and (d).

COMMISSION RECOMMENDATION

On April 12, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above and expressing particular concern about the issues of Commonwealth mandates to local governments and equity among municipal employees.

FINAL LEGISLATIVE STATUS

House Bill 665, Printer's Number 729, was re-referred to the House Appropriations Committee on April 11, 1994.

Bill ID: House Bill 1637, Printer's Number 3323

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

Subject: Purchase of Prior Service Credit and Specification of Interest Rate
for Withdrawn Member Contributions

SYNOPSIS

House Bill 1637, Printer's Number 3323, would, among other things, amend sections 1710, 1714, and 1715 of the Second Class County Code to permit:

Allegheny County employees to purchase service credit for county service provided before becoming members of the retirement system with the purchase amount payable either in a lump sum or in a series of monthly payments over not more than six months and equivalent to the normal contributions without interest;

The Allegheny County Employees' Retirement Board to fix the interest rate to be credited to withdrawn member contributions; and

Reemployed Allegheny County employees to purchase service credit for their previous service at any time after reemployment and before retirement with the purchase amount payable either in a lump sum or as a series of monthly payments over not more than three years and equivalent to the withdrawn contributions plus interest at the legal rate.

DISCUSSION

Purchase of Service Credit for Service Prior to Joining System

Under section 1708 of the Second Class County Code, each county employee is required to become a member of the county employees' retirement system within six months from the date of the employee's employment. The Commission's consulting actuary believes that it is possible that certain elected officials have not joined the system. He also believes that employees who have joined the system as a result of a merger of federal, Commonwealth, municipal, or some combination of these programs into county programs may attempt to purchase service credit for their non-county service with the predecessor organization. At the time the employee elects membership, the employee begins to contribute to the pension trust fund and accrue benefits. The bill would amend section 1710 to permit employees who did not elect membership immediately upon employment to purchase service credit in the system for county service rendered before becoming members. The purchase amount would be payable either in a lump sum or in a series of monthly payments over not more than six months and equivalent to the contribution the employee would have been required to make had the employee been a member of the system from the date of original employment without interest.

Service purchase provisions in public employee retirement plans sometimes are used to permit individuals who terminated membership and later return to service to reinstate the previously credited service and to remedy inequities in an employees' rights in the retirement system.

DISCUSSION (CONT'D)

Therefore, permitting the purchase of service credit for service from the time of employment to the time of election of membership is a reasonable use of a service purchase provision. Permitting the purchase to be made without interest, which, in effect, gives the employee an interest free loan at the expense of the retirement system, is unusual, particularly when the purchase may be made at any time prior to retirement based upon the relatively lower beginning salary. Without requiring an interest payment, the provision will serve as an encouragement to new employees to delay election of membership in the system until the end of the six months and to delay purchase of credit for that six months service until just before retirement, thus maximizing their financial gain and the retirement system's financial loss.

Credited Interest on Refunded Employee Contributions

Under the Second Class County Code, all county employees must contribute to the pension trust fund. As with many public employee pension plans, when an employee terminates service before being eligible to receive benefits, the employee is entitled to the return of the mandated employee contributions plus interest. Under the Code, the required annual rate of interest is three percent prior to March 1, 1981, and five percent thereafter. The bill would amend section 1714 to permit the county employees' retirement board to fix the rate of interest.

Because employee contributions to a pension trust fund represent a form of forced savings for those who terminate service before becoming eligible to receive the benefits of the retirement system, it is only equitable that they be paid some fair rate of interest on these "savings" upon termination of service. Under the Second Class County Code, as under many public employee pension plans, the rate of interest is mandated in the pension plan. Presumably these rates represent the equivalent of the return the employee would have received had the employee been able to invest the contributions, thus providing the employee with some "nest egg" for further reinvestment towards retirement since the employee will not be eligible either for benefits from the system nor for portability of service credits (with related assets and liabilities) to another retirement system. Permitting the board to fix the rate at its own discretion without any guidelines may mean that individuals with identical years of service and identical total contributions will receive different refunds due to different rates of interest. The difference in interest rates may be perceived as inequitable, even if it only reflects the difference in long term investment returns as of the dates of termination of the two employees. It may be preferable to require that the rates be set prospectively not more frequently than once every plan year.

Purchase of Service Credit by Reemployed Members for Previous Service

Public employee retirement systems frequently offer the opportunity for members who terminate membership and later return to service to reinstate the previously credited service. This type of service purchase typically is accomplished through repayment by the member of the amount of any refunded member contributions, accompanied by interest at a specified rate to the date of the service purchase. The authorization to reinstate prior service with the same public employer assures that the employee's total period of service to the employer will be recognized in determining vesting rights, eligibility to retire, and amount of pension benefit. Reinstatement of prior service with the same public employer through a service purchase authorization serves the public policy of fair and consistent treatment of public employees.

The Second Class County Code permits an individual who formerly was a member of the retirement system, terminated county service, and withdrew member contributions paid into the retirement fund to purchase credit in the system for this previous service if the individual is reemployed by the county. The Code requires that the purchase be made in a lump sum within two years of

DISCUSSION (CONT'D)

reemployment or in a series of monthly payments not to exceed 36 ending three years after reemployment. The payment must be the full amount previously refunded to the member plus interest from the date of the refund to the date of repayment. The bill would amend section 1715 to remove the requirement that the payment(s) must be made within either two or three years of reemployment and permit the payments to be made at any time after reemployment and before receiving benefits as:

A lump sum,

A series of monthly payments not to exceed 24, or

A series of monthly payments not to exceed 36

SUMMARY OF ACTUARIAL COST IMPACT

Purchase of Service Credit for Service Prior to Joining System

The Commission's consulting actuary was not able to identify those members who will be able to purchase service credit for county service prior to joining the system. His conclusion, however, is that in relation to the aggregate size of the retirement system, there will be a more widespread effect than for purchases by reemployed members for previous county service. The result of the provision will be that most members will not join until the end of the initial six-months period and will elect to purchase service credit for the non-membership county service at retirement, thus maximizing their benefits and maximizing the costs of this provision to the county taxpayers.

Credited Interest on Refunded Employee Contributions

Because the proposed provision regarding the interest credited on refunded employee contributions is permissive, it is not possible to estimate the cost, if any, to the retirement system of this provision. Presumably, the county employees' retirement board will consult its actuary before setting this rate and, therefore, know what costs, if any, it is imposing on the system.

Purchase of Service Credit by Reemployed Members for Previous Service

The Commission's consulting actuary was not able to identify those reemployed members who will be able to purchase service credit for previous county service. His conclusion, however, is that, in relation to the aggregate size of the retirement system, there will be a relatively small number of employees who can afford to take advantage of this expanded provision.

POLICY CONSIDERATIONS

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

Conformance with and Departure from Policy Guidelines: In June of 1989, the Public Employee Retirement Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring purchases of credit for service. The bill conforms to some and does not conform to other recommendations in the report concerning authorizing, funding, and structuring purchases of credit for service.

Appropriateness of Credit for Prior County Service. The Commission recommended that service purchase authorizations be permitted to provide for the restoration of service credits following an interruption and return to service with the same public employer. The Code contains such a provision, which the bill would continue. The bill also would authorize the purchase of service credit for previous county service during the six months election window.

Adequacy of Purchase Payments. The Commission recommended that, for a service purchase applicable to the restoration of service credits following an interruption and return to service with the same employer, the member restore the withdrawn amount with interest from the date of withdrawal to the date of repayment. The Code contains such a provision, which the bill would continue. The bill, however, would not require the payment of interest on the employee contributions for the purchase of previous county service during the six months election window. The absence of an interest payment for purchase option of previous county service during the election window increases the cost to the retirement system associated with the authorization to purchase credit for this previous county service.

Length of Service Purchased. The Commission recommended that, for service purchase authorizations applicable to the reinstatement of prior service with the same employer, the entire period of eligible service be permitted to be purchased. The Code contains such a provision, which the bill would continue. The bill also would permit the purchase of service credit for the entire period of county service during the election window prior to electing membership in the system.

No Time Limit on Exercise of Purchase Option. The Commission recommended that the time during which an employee may exercise an option to purchase service credit for the reinstatement of prior service be limited to within three years of becoming eligible to do so. The Code contains a provision limiting the time to two years. The bill would remove this limit so that there would be no limit on the time within which a member must exercise the purchase option. Likewise, there is no time limit provided for the purchase of previous county service prior to election of system membership during the election window. This would enable an eligible member to purchase one or the other or both of these service credits very close to the time of retirement. The absence of a limitation on the time the purchase option is available increases the cost to the retirement system associated with the authorization to purchase credit for previous county service.

Time Limit on Making Purchase Payments. The Commission recommended that, for service purchase authorizations applicable to the reinstatement of prior service with the same employer, any contributions payable by the employee be payable either in a lump sum or in accordance with a schedule of installment payments not exceeding the length of the purchased service as agreed upon by the employee and the public employee retirement system. The Code provisions effectively limit installment payments to not more than three years, which the bill would continue. The bill also would limit the payment period for purchase of previous county service prior to election of retirement system membership to six months, which is the maximum length of such previous service possible. This too is consistent with the Commission's recommendations.

POLICY CONSIDERATIONS (CONT'D)

Minimum Withdrawal Interest Rate Criteria. There is a need for statutory guidance in setting the interest rate on withdrawn contributions. At a minimum, the rate should be set prospectively not more frequently than once a year. Language making this change is attached.

COMMISSION RECOMMENDATION

On May 18, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

House Bill 1637, Printer's Number 3899, was re-referred to the Senate Rules and Executive Nomination Committee on June 28, 1994.

Bill ID: House Bill 1740, Printer's Number 2015

System: Police Officers' Retirement Systems in Cities of the Third Class

Subject: Changing Automatic Survivor Pension from Joint and 50 Percent to Joint and 100 Percent

SYNOPSIS

House Bill 1740, Printer's Number 2015, would amend 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.

DISCUSSION

Under article 43(a) of The Third Class City Code, a city of the third class must establish, by ordinance, a retirement system for its police officers. All members of the city police force must be members of the retirement system. There are 58 police officers' retirement systems in cities of the third class with a total of about 9,942 active members.

A police officer may retire after 20 years of service on superannuation retirement. The ordinance does not have to prescribe a minimum age, but if one is prescribed, it must be age 50. A retiree's retirement pay is computed at one-half the final rate of pay or one-half of the monthly average salary of the police officer during the five highest years, whichever is greater. The city also must pay a retiree a service increment of 1/40 of the retirement pay for each year of service in excess of 20 years before the retiree reaches age 65. This service increment cannot be more than \$100 a month. If a police officer with less than ten years of service becomes totally disabled due to injuries not in line of duty, the officer may be entitled to a pension of 25 percent of the officer's annual compensation. If a police officer with ten or more years service is totally disabled, the officer may be entitled to a pension of 50 percent of the officer's annual compensation. If a police officer becomes totally disabled due to injuries sustained in the line of duty, the officer is deemed to be fully vested, regardless of the actual number of years of service, and is eligible for immediate retirement benefits.

In the ordinance that creates the police pension plan, the city may provide for a vested benefit. This vested benefit provides that if a police officer who has completed 12 years of full-time service ceases to be a full-time police officer of the city before reaching the required superannuation retirement age and service, the officer is entitled to vest that officer's retirement system benefits. When the vestee reaches what would have been the superannuation retirement date, had the vestee continued in full-time police service with the city, the retirement system pays the vestee a partial superannuation retirement allowance. The partial superannuation allowance is proportional to the number of years actually worked, as compared to the superannuation retirement years, and is calculated using the monthly average salary during the appropriate period prior to termination of employment.

DISCUSSION (CONT'D)

If a police officer eligible to retire or a retiree dies, that individual's spouse is entitled to a pension equal to 50 percent of the pension the individual was receiving or would have been receiving had the individual been retired at the time of death. The pension is payable during the spouse's lifetime or until the spouse remarries. If no spouse survives, or if the spouse survives and subsequently dies or remarries, the pension is payable to any child or children under the age of 18. The bill would change the amount of the pension paid to the survivor spouse or survivor children from 50 percent to 100 percent of the pension the member was receiving or would have been receiving without any reduction in the member's original pension. Under article 43(a) of The Third Class City Code, firefighters already are granted an automatic joint and 100 percent survivor annuity.

The usual practice is for pension plans to give a retiring member a choice among options, all with the same actuarial present value. For example, these options might include a single life annuity, a joint and 100 percent survivor annuity, a joint and 2/3 survivor annuity, and a joint and 50 percent survivor annuity. Under The Third Class City Code, a retiring police officer has no such choices. If the retiring police officer is married, that individual automatically receives a joint and 50 percent survivor annuity. Because there is no actuarial reduction in the member's annuity, the retirement benefit has a greater actuarial present value than the single life annuity paid to a similarly situated retiring police officer who has no spouse or children under 18. The bill would change this mandated option to a joint and 100 percent survivor annuity but, again, there would be no reduction in the retiree's annuity, thereby making the actuarial present value of the pension even greater than a single life annuity. Under sections 401(a)(11) and 417(b) of the Internal Revenue Code, a private sector pension trust fund would lose its qualified status as a tax exempt entity unless the joint and survivor annuity was the actuarial equivalent of the single life annuity for the member.

The bill mandates a survivor pension of 100 percent of the pension the member of the police officers' retirement system was receiving or would have been eligible to receive at the time of death. Similar automatic joint and 100 percent survivor annuity benefits already are provided for firefighters in cities of the third class, but they are not provided for nonuniformed employees. Considering the potential high cost of the proposed benefit increase in some cities, it may be preferable to consider an alternative that would authorize the cities to increase the percentage from 50 percent up to, and including, 100 percent as an optional benefit.

SUMMARY OF ACTUARIAL COST IMPACT

The Commission's consulting actuary studied a sample of seven police officers' retirement systems in cities of the third class.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	1.2% - 117%
	<u>As a % of Payroll</u>
Increase in Employer Annual Costs	
Normal Cost	0.27% - 2.41%
Amortization Payment (Level dollars for lesser of 20 years or average remaining future service of active members)	<u>0.13%</u> - <u>14.88%</u>
Total Increase in Employer Annual Costs *	0.47% - 17.29%

* Do not total because the individual numbers represent separately calculated ranges.

POLICY CONSIDERATIONS

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

Parity with Firefighters. The bill gives police officers in cities of the third class the same retirement system survivor benefits as already given to firefighters.

Uniformity and Equity of Pension Benefits. Similar automatic joint and 100 percent survivor annuity benefits are provided for firefighters but not 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 nonuniformed employees in cities of the third class as well.

Absence of Cost Sharing. The proposed benefit increase is not accompanied by a member contribution increase. Consideration should be given as to whether the magnitude of the benefit improvement is sufficient to warrant an increase in member contributions.

Commonwealth-Mandated Benefit. The bill mandates a benefit modification for police officers' retirement systems in cities of the third class. The appropriateness of the Commonwealth mandating local governments to provide specific pension benefits is questionable from a public policy standpoint.

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 would be appropriate. An amendment to provide a uniform set of equal present value optional retirement benefits for retiring police officers in cities of the third class should be considered as an alternative to the proposed amendment.

Impact on Actuarial Conditions. As proposed, the bill mandates a benefit increase with the potential for substantially increasing the unfunded actuarial accrued liabilities in some of the affected pension funds. Authorization of local flexibility in the modification of the joint and survivor annuity would permit consideration of varying actuarial conditions in pension trust funds for police officers in cities of the third class.

COMMISSION RECOMMENDATION

On April 12, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

House Bill 1740, Printer's Number 2015, was re-referred to the House Appropriations Committee on December 8, 1993.

Bill ID: House Bill 1905, Printer's Number 3373

System: State Employees' Retirement System

Subject: Expansion of Special Public Safety Employee Benefit Coverage
to Certain Employees of the Pennsylvania Game Commission
and of the Pennsylvania Fish and Boat Commission

SYNOPSIS

House Bill 1905, Printer's Number 3373, would amend the State Employees' Retirement Code to expand the definition of enforcement officer to include: (1) Full-time Pennsylvania Game Commission employees who are graduates of the game commission training school and who serve or served as wildlife conservation officers and are empowered to enforce or investigate alleged violations of the Crime Code and the Game and Wildlife Code and (2) Waterways conservation officers and other commissioned law enforcement personnel employed 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 and, in retirement, would be permitted to work for the commissions on a per diem basis for not more than 100 days a year as deputy officers without having their annuities stopped and frozen at their present values.

DISCUSSION

The State Employees' Retirement System (SERS) is a cost-sharing multiple-employer retirement system established by the Commonwealth to provide pension benefits for employees of the Commonwealth and certain independent agencies. At December 31, 1991, there were 108 participating state and independent agencies. Membership in SERS is mandatory for most state employees. Certain other employees are not required but are given the option to participate. At December 31, 1992, SERS membership consisted of about 74,785 retirees, beneficiaries, and terminated employees entitled to benefits and about 109,609 active members.

Special retirement coverage for various public safety employees is often provided in public employee retirement systems. The special treatment is based on the hazardous nature of public safety employment and the physical and psychological requirements of much public safety work.

Under the State Employees' Retirement Code, the special retirement coverage for Commonwealth public safety employees is the eligibility to retire at age 50 with full retirement benefits. Normal retirement for general employees is age 60 or any age with 35 years of service. Since the death benefit for any Commonwealth employee is dependent on the retirement age, the special public safety employees retirement coverage also increases the death benefit.

The employees currently eligible for this special coverage include Liquor Control Board enforcement officers and investigators, Office of Attorney General special agents, narcotics agents, asset forfeiture agents, medicaid fraud agents, and senior investigators of the hazardous prosecutions unit, Pennsylvania Board of Probation and Parole parole agents, Department of Corrections correctional officers, Department of Public Welfare psychiatric security aides, Delaware River Port Authority policemen, and Pennsylvania State Police officers.

DISCUSSION (CONT'D)

Under the Fish and Boat Code, waterways conservation officers enforce all laws of the Commonwealth relating to fish and watercraft as well as game, parks, and forestry, and they also may enforce the Crimes Code. Deputy waterways conservation officers also may be appointed with identical powers except that they cannot enforce the Crimes Code and, unless detailed in writing for duty by the executive director of the Pennsylvania Fish and Boat Commission, are not entitled to any salary, compensation, or expenses from the Commonwealth for their services. Under the Game and Wildlife Code, game commission officers enforce all laws of the Commonwealth relating to game and wildlife as well as fish, boats, parks, forestry, and other environmental matters, and they also may enforce the Crimes Code. Deputy game commission officers also may be appointed with identical powers except that they cannot enforce the Crimes Code, and, unless detailed in writing for duty by the executive director of the Pennsylvania Game Commission, are not entitled to compensation for either time or expenses. The enforcement powers of these officers generally include powers to arrest, execute warrants and search warrants, serve subpoenas, stop and search vehicles and watercraft, carry firearms, seize evidence, etc. The bill excludes deputy game commission officers and deputy waterways conservation officers from being defined as "enforcement officers."

SUMMARY OF ACTUARIAL COST IMPACT

**Game Commission Officers
of the
Pennsylvania Game Commission**

Based upon an estimate of 205 eligible Pennsylvania Game Commission employees, the consulting actuary of the State Employees' Retirement System estimated the costs of expanding special public safety employee benefit coverage to Game Commission officers. At the time the Public Employee Retirement Commission's consulting actuary reviewed these estimates, the Pennsylvania Game Commission was estimating that 298 employees were eligible under the bill and that the demographic characteristics of the additional employees were similar and proportional to those used in the original estimate. The Public Employee Retirement Commission's consulting actuary reviewed the original estimates and proportionately increased estimates as prepared by the Commission staff based on 298 eligible employees and found them to be reasonable. The Pennsylvania Game Commission now estimates that 231 employees will be eligible under the bill and that the demographic characteristics of the additional employees are similar and proportional to those used in the original estimate. The following cost estimates are calculated based upon proportional increases in the original estimates.

	<u>Amount</u>	
Increase in Actuarial Accrued Liability	\$2,065,000	
	<u>Amount</u>	<u>As a % of Class Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 192,000	2.12%
Amortization Payment * (First year cost, increasing 5% a year for 20 years)	<u>165,000</u>	<u>1.82%</u>
Total Increase in Employer Annual Costs (First year only)	\$ 357,000	3.94%
	<u>Amount</u>	
Total Amortization Payments: *	\$5,455,882	

POLICY CONSIDERATIONS

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

Appropriateness of Benefit Coverage. Traditionally, special public safety employee retirement coverage is deemed appropriate for a group of employees if the nature of the duties of the employees is sufficiently hazardous and the need for an exceptionally able and vigorous workforce is sufficiently great. The positions in the Pennsylvania Game Commission proposed to be included under the special benefit coverage are employees who are empowered to enforce or investigate alleged violations of the Game and Wildlife Code. The positions in the Pennsylvania Fish and Boat Commission proposed to be included under the special benefit coverage are waterways conservation officers and other commissioned law enforcement personnel who have and exercise the same law enforcement powers as waterways conservation officers except for deputy waterways conservation officers. In considering the proposed legislation, Commonwealth policymakers must determine whether the special benefit coverage is warranted for those two groups of employees based on the degree of hazard encountered by these members in the performance of their duties and the need for exceptionally vigorous workforces in these areas.

Member Contributions. The proposed legislation provides a benefit increase applicable to active SERS members and, therefore, increases the normal cost of the retirement system. It may be appropriate for a portion of the cost of the benefit increase to be allocated to active members through increased member contributions. Other SERS members with special public safety employee benefit coverage are not required to contribute at a higher rate than general state employees, however.

Drafting Ambiguity. The description of eligible full-time employees of the Pennsylvania Game Commission is intended to include both wildlife conservation officers and their superiors who have identical law enforcement powers. The description would be clearer if the word "and" were to be inserted on line 4 of page 2 of the bill after the word "officers". Language making this change is attached.

COMMISSION RECOMMENDATION

On June 21, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

House Bill 1905, Printer's Number 4299, passed Second Consideration in the House of Representatives on October 4, 1994.

Bill ID: Amendment 5194 to House Bill 1905, Printer's Number 4299

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

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

SYNOPSIS

Amendment 5194 to House Bill 1905, Printer's Number 4299, would amend House Bill 1905, Printer's Number 4299, 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 subsequently was determined to be eligible for purchase based on federal court decisions.

DISCUSSION

Members of the Public School Employees' Retirement System (PSERS) and the State Employees' 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 5194 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 *	SERS	Total
	(\$ in thousands)	(\$ in thousands)	(\$ 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)	<u>109 to 326</u>	<u>85 to 256</u>	<u>194 to 582</u>
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.

POLICY CONSIDERATIONS (CONT'D)

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 Employees' Retirement System and the State Employees' 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 5194 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 November 10, 1994, 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.

FINAL LEGISLATIVE STATUS

House Bill 1905, Printer's Number 4299, passed Second Consideration in the House of Representatives on October 4, 1994.

Bill ID: House Bill 2106, Printer's Number 3220

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

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

SYNOPSIS

House Bill 2106, Printer's Number 3220, would 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 Employees' Retirement System (PSERS) and the State Employees' 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. At that time, the Department of Military Affairs estimated that the total number of eligible members would be less than 1,000. The consulting actuary assumed that the benefits only would be paid prospectively from the date of adoption as the bill 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 *	SERS	Total
	<u>(\$ in thousands)</u>	<u>(\$ in thousands)</u>	<u>(\$ in thousands)</u>
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)	<u>109 to 326</u>	<u>85 to 256</u>	<u>194 to 582</u>
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 bill 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.

POLICY CONSIDERATIONS (CONT'D)

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 Employees' Retirement System and the State Employees' 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 House Bill 2106, Printer's Number 3220, 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 March 10, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

FINAL LEGISLATIVE STATUS

House Bill 2106, Printer's Number 3220, was re-referred to the House Appropriations Committee on March 7, 1994.

Bill ID: Amendment 2270 to House Bill 2106, Printer's Number 3220

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

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

SYNOPSIS

House Bill 2106, Printer's Number 3220, would 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. Amendment 2270 would clarify which annuitants are affected.

DISCUSSION

Members of the Public School Employees' Retirement System (PSERS) and the State Employees' 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 bill would grant a special supplemental postretirement adjustment to those individuals with such military service who retired prior to the court decisions. The amendment would grant the adjustment to those who retired after the court decision but before the two systems had fully implemented compliance with the decision. The bill 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. At that time, the Department of Military Affairs estimated that the total number of eligible members would be less than 1,000. The consulting actuary assumed that the benefits only would be paid prospectively from the date of adoption as the bill 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 *	SERS	Total
	(\$ in thousands)	(\$ in thousands)	(\$ 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)	<u>109 to 326</u>	<u>85 to 256</u>	<u>194 to 582</u>
Total Increase in Employer Annual Costs (First year only)	\$ 109 to \$ 326	\$ 85 to \$ 256	\$ 194 to \$ 582
Total Amortization Payments:	\$3,604 to \$10,780	\$2,811 to \$8,465	\$6,415 to \$19,244

* 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 bill 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.

POLICY CONSIDERATIONS (CONT'D)

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 Employees' Retirement System and the State Employees' 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 House Bill 2106, Printer's Number 3220, 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 June 21, 1994, 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.

FINAL LEGISLATIVE STATUS

House Bill 2106, Printer's Number 3220, was re-referred to the House Appropriations Committee on March 7, 1994.

Bill ID: House Bill 2158, Printer's Number 3324

System: State Employees' Retirement System

Subject: Service Credit Purchase Authorization for Nonstate Service as a Pennsylvania Municipal Police Officer Restricted to Members of the Pennsylvania State Police

SYNOPSIS

House Bill 2158, Printer's Number 3324, would amend section 5304 of the State Employees' Retirement Code to permit an active member who is a member of the Pennsylvania State Police to purchase up to five years of service credit for previous nonstate service as a municipal police officer within Pennsylvania.

DISCUSSION

The Commonwealth's defined benefit pension plan has a retirement benefit based on a pre-determined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plan are based on the attainment of a specified age and the crediting of a specified number of years of service. The number of years of credited service has a direct impact on the benefit amount for both regular and early retirement. Public employee defined benefit pension plan provisions that permit members to receive credit for service with another employer are of value to members because they enhance the retirement benefit and may also accelerate retirement eligibility.

Under an award by a board of arbitration, members of the Pennsylvania State Police are entitled to a retirement benefit equal to a percentage of their highest annual salary, excluding their year of retirement. The benefit is 50 percent of salary for 20 to 24.9 years of service and of 75 percent of salary for 25 or more years of service.

All members of the State Employees' Retirement System (SERS) currently are able to purchase credit for the following types of service: approved leaves of absence without pay, intervening and nonintervening military service, service as public educators in another state or with the federal government, service as a temporary federal employee assigned to a Commonwealth agency, service in a community college under the Community College Act, service in the Cadet Nurse Corps during World War II, service with a government agency other than the Commonwealth where employment was terminated because of the transfer by law of the administration or the service or of the entire agency to the Commonwealth, and service as a justice of the peace prior to 1970.

About 4,000 of the 109,609 members of SERS are employed as members of the Pennsylvania State Police. The bill would expand the list of purchasable nonstate service for only these members to include service as a municipal police officer within Pennsylvania. The purchase would be limited to not more than five years of service credit. The effect of the additional service credit would be to add an amount equal to up to twenty-five percent of the highest salary to the value of the basic benefit prior to modification. The purchase payment amount required for each year of service credit would be the member contribution rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service applied to the salary of that first year of subsequent

DISCUSSION (CONT'D)

Commonwealth service plus interest at the statutory rate of four percent. Because the payment amount would be less than the actuarial value of the additional service credit, a residual unfunded actuarial accrued liability would be created, and it would be funded by the Commonwealth over a 20 year period with payments increasing five percent a year.

The advantage that the proposed option to purchase nonstate service credit would confer upon certain SERS members can be illustrated by a few examples. Under the bill:

A member of the Pennsylvania State Police with 20 years of Commonwealth service, who already is eligible for a full pension of 50 percent of highest salary, if eligible, could buy five years of service credit for nonstate service as a municipal police officer and immediately retire with a pension of 75 percent of highest salary;

A member of the Pennsylvania State Police with 15 years of Commonwealth service, if eligible, could buy five years of service credit for nonstate service as a municipal police officer and immediately retire with a pension of 50 percent of highest salary; or

A member of the Pennsylvania State Police with ten years of Commonwealth service, if eligible, could buy five years of service credit for nonstate service as a municipal police officer and five years of service credit for nonintervening military service and immediately retire with a pension of 50 percent of highest salary.

Under section 5705(a)(4)(iii) of the State Employees' Retirement Code, a retiring member may withdraw, as a component of an optional form of retirement benefit, a lump sum amount equal to the member's total accumulated deductions. This provision would enable an eligible member to effect the proposed service credit purchase very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the entire purchase amount as part of the withdrawal. The offset to the member's pension benefit in this situation will be less than the full value of the purchased benefit, thus generating an additional loss in excess of the increase in unfunded actuarial accrued liability caused by purchasing the service credit at less than full cost. The combined effect gives the member a significantly increased pension at essentially no cost to the member.

SUMMARY OF ACTUARIAL COST IMPACT

The Pennsylvania State Police estimate that approximately five to ten percent of its members previously were employed as municipal police officers in Pennsylvania. The Commission's consulting actuary estimates that permitting members of the Pennsylvania State Police to purchase up to five years of service credit for previous nonstate service as a municipal police officer in Pennsylvania would result in the following range of costs.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	Range of Amounts		
Increase in Unfunded Actuarial Accrued Liability	\$8,000,000	-	\$16,000,000
	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)	<u>600,000</u>	-	<u>1,200,000</u> <u>0.43%</u> - <u>0.86%</u>
Total Increase in Employer Annual Costs (First year only)	\$600,000	-	\$1,200,000 0.43% - 0.86%

	Range of Amounts		
Total Amortization Payments	\$19,839,572	-	\$39,679,145

POLICY CONSIDERATIONS

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

Departure from Policy Guidelines. In June of 1989, the Public Employee Retirement Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring purchases of credit for service. The bill does not conform to the recommendations in the report concerning authorizing, funding, and structuring purchases of credit for service.

Inequity of Certain Service Credit Purchase Authorizations. The Commission recommended that service credit purchase authorizations not be employed as a means of recognizing the past education, training, or work experience of public employees based on the public policy determination that the recognition of these activities represents a departure from the conventionally recognized role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to public service. The use of service credit purchase authorizations on an ad hoc basis to recognize past education, training, or experience requires policy makers to make arbitrary determinations concerning what types of past service should be purchasable and results in inequitable treatment of public employees. In addition, it is extremely difficult to devise a method of financing these purchases that is fair to both the employer and the employees.

Appropriateness of Credit for Municipal Police Service. The specific situations for which the Commission considered the use of service credit purchase authorizations to be appropriate were those involving military service, transfers of governmental function, the reinstatement of service credits following a break in service, and remedying inequalities caused by employer actions. For the Commonwealth, the service credit authorization would represent permission to purchase credit for service with another

POLICY CONSIDERATIONS (CONT'D)

governmental entity, an entity that enjoyed an actuarial gain when the employee terminated service while the Commonwealth will suffer an actuarial loss in permitting the purchase.

Adequacy of Purchase Payments. The statutory method for calculating the member contributions to purchase service credit for municipal police service will result in members paying less than the full actuarial cost of the increased retirement benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of the retirement system and increased amortization payments by the Commonwealth over the 20 year amortization period. A service purchase transaction that favors the member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity.

Cost Effectiveness of Technical Provisions. For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee cost attributable to the purchased service, the portion of the payment representing employer-cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. The bill does not limit the time within which the member must exercise the purchase option and does not exclude the purchase payment from Option 4 lump sum withdrawal. This would enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal. The absence of both a limitation on the time that the purchase option is available and a restriction on withdrawal of the purchase amount under Option 4 increases the cost to the retirement system associated with the authorization to purchase credit for this nonstate service.

Unequal Treatment of SERS Members. The bill does not treat all similarly situated Commonwealth employees equally. The purchase option for municipal police service is restricted just to members of the Pennsylvania State Police rather than including other public safety employees such as investigators of the Office of Attorney General, officers of the Capitol Police, correction officers, enforcement officers, psychiatric security aids, and officers of the Delaware River Port Authority. The proposal would permit certain Commonwealth employees to purchase service credit for municipal police service. Other Commonwealth employees with municipal police service could not purchase credit for that service nor could Commonwealth employees purchase service credit for other municipal service.

Precedent for Similar Requests. The bill would initiate a public pension policy in the Commonwealth by allowing service credits for municipal service to be purchased. The bill may serve as a precedent for other Commonwealth employees with previous municipal police service and for all Commonwealth employees with any type of previous municipal service to request the option to purchase service credit for that municipal service.

Retirement Benefit Portability. The bill represents a limited means to provide partial intergovernmental portability of retirement benefits from almost 1,000 municipal police officer retirement systems to the State Employees' Retirement System. In December 1992,

POLICY CONSIDERATIONS (CONT'D)

the Public Employee Retirement Commission¹ published *Special Report: Study of the Current Structure of Local Government Retirement Systems and Recommended Establishment of a Statewide Retirement System*, a report recommending, among other things, a comprehensive solution to the problem of portability of service among the over 2,700 public employee retirement systems in Pennsylvania. These recommendations are reflected in House Bill 1761, Printer's Number 2079, and Senate Bill 1130, Printer's Number 1287.

Need for Clarifying Amendments.

County Police Officers. At the time of the enactment of the State Employees' Retirement Code, the term municipality did not include counties, but it does include counties in statutes finally enacted after December 31, 1974, as the bill would be. To prevent confusion, the language should clearly indicate whether county police service is intended to be included and, if so, whether service in a county sheriff's department or as a county detective is to be considered municipal police service.

Municipal Police Officer. "Service as a municipal police officer" is a vague phrase and should be further defined by restricting it to full-time, sworn municipal employees who are legislatively authorized to act as police with the power, among other things, to enforce municipal ordinances and the Crimes Code.

COMMISSION RECOMMENDATION

On May 18, 1994, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above and requesting that the bill not receive further consideration in view of the bill's divergence from the policy guidelines for service credit purchase authorizations adopted by the Commission.

FINAL LEGISLATIVE STATUS

House Bill 2158, Printer's Number 3324, was re-referred to the House Appropriations Committee on March 21, 1994.

Bill ID: Amendment 1291 to House Bill 2158, Printer's Number 3324

System: State Employees' Retirement System

Subject: Service Credit Purchase Authorization for Nonstate Service as a
Pennsylvania Municipal Police Officer Restricted to Certain
Employees of the Office of Attorney General

SYNOPSIS

House Bill 2158, Printer's Number 3324, would amend section 5304 of the State Employees' Retirement Code to permit an active member who is employed by the Office of Attorney General classified as a special agent, narcotics agent, asset forfeiture agent, medicaid fraud agent, or senior investigator hazardous waste prosecutions unit, who have within the scope of employment as a law enforcement officer the power to enforce the law and make arrests under the authority of the Commonwealth Attorneys Act, to purchase up to five years of service credit for previous nonstate service as a municipal police officer within Pennsylvania.

DISCUSSION

The Commonwealth's defined benefit pension plan has a retirement benefit based on a pre-determined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plan are based on the attainment of a specified age and the crediting of a specified number of years of service. The number of years of credited service has a direct impact on the benefit amount for both regular and early retirement. Public employee defined benefit pension plan provisions that permit members to receive credit for service with another employer are of value to members because they enhance the retirement benefit and may also accelerate retirement eligibility.

Under the State Employees' Retirement Code, public safety employees such as the affected classes of employees of the Office of Attorney General may retire at age 50 and receive a full pension. The pension is the product of two percent multiplied by the number of years of credited service multiplied by the member's final average salary.

All members of the State Employees' Retirement System (SERS) currently are able to purchase credit for the following types of service: approved leaves of absence without pay, intervening and nonintervening military service, service as public educators in another state or with the federal government, service as a temporary federal employee assigned to a Commonwealth agency, service in a community college under the Community College Act, service in the Cadet Nurse Corps during World War II, service with a government agency other than the Commonwealth where employment was terminated because of the transfer by law of the administration or the service or of the entire agency to the Commonwealth, and service as a justice of the peace prior to 1970.

Of the 109,609 members of SERS, about 120 of the 243 employees (plus 30 vacancies) of the Office of Attorney General in the affected job categories have previous nonstate service, ranging from two months to 28 years, as municipal police officers in Pennsylvania. The amendment would expand the list of purchasable nonstate service for only these members to include service as a municipal police officer within in Pennsylvania. The purchase would be limited to not more than five years

DISCUSSION (CONT'D)

of service credit. The effect of the additional service credit would be to add an amount equal to up to ten percent of the final salary to the value of the basic benefit prior to modification. The purchase payment amount required for each year of service credit would be the member rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service applied to the salary of that first year of subsequent Commonwealth service plus interest at the statutory rate of four percent. Because the payment amount would be less than the actuarial value of the additional service credit, a residual unfunded actuarial accrued liability would be created, and it would be funded by the Commonwealth over a 20 year period with payments increasing five percent a year.

The advantage that the proposed option to purchase nonstate service credit would confer upon certain SERS members can be illustrated by two examples. Under the amendment:

A 50 year old eligible employee of the Office of Attorney General with five years of Commonwealth service could buy five years of service credit for nonstate service as a municipal police officer and retire immediately with a pension of 20 percent of final average salary; or

A 50 year old eligible employee of the Office of Attorney General with ten years of Commonwealth service could buy five years of service credit for nonstate service as a municipal police officer plus five years of service credit for nonintervening military service and retire immediately with a pension of 40 percent of final average salary.

Under section 5705(a)(4)(iii) of the State Employees' Retirement Code, a member may withdraw, as a component of an optional form of retirement benefit, a lump sum amount equal to the member's total accumulated deductions. This provision would enable an eligible member to effect the proposed service credit purchase very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the entire purchase amount as part of the withdrawal. The offset to the member's pension benefit in this situation will be less than the full value of the purchased benefit, thus generating an additional loss in excess of the increase in unfunded actuarial accrued liability caused by purchasing the service credit at less than full cost. The combined effect gives the member a significantly increased pension at essentially no cost to the member.

SUMMARY OF ACTUARIAL COST IMPACT

Based upon demographic data provided by the Office of Attorney General, the Commission's consulting actuary estimates that permitting these employees of the Office of Attorney General to purchase up to five years of service credit for previous nonstate service as a municipal police officer in Pennsylvania would result in the following costs.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$1,700,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>100,000</u>	<u>0.93%</u>
Total Increase in Employer Costs (First year only)	\$100,000	0.93%
	<u>Amount</u>	
Total Amortization Payments	\$3,306,595	

POLICY CONSIDERATIONS

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

Departure from Policy Guidelines. In June of 1989, the Public Employee Retirement Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring purchases of credit for service. The amendment does not conform to the recommendations in the report concerning authorizing, funding, and structuring purchases of credit for service.

Inequity of Certain Service Credit Purchase Authorizations. The Commission recommended that service credit purchase authorizations not be employed as a means of recognizing the past education, training, or work experience of public employees based on the public policy determination that the recognition of these activities represents a departure from the conventionally recognized role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to public service. The use of service credit purchase authorizations on an ad hoc basis to recognize past education, training, or experience requires policy makers to make arbitrary determinations concerning what types of past service should be purchasable and results in inequitable treatment of public employees. In addition, it is extremely difficult to devise a method of financing these purchases that is fair to both the employer and the employees.

Appropriateness of Credit for Municipal Police Service. The specific situations for which the Commission considered the use of service credit purchase authorizations to be appropriate were those involving military service, transfers of governmental function, the reinstatement of service credits following a break in service, and remedying inequalities caused by employer actions. For the Commonwealth, the service credit authorization would represent permission to purchase credit for service with another

governmental entity, an entity that enjoyed an actuarial gain when the employee terminated service while the Commonwealth will suffer an actuarial loss in permitting the purchase.

Adequacy of Purchase Payments. The statutory method for calculating the member contributions to purchase service credit for municipal police service will result in members paying less than the full actuarial cost of the increased retirement benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of the retirement system and increased amortization payments by the Commonwealth over the 20 year amortization period. A service purchase transaction that favors the member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity.

Cost Effectiveness of Technical Provisions. For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee cost attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. The amendment does not limit the time within which the member must exercise the purchase option and does not exclude the purchase payment from Option 4 lump sum withdrawal. This would enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal. The absence of both a limitation on the time that the purchase option is available and a restriction on withdrawal of the purchase amount under Option 4 increases the cost to the retirement system associated with the authorization to purchase credit for this nonstate service.

Unequal Treatment of SERS Members. The amendment does not treat all similarly situated Commonwealth employees equally. The purchase option for municipal police service is restricted just to certain employees of the Office of Attorney General rather than including other public safety employees such as officers of the Capitol Police, correction officers, other enforcement officers, psychiatric security aids, and officers of the Delaware River Port Authority. The proposal would permit certain Commonwealth employees to purchase service credit for municipal police service. Other Commonwealth employees with municipal police service could not purchase credit for that service nor could Commonwealth employees purchase service credit for other municipal service.

Precedent for Similar Requests. The amendment would initiate a public pension policy in the Commonwealth by allowing service credits for municipal service to be purchased. The amendment may serve as a precedent for other Commonwealth employees with previous municipal police service and for all Commonwealth employees with any type of previous municipal service to request the option to purchase service credit for that municipal service.

POLICY CONSIDERATIONS (CONT'D)

Retirement Benefit Portability. The amendment represents a limited means to provide partial intergovernmental portability of retirement benefits from almost 1,000 municipal police officer retirement systems to the State Employees' Retirement System. In December 1992, the Public Employee Retirement Commission published *Special Report: Study of the Current Structure of Local Government Retirement Systems and Recommended Establishment of a Statewide Retirement System*, a report recommending, among other things, a comprehensive solution to the problem of portability of service among the over 2,700 public employee retirement systems in Pennsylvania. These recommendations are reflected in House Bill 1761, Printer's Number 2079, and Senate Bill 1130, Printer's Number 1287.

Need for Clarifying Amendments.

County Police Officers. At the time of the enactment of the State Employees' Retirement Code, the term municipality did not include counties, but it does include counties in statutes finally enacted after December 31, 1974, as the amendment would be. To prevent confusion, the language should clearly indicate whether county police service is intended to be included and, if so, whether service in a county sheriff's department or as a county detective is to be considered municipal police service.

Municipal Police Officer. "Service as a municipal police officer" is a vague phrase and should be further defined by restricting it to full-time, sworn municipal employees who are legislatively authorized to act as police with the power, among other things, to enforce municipal ordinances and the Crimes Code.

Job Classifications. The Personnel Section of the Office of Attorney General indicates to the Commission that the titles of medicaid fraud agent and senior investigator hazardous waste prosecutions unit are no longer used and that these functions now are performed by special agents. Language to delete these titles is attached.

Section Numbering of Amendment. The Commission assumes that the intention of the amendment is to amend proposed section 5304(c)(9) by adding certain employees of the Office of Attorney General to the list of those eligible to purchase service credit for nonstate service as municipal police officers in Pennsylvania. A literal reading of section 5304(c)(10) as proposed in the amendment, however, is that any SERS member will be entitled to purchase an unlimited amount of service credit for previous nonstate service as one of these employees of the Office of Attorney General. Language to make what the Commission assumes is the intended change is attached.

COMMISSION RECOMMENDATION

On May 18, 1994, 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 and requesting that the amendment not receive further consideration in view of the amendment's divergence from the policy guidelines for service purchase authorizations adopted by the Commission.

FINAL LEGISLATIVE STATUS

House Bill 2158, Printer's Number 3324, was re-referred to the House Appropriations Committee on March 21, 1994.

Bill ID: Amendment 1703 to House Bill 2158, Printer's Number 3324

System: State Employees' Retirement System

Subject: Service Credit Purchase Authorization for Nonstate Service
with a Local Community Action Agency

SYNOPSIS

House Bill 2158, Printer's Number 3324, would amend section 5304 of the State Employees' Retirement Code to permit an active member to purchase up to ten years of service credit for previous nonstate service with a local community action agency or program that was supervised and funded by or through the Commonwealth.

DISCUSSION

The Commonwealth's defined benefit pension plan has a retirement benefit based on a pre-determined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plan are based on the attainment of a specified age and the crediting of a specified number of years of service. The number of years of credited service has a direct impact on the benefit amount for both regular and early retirement. Public employee defined benefit pension plan provisions that permit members to receive credit for service with another employer are of value to members because they enhance the retirement benefit or accelerate retirement eligibility or both.

Under the State Employees' Retirement Code, regular members may retire at age 60 or at any age with 35 years of service and receive a full pension. The pension is the product of two percent multiplied by the number of years of credited service multiplied by the member's final average (highest three years) salary.

All members of the State Employees' Retirement System (SERS) currently are able to purchase credit for the following types of service: approved leaves of absence without pay, intervening and nonintervening military service, service as public educators in another state or with the federal government, service as a temporary federal employee assigned to a Commonwealth agency, service in a community college under the Community College Act, service in the Cadet Nurse Corps during World War II, service with a government agency other than the Commonwealth where employment was terminated because of the transfer by law of the administration or the service or of the entire agency to the Commonwealth, and service as a justice of the peace prior to 1970.

There are about 109,609 members of SERS. The amendment would expand the list of purchasable nonstate service to include nonstate service with a local community action agency or program that was supervised and funded by or through the Commonwealth. The purchase would be limited to not more than ten years of service credit. The effect of the additional service credit would be to add an amount equal to up to twenty percent of the final salary to the value of the basic benefit prior to modification. The purchase payment amount required for each year of service credit would be the member contribution rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service applied to the salary of that first year of subsequent Common-

DISCUSSION (CONT'D)

wealth service plus interest at the statutory rate of four percent. Because the payment amount would be less than the actuarial value of the additional service credit, a residual unfunded actuarial accrued liability would be created, and it would be funded by the Commonwealth over a 20 year period with payments increasing five percent a year.

The advantage that the proposed option to purchase nonstate service credit confers upon certain SERS members can be illustrated by a few examples. Under the amendment:

A 55 year old SERS member with 20 years of Commonwealth service who also has ten years of local community action agency service could purchase service credit for the local community action agency service and, taking advantage of the "30 and Out" provisions, retire immediately with a full pension that is 60 percent of the member's final average salary;

A 55 year old SERS member with 15 years of Commonwealth service who also has ten years of local community action agency service and five years of nonintervening military service could purchase service credit for the local community action agency service and the nonintervening military service and, taking advantage of the "30 and Out" provisions, retire immediately with a full pension that is 60 percent of the member's final average salary; and

A 60 year old SERS member with ten years of Commonwealth service who also has ten years of local community action agency service could purchase service credit for the local community action agency service and retire with a full pension that is 40 percent rather than 20 percent of the member's final average salary.

It is unusual from a public pension policy standpoint for purchases of service credit for nonstate service to be for as much as ten years of service. There is no limit on intervening military service, but it seldom has exceeded five years. Nonintervening military service is limited to five years. Temporary federal employees with DER are limited to five years. Cadet Nurse Corps Service in World War II is limited to three years. Community College Service before July 1, 1971, is limited to less than eight years. Even for service as public educators in another state or with the federal government where ten years is the maximum limit, the SERS member can only purchase credit for such service equal to the amount of Commonwealth service the member has in public education with the Commonwealth not just any Commonwealth service. There is no limit on the amount of service credit that may be purchased only in the cases of (1) service with a government agency other than the Commonwealth where employment was terminated because of the transfer by law of the administration or of the entire agency to the Commonwealth and (2) service as a justice of the peace prior to 1970.

Under section 5705(a)(4)(iii) of the State Employees' Retirement Code, a member, upon retirement, may withdraw as a lump sum an amount equal to the member's total accumulated deductions. This would enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the entire purchase amount as part of the withdrawal. The offset to the member's pension benefit in this situation will be less than the full value of the purchased benefit, thus generating an additional loss in excess of the increase in unfunded actuarial accrued liability caused by purchasing the service credit at less than true cost. The combined effect gives the member a significantly increased pension at essentially no cost to the member.

SUMMARY OF ACTUARIAL COST IMPACT

Due to the absence of demographic data on the potential amount of nonstate service with a local community action agency or program that was supervised and funded by or through the Commonwealth that may have been rendered by Commonwealth employees, an estimate of the actuarial cost of the amendment cannot be made.

POLICY CONSIDERATIONS

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

Departure from Police Guidelines. In June of 1989, the Public Employee Retirement Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring purchases of credit for service. The amendment does not conform to the recommendations in the report concerning authorizing, funding, and structuring purchases of credit for service.

Inequity of Certain Service Credit Purchase Authorizations. The Commission recommended that service credit purchase authorizations not be employed as a means of recognizing the past education, training, or work experience of public employees based on the public policy determination that the recognition of these activities represents a departure from the conventionally recognized role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to public service. The use of service credit purchase authorizations on an ad hoc basis to recognize past education, training, or experience requires policy makers to make arbitrary determinations concerning what types of past service should be purchasable and results in inequitable treatment of public employees. In addition, it is extremely difficult to devise a method of financing these purchases that is fair to both the employer and the employees.

Appropriateness of Credit for Local Government Community Action Agency Service. The specific situations for which the Commission considered the use of service credit purchase authorizations to be appropriate were those involving military service, transfers of governmental function, the reinstatement of service credits following a break in service, and remedying inequalities caused by employer actions. For the Commonwealth, the service credit authorization would represent permission to purchase credit for service with a private nonprofit organization, an organization that enjoyed an actuarial gain when the employee terminated service while the Commonwealth will suffer an actuarial loss in permitting the purchase.

Adequacy of Purchase Payments. The statutory method for calculating the member contributions to purchase service credit for nonstate service with a local community action agency or program that was supervised and funded by or through the Commonwealth will result in members paying less than the full actuarial cost of the increased retirement benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of the retirement system and increased amortization payments by the Commonwealth over the 20 year amortization period. A service purchase transaction that favors the member at the expense of the retirement system is viewed by the Commission as being appropriate only where it is necessary for the purpose of equity.

POLICY CONSIDERATIONS (CONT'D)

Cost Effectiveness of Technical Provisions. For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee cost attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement. The amendment does not limit the time within which the member must exercise the purchase option and does not exclude the purchase payment from Option 4 lump sum withdrawal. This would enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the entire purchase amount as part of the Option 4 withdrawal. The absence of both a limitation on the time that the purchase option is available and a restriction on withdrawal of the purchase amount under Option 4 increases the cost to the retirement system associated with the authorization to purchase credit for this nonstate service.

Unequal Treatment of SERS Members. The amendment does not treat all similarly situated Commonwealth employees equally. The purchase option for private nonprofit organization service is restricted just to community action agencies or programs that were supervised and funded by or through the Commonwealth rather than including the many other private nonprofit organizations funded by or through the Commonwealth. The proposal would permit certain Commonwealth employees to purchase service credit for certain private nonprofit organization service. Other Commonwealth employees with private nonprofit organization service funded by or through the Commonwealth could not purchase credit for that service.

Precedent for Similar Requests. The amendment would initiate a public policy in the Commonwealth by allowing service credits for private nonprofit organization service to be purchased. The amendment may serve as a precedent for other Commonwealth employees with previous private nonprofit organization service funded by or through the Commonwealth and for all Commonwealth employees with any type of previous private nonprofit organization service to request the option to purchase service credit for that service.

COMMISSION RECOMMENDATION

On May 18, 1994, 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, and requesting that the amendment not receive further consideration in view of the amendment's divergence from the policy guidelines for service credit purchase authorizations adopted by the Commission.

FINAL LEGISLATIVE STATUS

House Bill 2158, Printer's Number 3324, was re-referred to the House Appropriations Committee on March 21, 1994.

Bill ID: Amendment 2283 to House Bill 2158, Printer's Number 3324

System: State Employees' Retirement System

Subject: Service Credit Purchase Authorization for Nonstate Service as a
Pennsylvania Municipal Police Officer Restricted to Certain
Employees of the Office of Attorney General

SYNOPSIS

Amendment 2283 to House Bill 2158, Printer's Number 3324, would amend section 5304 of the State Employees' Retirement Code to permit an active member who is employed by the Office of Attorney General classified as a special agent, narcotics agent, director of the bureau of narcotics investigation, asset forfeiture agent, or senior investigator in the criminal law division who has within the scope of employment as a law enforcement officer the power to enforce the law and make arrests under the authority of the Commonwealth Attorneys Act, to purchase up to five years of service credit for previous nonstate service as a municipal police officer within Pennsylvania.

DISCUSSION

The Commonwealth's defined benefit pension plan has a retirement benefit based on a pre-determined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plan are based on the attainment of a specified age and the crediting of a specified number of years of service. The number of years of credited service has a direct impact on the benefit amount for both regular and early retirement. Public employee defined benefit pension plan provisions that permit members to receive credit for service with another employer are of value to members because they enhance the retirement benefit and may also accelerate retirement eligibility.

Under the State Employees' Retirement Code, public safety employees such as the affected classes of employees of the Office of Attorney General may retire at age 50 and receive a full pension. The pension is the product of two percent multiplied by the number of years of credited service multiplied by the member's final average salary.

All members of the State Employees' Retirement System (SERS) currently are able to purchase credit for the following types of service: approved leaves of absence without pay, intervening and nonintervening military service, service as public educators in another state or with the federal government, service as a temporary federal employee assigned to a Commonwealth agency, service in a community college under the Community College Act, service in the Cadet Nurse Corps during World War II, service with a government agency other than the Commonwealth where employment was terminated because of the transfer by law of the administration or the service or of the entire agency to the Commonwealth, and service as a justice of the peace prior to 1970.

Of the 109,609 members of SERS, about 120 of the 243 employees (plus 30 vacancies) of the Office of Attorney General in the affected job categories have previous nonstate service, ranging from two months to 28 years, as municipal police officers in Pennsylvania. The amendment would expand the list of purchasable nonstate service for only these members to include service as a municipal police officer within Pennsylvania. The purchase would be limited to not more than five years of

DISCUSSION (CONT'D)

service credit. The effect of the additional service credit would be to add an amount equal to up to ten percent of the final salary to the value of the basic benefit prior to modification. The purchase payment amount required for each year of service credit would be the member rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service applied to the salary of that first year of subsequent Commonwealth service plus interest at the statutory rate of four percent. Because the payment amount would be less than the actuarial value of the additional service credit, a residual unfunded actuarial accrued liability would be created, and it would be funded by the Commonwealth over a 20 year period with payments increasing five percent a year.

The advantage that the proposed option to purchase nonstate service credit would confer upon certain SERS members can be illustrated by two examples. Under the amendment:

A 50 year old eligible employee of the Office of Attorney General with five years of Commonwealth service could buy five years of service credit for nonstate service as a municipal police officer and retire immediately with a pension of 20 percent of final average salary; or

A 50 year old eligible employee of the Office of Attorney General with ten years of Commonwealth service could buy five years of service credit for nonstate service as a municipal police officer plus five years of service credit for nonintervening military service and retire immediately with a pension of 40 percent of final average salary.

Under section 5705(a)(4)(iii) of the State Employees' Retirement Code, a member may withdraw, as a component of an optional form of retirement benefit, a lump sum amount equal to the member's total accumulated deductions. This provision would enable an eligible member to effect the proposed service credit purchase very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the entire purchase amount as part of the withdrawal. The offset to the member's pension benefit in this situation will be less than the full value of the purchased benefit, thus generating an additional loss in excess of the increase in unfunded actuarial accrued liability caused by purchasing the service credit at less than full cost. The combined effect gives the member a significantly increased pension at essentially no cost to the member.

SUMMARY OF ACTUARIAL COST IMPACT

Based upon demographic data provided by the Office of Attorney General, the Commission's consulting actuary estimates that permitting these employees of the Office of Attorney General to purchase up to five years of service credit for previous nonstate service as a municipal police officer in Pennsylvania would result in the following costs. This estimate was prepared for Amendment 1291 to House Bill 2158, Printer's Number 3324, a substantially similar amendment.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$1,700,000	
Increase in Employer Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year cost, increasing five percent a year for 20 years)	<u>100,000</u>	<u>0.93%</u>
Total Increase in Employer Costs (First year only)	\$100,000	0.93%
		<u>Amount</u>
Total Amortization Payments:	\$3,306,595	

POLICY CONSIDERATIONS

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

Departure from Policy Guidelines. In June of 1989, the Public Employee Retirement Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring purchases of credit for service. The amendment does not conform to the recommendations in the report concerning authorizing, funding, and structuring purchases of credit for service.

Inequity of Certain Service Credit Purchase Authorizations. The Commission recommended that service credit purchase authorizations not be employed as a means of recognizing the past education, training, or work experience of public employees based on the public policy determination that the recognition of these activities represents a departure from the conventionally recognized role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to public service. The use of service credit purchase authorizations on an ad hoc basis to recognize past education, training, or experience requires policy makers to make arbitrary determinations concerning what types of past service should be purchasable and results in inequitable treatment of public employees. In addition, it is extremely difficult to devise a method of financing these purchases that is fair to both the employer and the employees.

Appropriateness of Credit for Municipal Police Service. The specific situations for which the Commission considered the use of service credit purchase authorizations to be appropriate were those involving military service, transfers of governmental function, the reinstatement of service credits following a break in service, and remedying inequalities caused by employer actions. For the Commonwealth, the proposed service credit authorization would represent permission to purchase credit for service with

another governmental entity, an entity that enjoyed an actuarial gain when the employee terminated service while the Commonwealth will suffer an actuarial loss in permitting the purchase.

Adequacy of Purchase Payments. The statutory method for calculating the member contributions to purchase service credit for municipal police service will result in members paying less than the full actuarial cost of the increased retirement benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of the retirement system and increased amortization payments by the Commonwealth over the 20 year amortization period. A service purchase transaction that favors the member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity.

Cost Effectiveness of Technical Provisions. For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee cost attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. The amendment does not limit the time within which the member must exercise the purchase option and does not exclude the purchase payment from Option 4 lump sum withdrawal. This would enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal. The absence of both a limitation on the time that the purchase option is available and a restriction on withdrawal of the purchase amount under Option 4 increases the cost to the retirement system associated with the authorization to purchase credit for this nonstate service.

Unequal Treatment of SERS Members. The amendment does not treat all similarly situated Commonwealth employees equally. The purchase option for municipal police service is restricted just to certain employees of the Office of Attorney General rather than including other public safety employees such as officers of the Capitol Police, correction officers, other enforcement officers, psychiatric security aids, and officers of the Delaware River Port Authority. The proposal would permit certain Commonwealth employees to purchase service credit for municipal police service. Other Commonwealth employees with municipal police service could not purchase credit for that service nor could Commonwealth employees purchase service credit for non-police municipal service.

Precedent for Similar Requests. The amendment would initiate a public pension policy in the Commonwealth by allowing service credits for municipal service to be purchased. The amendment may serve as a precedent for other Commonwealth employees with previous municipal police service and for all Commonwealth employees with any type of previous municipal service to request the option to purchase service credit for that municipal service.

POLICY CONSIDERATIONS (CONT'D)

Retirement Benefit Portability. The amendment represents a limited means to provide partial intergovernmental portability of retirement benefits from almost 1,000 municipal police officer retirement systems to the State Employees' Retirement System. In December 1992, the Public Employee Retirement Commission published *Special Report: Study of the Current Structure of Local Government Retirement Systems and Recommended Establishment of a Statewide Retirement System*, a report recommending, among other things, a comprehensive solution to the problem of portability of service among the over 2,700 public employee retirement systems in Pennsylvania. These recommendations are reflected in House Bill 1761, Printer's Number 2079, and Senate Bill 1130, Printer's Number 1287.

Need for Clarifying Amendments.

County Police Officers. At the time of the enactment of the State Employees' Retirement Code, the term municipality did not include counties, but it does include counties in statutes finally enacted after December 31, 1974, as the amendment would be. To prevent confusion, the language should clearly indicate whether county police service is intended to be included and, if so, whether service in a county sheriff's department or as a county detective is to be considered municipal police service.

Municipal Police Officer. "Service as a municipal police officer" is a vague phrase and should be further defined by restricting it to full-time, sworn municipal employees who are legislatively authorized to act as police with the power, among other things, to enforce municipal ordinances and the Crimes Code.

Section Numbering of Amendment. The Commission assumes that the intention of the amendment is to amend proposed section 5304(c)(9) by adding certain employees of the Office of Attorney General to the list of those eligible to purchase service credit for nonstate service as municipal police officers in Pennsylvania. A literal reading of section 5304(c)(10) as proposed in the amendment, however, is that any SERS member will be entitled to purchase an unlimited amount of service credit for previous nonstate service as one of these employees of the Office of Attorney General. Language to make what the Commission assumes is the intended change is attached.

COMMISSION RECOMMENDATION

On June 21, 1994, 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 and requesting that the amendment not receive further consideration in view of the amendment's divergence from the policy guidelines for service purchase authorizations adopted by the Commission.

FINAL LEGISLATIVE STATUS

House Bill 2158, Printer's Number 3324, was re-referred to the House Appropriations Committee on March 21, 1994.

PART II

PUBLIC EMPLOYEE RETIREMENT SYSTEM ADMINISTRATION

A. ACT 205 of 1984

1993 Filing Period

March 31, 1994, was the filing deadline for the 1993 municipal pension plan reports. Of the 4,500 local governments submitting questionnaire responses, over 1,700 indicated that they had established one or more pension plans. About 230 of the local governments required to submit employee pension plan reports failed to meet the statutory filing deadline. Through transmitting multiple delinquency notices, the Commission was able to significantly reduce the number of delinquent local governments that were not included in the initial certification to the Department of the Auditor General on August 15th. Only 28 municipalities remained delinquent as of the date of initial certification, representing a one-third reduction from the number of delinquent local governments occurring in the previous filing period. As of December 31, 1994, only 6 municipalities remained delinquent in submitting their 1993 employee pension plan reports, and the Commission was actively engaged in enforcing the reporting requirements.

With 75% of the over 2,700 municipal pension plan actuarial valuation reports received near the filing deadline, the Commission utilized its computer assisted review procedures and other automatic techniques to expedite the review of the incoming reports. The data extracted from the reporting forms was verified using electronic data processing. The Commission will issue its Status Report on Local Government Pension Plans based on the 1993 Act 205 data early in 1995.

Municipal Pension Cost Certification

In the summer of 1994, the Commission certified municipal pension cost data to the Department of the Auditor General for use in the 1994 allocation of General Municipal Pension System State Aid. In 1994, the State aid provided to municipalities to offset their employee pension costs totalled \$123 million. Calculation of the municipal pension cost data for the over 1,300 municipalities was accomplished through the municipal employee pension plan data base that is maintained by the Commission through the data extracted from the 2,700 pension plan reports submitted by municipalities.

Recovery Program

The Commission determined the 1994 distress scores for 48 municipalities participating in the Financially Distressed Municipal Pension System Recovery Program and transmitted distress determination notices to the affected municipalities. In October of 1994, the Commission also certified the payment of \$3.2 million in Supplemental State Assistance for 1994 and notified the Governor and General Assembly that a \$6.3 million appropriation would be needed to provide the Supplemental State Assistance payable in December of 1995.

Recovery Program (Cont'd)

In the fall of 1994, the Commission transmitted filing notices and reporting forms to the 20 municipalities required to submit 1994 actuarial valuation reports for their employee pension plans due to their participation in the Supplemental State Assistance Program.

B. ACT 293 of 1972

1994 Filing Period

The Commission transmitted filing notices and reporting forms to the 66 counties required to submit employee pension plan reports for 1994. The reports are due March 31, 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.

Rate of Employer Contribution for the Alternate Retirement Program.

Under section 5301(a)(12) of the State Employees' Retirement Code, certain employees of State higher education institutions are authorized to participate in a retirement program other than the State Employees' Retirement System. The section specifies the rate of employer contribution to the alternate retirement program.

Section 5 of the act of November 30, 1992, (P.L. 737, No. 1992-112) directed the Public Employee Retirement Commission to study the rate of employer contribution to the alternate retirement program in 1994 and to recommend an employer contribution rate for the period commencing with Fiscal Year 1995-96. In response to this statutory mandate, in October 1994, the Commission submitted its report and recommended that the employer contribution rate be set at 10.52 percent of payroll for Fiscal Year 1995-96 and for the following four years.

B. RESEARCH. (Cont'd)

Status Report on Local Government Pension Plans.

During the second half of 1994, research began on the Commission's fifth report on the status of the Commonwealth's local government retirement systems since the enactment of the Municipal Pension Plan Funding Standard and Recovery Act. The research will be completed during the first half of 1995. The report will be a summary and analysis of municipal employee retirement system actuarial valuation reports as of January 1, 1993, submitted to the Commission under the Act and of county employee retirement system actuarial valuation reports as of January 1, 1992, submitted to the Commission under Act 293 of 1972. The data in the report will be extracted from the individual pension plan reports containing actuarial, financial, and demographic information. The report will contain both the Commission's comments on trends or conditions and the associated recommendations of the Commission.

Study of the Feasibility of Early Retirement Incentives in Public Employee Retirement Systems.

During the second half of 1994, research began on the Commission's report on the feasibility of early retirement incentives in public employee retirement systems with specific emphasis on the Pennsylvania experience. The report is scheduled to be completed in the first half of 1995.

Postretirement Adjustments.

During the second half of 1994, research began on the Commission's report on postretirement adjustments in public employee retirement systems with specific emphasis on the Pennsylvania experience. By the year's end, the statistical and analytical work by the staff of the Commission and a consulting actuary to demonstrate the impact of prior postretirement adjustments was substantially completed.

C. STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEM REVIEWS.

Under the Public Employee Retirement 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 Employees' Retirement System (PSERS) in November 1994 and the State Employees' Retirement System (SERS) in October 1994.

Commission Review of PSERS Actuarial Valuation Report

At the November 10, 1994, meeting of the Commission, the staff presented a summary of the June 30, 1993, actuarial valuation report of the Public School Employees' Retirement System. The following are some significant facts contained in these reports.

June 30, 1993, Actuarial Valuation Report

General Funding Facts

Since the prior valuation:

- The employer contribution rate has decreased 1.07%.
 - Decrease due to change in salary increase assumption (1.48)%
 - Decrease due to change in asset valuation method (.54)
 - Increase in health care contribution rate .20
 - Decrease due to other actuarial gains/losses and other experience factors (.29)
- Total (2.11)%

Changes in Contribution Rates

	<u>1992</u>	<u>1993</u>
Normal Cost Rate	7.34%	6.43%
Health Care Rate	.25%	.45%
Unfunded Actuarial Accrued Liability Rate	5.58%	4.18%

The Commission reviewed the reports with Mr. James A. Perry, PSERS Executive Director, Mr. Arthur J. Granito, PSERS Assistant Executive Director of Financial Management, Mr. John C. Lane, PSERS Chief Investment Officer, and Ms. Kim M. Nicholl, PSERS Consulting Actuary.

SUMMARY OF ACTUARIAL VALUATION
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
as of
June 30, 1993

The following is a summary of the June 30, 1993, actuarial valuation of the Public School Employees' Retirement System and a comparison of the 1993 results with those of 1992.

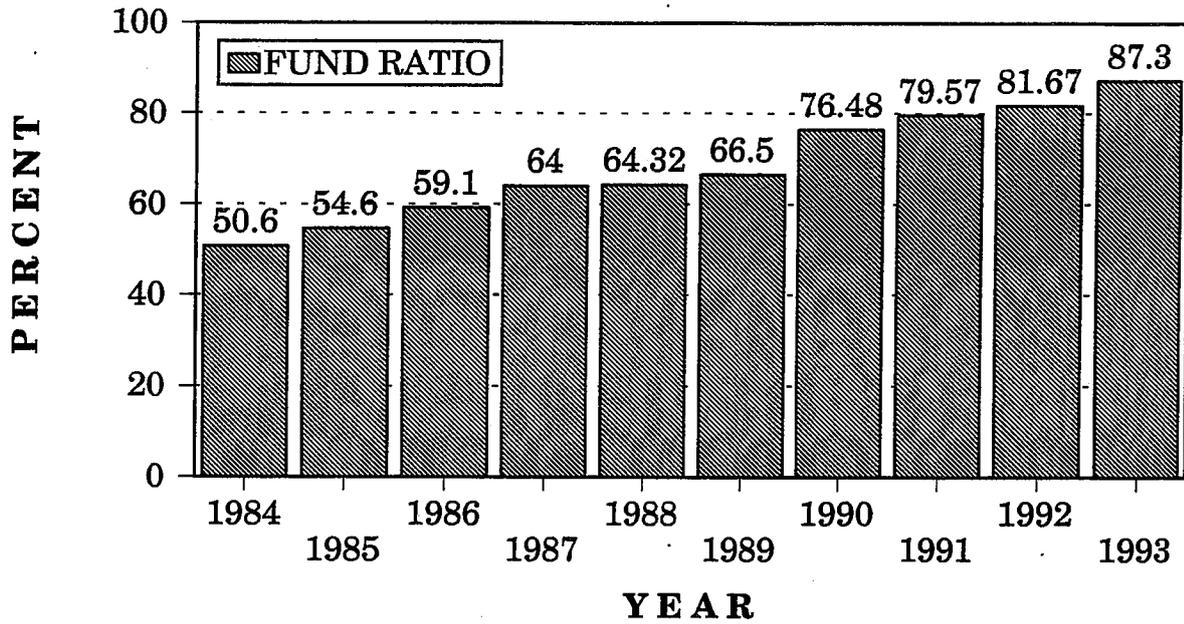
	<u>6/30/92</u>	<u>6/30/93</u>		
<u>Membership</u>				
Active Members	202,991	197,997		
Inactive and Vested Members	34,601	32,964		
Retired Members	96,119	104,139		
Disabled Members	4,146	4,305		
Survivors and Beneficiaries	4,761	4,768		
<u>Payroll and Annuities Payable</u>				
Total Annual Payroll	\$ 6,098,222,000	\$6,348,565,000		
Annual Annuities and Benefits	\$ 862,562,000	\$1,057,982,000		
<u>Valuation Data</u>				
Accrued Liability	\$24,569,674,000	\$25,946,963,000		
Assets ¹	<u>20,068,289,000</u>	<u>22,643,776,000</u>		
Unfunded Accrued Liability	\$ 4,501,385,000	\$ 3,303,187,000		
<u>Fund Ratio</u>	81.6%	87.3%		
<u>Funding Costs</u>				
Normal Cost	\$ 783,621,527	12.85%	\$ 760,558,087	11.98%
Amortization ²	<u>340,280,787</u>	<u>5.58%</u>	<u>265,370,017</u>	<u>4.18%</u>
Full Actuarial Funding	\$1,123,902,314	18.43%	\$1,025,928,104	16.16%
<u>Support</u>				
Member	\$ 336,012,032	5.51%	\$ 352,345,358	5.55 %
School District	393,945,141	6.46%	336,791,373	5.305%
Commonwealth	<u>393,945,141</u>	<u>6.46%</u>	<u>336,791,373</u>	<u>5.305%</u>
Total Support ³	\$1,123,902,314	18.43%	\$1,025,928,104	16.16 %



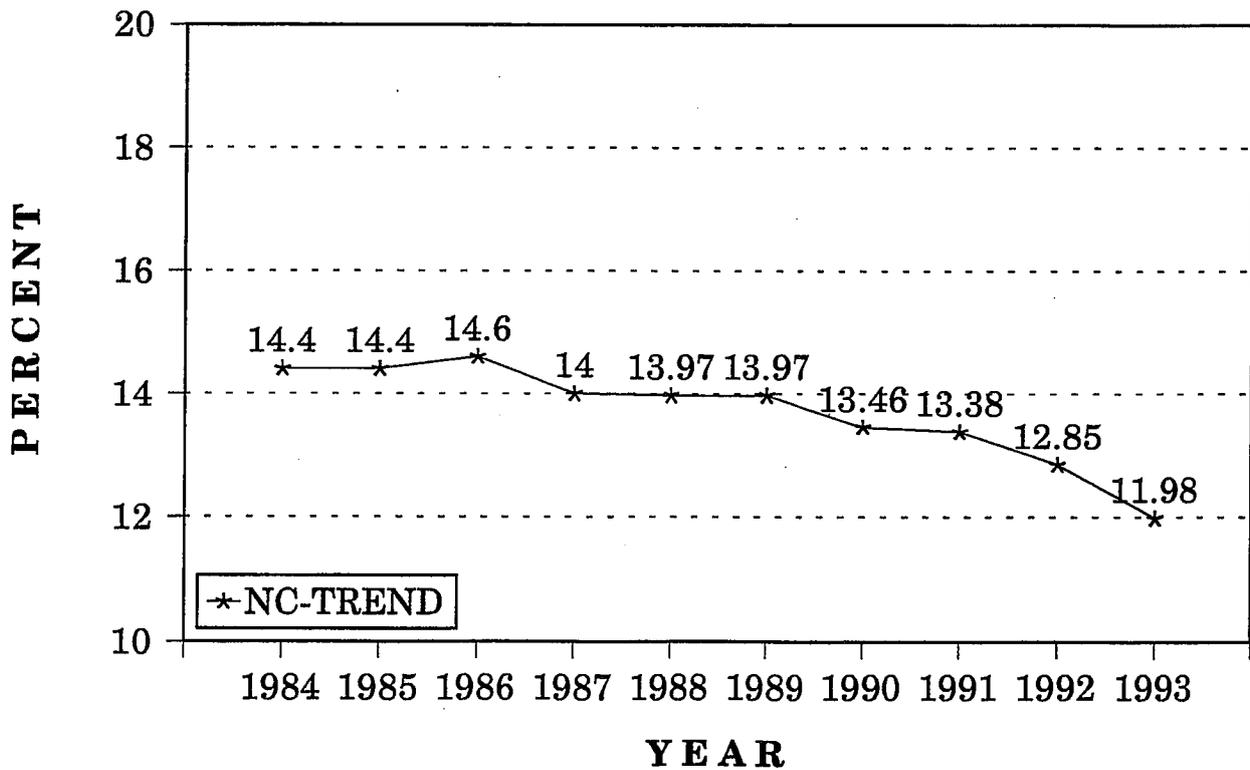
EXPLANATORY FOOTNOTES

1. The smoothing period for recognizing realized and unrealized gains and losses was shortened from 4 years to 3 years.
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 .45% is not included in this total.

PSERS FUNDING RATIO TREND



PSERS NORMAL COST TREND



Commission Review of SERS Actuarial Valuation Report

At the October 4, 1994, meeting of the Commission, the staff presented a summary of the December 31, 1993, actuarial valuation report of the State Employees' Retirement System. The following are some significant facts contained in that report.

December 31, 1993, Actuarial Valuation Report

Summary of Changes

- The employer contribution rate will remain at 8.92 percent.
- The valuation employer contribution rate was 8.53 percent. This was largely the result of the investment gains that had been predicted when the Board adopted the continuation of the 8.92% contribution rate last year.
- The Board considered two reasons to increase the contribution rate above the 8.53% level:
 - 1) Recently enacted state legislation extended both prospectively and retroactively, the early retirement window that had closed on July 1, 1993, until June 30, 1997, and required that funding for that provision begin July 1, 1994.
 - 2) Labor agreement effective January 1, 1994, raised the longevity pay increases for many of the employees covered by the State Employees' Retirement System.

Analysis of Change in Employer Contribution Rate

	Normal Cost	Unfunded Liabilities	Total
I) December 31, 1992	9.81%	(.54%)	9.27%
II) Changes - December 31, 1993			
1) Excess Investment Earnings		(.90%)	(.90%)
2) Change in Demographics of New Entrants	.42%	(.33%)	.09%
3) Decrease Due to Actual Experience Different from Actuarial Assumptions		.07%	.07%
4) Total Change:	.42%	(1.16%)	(.74%)
III) December 31, 1993, Valuation	10.23%	(1.70%)	8.53%

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

Analysis of Change in Unfunded Liability

I)	December 31, 1992, Unfunded Liability	\$ (280,973,841)
II)	Expected Amortization Payment	18,837,925
III)	Expected Liability as of December 31, 1993 [(I) x 1.099] - (II)	(289,952,326)
IV)	Change in Liability Due to:	
	1) Excess Investment Earnings	(427,317,932)
	2) Change in Demographics of New Entrants	(157,724,583)
	3) Difference Due to Actual Experience Different from Actuarial Assumptions	28,118,069
	4) Total Change:	<u>\$(556,924,446)</u>
V)	December 31, 1993, Unfunded Liability: (III) + (IV)	\$(846,876,772)

The Commission reviewed this report with Mr. John Brosius, SERS Executive Director, Mr. Dale H. Everhart, SERS Assistant Executive Director, Mr. Joseph A. Braccia, SERS Director of Public Markets, and Mr. Edwin C. Hustead, SERS consulting actuary.

**SUMMARY OF ACTUARIAL VALUATION
STATE EMPLOYEES' RETIREMENT SYSTEM
as of
December 31, 1993**

The following is a summary of the December 31, 1993, actuarial valuation of the State Employees' Retirement System and a comparison of the 1993 results with those of 1992.

	<u>12/31/92</u>	<u>12/31/93</u>
<u>Membership</u>		
Active	109,609	111,962
Inactive	4,293	4,717
Retired	69,580	69,469
Disabled	4,317	4,425
Survivors and Beneficiaries	6,595	6,796

Payroll and Annuities Payable

Total Annual Payroll	\$3,358,961,881	\$3,546,228,636
Annual Annuities and Benefits	\$ 601,658,734	\$ 627,068,437

Valuation Data

Accrued Liability	\$11,488,414,449	\$12,213,735,976
Assets ¹	<u>11,769,388,290</u>	<u>13,060,612,748</u>
Unfunded Accrued Liability	\$ (280,973,841)	\$ (846,876,772)

<u>Funding Ratio</u>	102.4%	106.9%
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Funding Costs

	<u>12/31/92</u>				<u>12/31/93</u>			
	<u>Valuation</u>		<u>Actual</u>		<u>Valuation</u>		<u>Actual</u>	
Normal Cost ²	\$479,323,860	14.81%	\$497,462,254	14.81%	\$540,090,621	15.23%	\$540,090,621	15.23%
Amortization ³	<u>(18,138,394)</u>	<u>(.54%)</u>	<u>(29,894,760)</u>	<u>(.89%)</u>	<u>(60,285,887)</u>	<u>(1.70%)</u>	<u>(46,455,595)</u>	<u>(1.31%)</u>
Full Actuarial Funding	\$461,190,466	14.27%	\$467,567,494	13.92%	\$479,804,734	13.53%	\$493,635,026	13.92%

Support

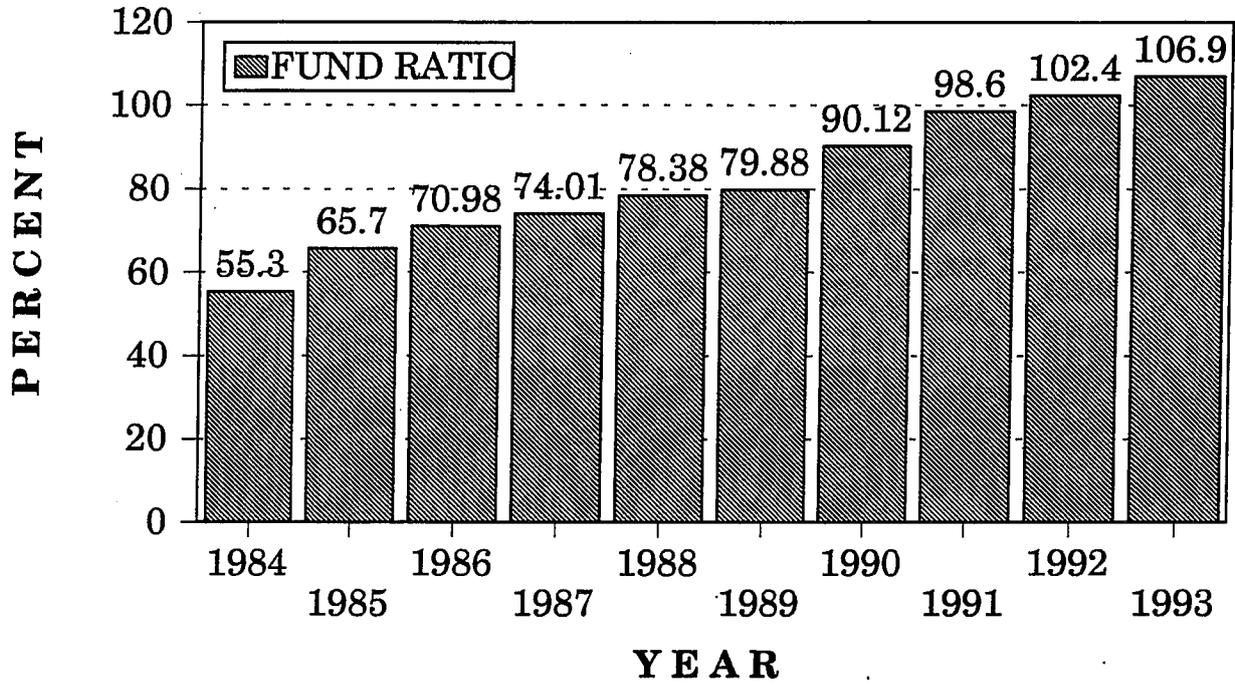
Member	\$167,948,094	5.00%	\$177,311,432	5.00%
Commonwealth	<u>299,619,400</u>	<u>8.92%</u>	<u>316,323,594</u>	<u>8.92%</u>
Total Support	\$467,567,494	13.92%	\$493,635,026	13.92%



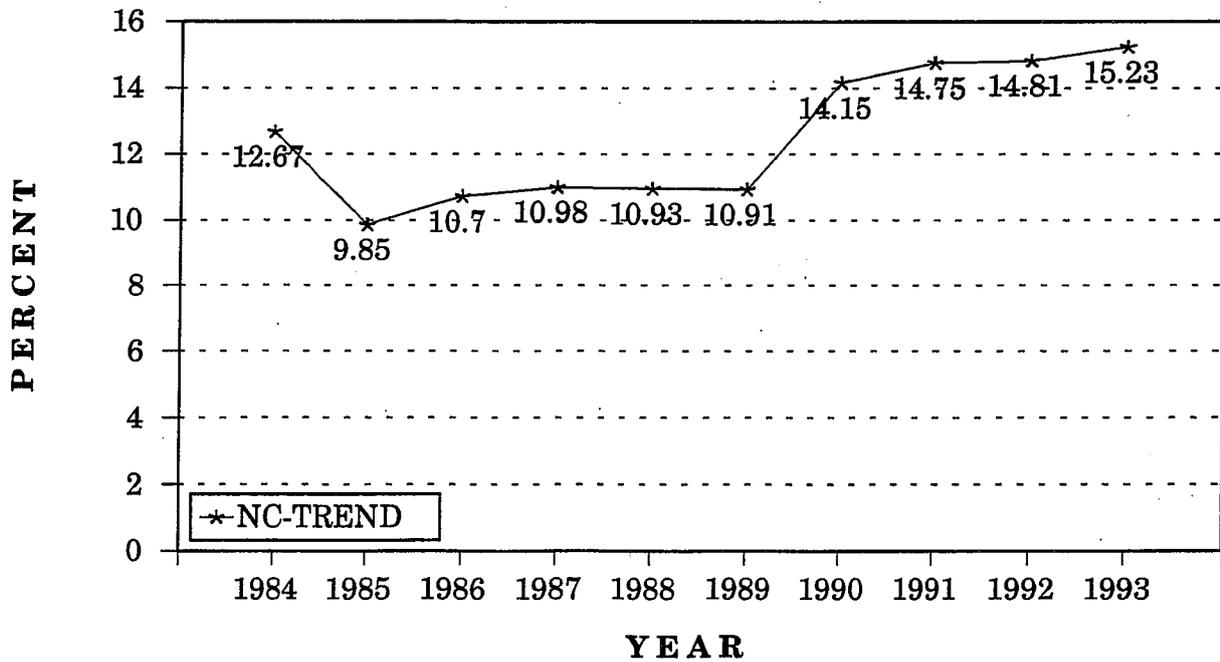
EXPLANATORY FOOTNOTES

1. The figure is the actuarial value not the market value.
2. The State Employees' Retirement Code requires that the employer normal contribution rate be based on the level percentage of payroll normal cost determined under the entry age normal actuarial cost method for the average new 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 1994 and their sponsoring organizations were as follows:

MUNICIPAL PENSION ADVISORY COMMITTEE

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

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

Mr. 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. Kurt E. Braun
and Mr. W. Ronald Smeal
PENNSYLVANIA CHIEFS OF POLICE ASSOCIATION

No Nominee
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 1994 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 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 20 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 20 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 COMMISSION

Title 4. Administration

Part XII. Public Employee Retirement 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 Commission Act."

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

Commission - the Public Employee Retirement 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

PUBLIC EMPLOYEE RETIREMENT COMMISSION

**COMPREHENSIVE LISTING OF 1993-1994 SESSIONS LEGISLATION REGARDING
PUBLIC EMPLOYEE RETIREMENT ISSUES
December 31, 1994**

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
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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

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(PRIME SPONSOR)

SUBJECT

CONCISE HISTORY AND STATUS

DATE

		Re-reported on concurrence as amended Senate nonconcurred in House amendments as amended (24-24)	06/21/93 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 Post-retirement 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

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 (See S.B. 974)	Referred to Senate Education Committee Reported as amended Second Consideration Re-referred to Senate Appropriations Committee Actuarial Note (P.N. 1072 with A. 1093) Re-reported as committed Re-committed to Senate Appropriations Committee Re-reported as amended Amended and Passed Senate (48-0) Referred to House Education Committee Reported as amended Re-referred to House Appropriations Committee Actuarial Note (P. N. 1656)	03/08/93 04/21/93 04/26/93 04/26/93 05/19/93 05/28/93 06/15/93 06/15/93 06/23/93 06/28/93 09/27/93 09/28/93 10/13/93
S. B. 650 P. N. 2073 (Stewart)	Economic Development Agency and Lender Environmental Liability Protection Act, limiting environmental liability for economic development agencies, financiers, and fiduciaries	Referred to Senate Community and Economic Development Committee Reported as amended Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Amended on Third Consideration Passed Senate (46-0) Referred to House Business and Economic Development Committee	03/09/93 03/15/94 03/16/94 04/11/94 04/13/94 04/18/94 04/19/94 05/16/94
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 Reported as amended Second Consideration Passed Senate (49-0) Referred to House Appropriations Committee Reported as committed Second Consideration	03/23/93 04/20/93 04/21/93 04/26/93 05/03/93 05/26/93 05/27/93

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		Passed House (196-3) Act 1993-43A	06/15/93 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 Reported as committed Second Consideration Passed Senate (49-0) Referred to House Appropriations Committee Reported as amended Second Consideration Passed House (202-0) Referred to Senate Rules and Executive Nominations Committee Re-reported on concurrence as committed Senate nonconcurred in House amendments (24-24) Senate reconsidered nonconcurrence Passed Senate (48-0) Act 1993-44A	03/23/93 04/20/93 04/21/93 04/26/93 05/03/93 05/26/93 05/27/93 06/15/93 06/15/93 06/21/93 06/22/93 06/22/93 06/23/93 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 Advisory Note (P. N. 765)	03/23/93 07/09/93
S. B. 797 P. N. 860 (Bortner)	The Third Class City Code, amend fire-fighter 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	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. 2373 (Scanlon)	Automobile Theft Prevention Act, establishing an Automobile Theft Prevention Authority that would have the power and duty, among other things, to employ personnel [See H. B. 1158]	Referred to Senate Banking and Insurance Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as amended	03/30/93 06/21/94 06/22/94 09/19/94

BILL NUMBER
PRINTER'S No.
(PRIME SPONSOR)

SUBJECT

CONCISE HISTORY AND STATUS

DATE

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		Second Consideration	09/27/94
		Passed Senate (48-0)	10/03/94
		Referred to House Insurance Committee	10/04/94
		Reported as committed	11/15/94
		Re-referred to House Appropriations Committee	11/16/94
		Re-reported as committed	11/16/94
S. B. 850 P. N. 2375 (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
		Reported as committed	06/21/94
		Re-referred to Senate Appropriations Committee	06/22/94
		Re-reported as amended	09/19/94
		Second Consideration	09/27/94
		Passed Senate (48-0)	10/03/94
		Referred to House Insurance Committee	10/04/94
		Reported as committed	11/15/94
		Re-referred to House Appropriations Committee	11/16/94
		Re-reported as committed	11/16/94
		Passed House (196-0)	11/21/94
		Act 1994-166	12/28/94
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
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 Employees' 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

BILL NUMBER
PRINTER'S No.
(PRIME SPONSOR)

SUBJECT

CONCISE HISTORY AND STATUS

DATE

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. 2036 (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, 1994, expand \$55 a month health insurance premium assistance program on January 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 limited 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 July 1, 1997, essentially guarantee a minimum disability benefit of 1/3 of the employee's final average salary, require unreduced annuities under Option 4 rather than 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 effective July 1, 1994, to retirees whose effective dates of retirement were before July 1, 1992, require both boards annually submit a list of proposed and a report on directed commissions and that the directed commissions be used for	Referred to Senate State Government Committee Reported as amended Second Consideration Re-referred to Senate Appropriations Committee Re-reported as amended Commission Letter (P. N. 1077) Commission Letter (P. N. 1077) Amended on Third Consideration Passed Senate (37-11) Commission Letter (P. N. 1440) Referred to House Appropriations Committee Reported as amended Second Consideration Commission Letter (P.N. 1733, A4561) Commission Letter (P.N. 1733, A4604) Commission Letter (P.N. 1733, A4607) Commission Letter (P.N. 1733, A4602) Commission Letter (P.N. 1733, A4623) Commission Letter (P.N. 1733, A4631) Actuarial Note (P. N. 1733) Actuarial Note (P. N. 1733, A. 4565) 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) Actuarial Note (P.N. 1779, A. 4872) Actuarial Note (P.N. 1779, A. 4895) Actuarial Note (P.N. 1779, A. 4897) Actuarial Note (P.N. 1779, A. 4933) Actuarial Note (P.N. 1779, A. 5106) Actuarial Note (P.N. 1779, A. 5110) Actuarial Note (P.N. 1779, A. 5120) Actuarial Note (P.N. 1779, A. 5122)	04/22/93 05/26/93 05/27/93 05/27/93 05/28/93 06/01/93 06/04/93 06/08/93 06/09/93 06/14/93 06/15/93 11/23/93 11/24/93 12/03/93 12/03/93 12/03/93 12/06/93 12/06/93 12/06/93 12/07/93 12/07/93 12/07/93 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 01/18/94 01/18/94 01/18/94 01/18/94 01/18/94 01/18/94 01/18/94 01/18/94

BILL NUMBER
PRINTER'S No.
(PRIME SPONSOR)

SUBJECT

CONCISE HISTORY AND STATUS

DATE

the exclusive benefit of the systems and members, add and revise provisions relating to investments by adopting a prudent person 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	Vote on non-concurrence in House amendments reconsidered	02/01/94
	Re-committed to Senate Rules and Executive Nominations Committee	02/09/94
	Actuarial Note (P.N. 1779, A. 741)	03/10/94
	Commission Letter (P.N. 1779, A998)	03/14/94
	Re-reported as amended	03/16/94
	Re-referred to Senate App. Committee	03/16/94
	Re-reported as committed	03/16/94
	Senate concurred in House amendments as amended by the Senate (47-0)	03/16/94
	Commission Letter (P.N. 1988, A1247)	03/22/94
	Commission Letter (P.N. 1779, A1253)	03/22/94
	Referred to House Rules Committee	03/22/94
	Reported as amended	03/22/94
	House concurred in Senate amendments to House amendments, as amended by the House (180-16)	03/23/94
	House reconsidered (196-0)	03/23/94
	House concurred in Senate amendments to House amendments, as amended by the House (181-16)	03/23/94
	Referred to Senate Rules and Executive Nominations Committee	04/11/94
	Re-reported on concurrence, as amended	04/13/94
	Senate concurred in House amendments, as amended, to Senate Amendments, as amended (47-1)	04/13/94
	Referred to House Rules Committee	04/18/94
	Commission Letter (P.N. 2036, A. 1722)	04/19/94
	Commission Letter (P.N. 2036, A. 1739)	04/19/94
	Commission Letter (P.N. 2036, A. 1751)	04/19/94
	Reported on concurrence, as amended	04/19/94
House reverted to Printer's Number 2036 (108-90)	04/19/94	
House concurred in Senate amendments to House amendments, as further amended by the Senate (198-0)	04/19/94	
Act 1994-29	04/29/94	
Commission Letter (P.N. 1733, A. 4630)	09/07/94	
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 04/23/93 Reported as committed 12/07/93 Re-referred to Senate Appropriations Committee 12/13/93 Re-reported as committed 04/25/94 Second Consideration 05/16/94 Laid on the table 06/13/94

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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
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 [See S. B. 974]	Referred to Senate Education Committee Reported as amended Second Consideration Re-referred to Senate Appropriations Committee Re-reported as amended Passed Senate (25-23) Referred to House Appropriations Committee Commission Letter (P. N. 1369, A. 2291) Commission Letter (P. N. 1369, A. 2384) Commission Letter (P. N. 1369, A. 2677) Reported as committed Actuarial Note (P. N. 1369) Second Consideration Commission Letter (P. N. 1369, A. 2423) Advisory Note (P. N. 1396, A. 3130) Commission Letter (P. N. 1369, A. 2384) Commission Letter (P. N. 1369, A. 2677) Commission Letter (P. N. 1369, A. 3215) Defeated in House (95-105) Commission Letter (P. N. 1369, A. 3648) Commission Letter (P. N. 1369, A. 3649) Advisory Note (P. N. 1369, A. 3629) Commission Letter (P. N. 1369, A. 2975) Commission Letter (P. N. 1369, A. 3089) Commission Letter (P. N. 1369, A. 3647) Actuarial Note (P. N. 1369, A. 2385) Actuarial Note (P. N. 1369, A. 2982) Actuarial Note (P. N. 1369, A. 3646)	05/04/93 05/24/93 05/26/93 05/26/93 05/26/93 05/27/93 05/27/93 06/02/93 06/07/93 06/14/93 06/15/93 06/16/93 06/16/93 06/21/93 06/21/93 06/22/93 06/22/93 06/22/93 06/22/93 08/02/93 08/02/93 08/03/93 08/18/93 08/18/93 08/18/93 09/14/93 09/14/93 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
S. B. 1090 P. N. 1251 (Dawida)	Public School Code of 1949, among other things, permitting professional employees of charter schools to continue to contribute to PSERS	Referred to House Education Committee	05/11/93

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 Reported as committed Second Consideration Passed Senate (29-18) Referred to House Local Government Committee	05/13/93 04/18/94 04/25/94 05/17/94 05/23/94
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
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	Referred to Senate Education Committee	06/22/93

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	any modification of an existing retirement benefit that increases the benefit		
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
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

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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
S. B. 1504 P. N. 1840 (Lavalle)	County Pension Law, permitting county commissioners or county councils, with the approval of county retirement boards, to offer special early retirement provisions not more often than twice every five years under which between ten and 30 percent additional service credit is given to those members who either are at least age 55 with at least ten years of service or have at least 30 years of service and apply during an election period that is 60 to 120 days long with a seven-day revocation period and then retire within a special period that is not more than 12 months long, the cost of which must be amortized over five years (See H.B. 358)	Referred to Senate Local Government Committee Reported as committed Actuarial Note (P. N. 1840) Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Re-referred to Senate Local Government Committee	01/12/94 04/19/94 05/18/94 05/23/94 06/13/94 06/15/94 06/27/94
S. B. 1547 P. N. 1903 (Shaffer)	Municipal Police Education and Training Law, making campus police or university police employees police officers and campus police or university police departments under the Law	Referred to Senate Local Government Committee	02/04/94
S. B. 1550 P. N. 1906 (Shaffer)	Volunteer Firemen's Relief Association Act, providing for volunteer firefighters' retirement plans	Referred to Senate Local Government Committee	02/04/94
S. B. 1566 P. N. 1930 (Mellow)	PSERS and SERS, giving special postretirement adjustments to annuitants with certain unpurchased military service	Referred to Senate Finance Committee	02/09/94
S. B. 1598 P. N. 1964 (Dawida)	SERS, providing for the purchase of retirement credit for service as an employee of the Allegheny County Department of Health	Referred to Senate Finance Committee	03/02/94
S. B. 1603 P. N. 1972 (Greenleaf)	PSERS, extending the "Mellow Window" additional 10% service credit retroactively to March 15, 1992, and prospectively to August 31, 1994	Referred to Senate Education Committee	03/08/94

BILL NUMBER PRINTER'S NO. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
S. B. 1609 P. N. 1992 (Mowery)	Statewide Teachers' Contract Act, providing for the creation of the Task Force on a Statewide Teachers' Contract, for a Statefunded Statewide public school teachers' contract negotiated through collective bargaining, and for transitional provisions, and, among other things, requiring both employer and employee contributions to continue to be made to PSERS	Referred to Senate Education Committee	03/22/94
S. B. 1611 P. N. 1994 (Hart)	Municipal Police Pension Law (Act 600), authorizing the establishment of additional pension annuities	Referred to Senate Finance Committee	03/22/94
S. B. 1638 P. N. 2023 (Shumaker)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), including municipal authorities among municipalities eligible to receive General Municipal Pension System State Aid	Referred to Senate Finance Committee	04/06/94
S. B. 1644 P. N. 2044 (Shumaker)	PSERS and SERS, amending multiple service provisions to lengthen the time period available for members to elect multiple service after beginning school or state service, provide that the members electing multiple service can pay for any credit to be reinstated or purchased through installment payments, and open a window for current active members who have not elected multiple service, but have service in both systems, to elect multiple service	Referred to Senate Finance Committee	04/15/94
S. B. 1660 P. N. 2205 (Heckler)	SERS, permitting members who were employees of the Office of Attorney General and the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network on December 31, 1992, to purchase service credit for non-state 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 the Office of Attorney General and Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network	Referred to Senate Finance Committee Commission Letter (P. N. 2060 with A.2092) Reported as amended Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Passed Senate (50-0) Referred to House State Government Committee Reported as committed Re-referred to House Appropriations Committee Commission Letter (P. N. 2205) Re-reported as committed Second Consideration Passed House (198-0) Act 1994-76	04/15/94 05/23/94 05/24/94 06/06/94 06/08/94 06/14/94 06/15/94 06/16/94 06/17/94 06/17/94 08/31/94 09/26/94 09/26/94 09/28/94 10/05/94

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
S. B. 1686 P. N. 2108 (Heckler)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), where a municipality has incurred debt to fund unfunded actuarial accrued liabilities, providing for additions to actuarial valuation reports, for the determination of General Municipal Pension System State Aid and Supplemental State Assistance, for the pledge of GMPSSA and SSA, for the payment of GMPSSA and SSA directly to trustees or paying agents for the debt	Referred to Senate Finance Committee	04/25/94
		Reported as committed	06/15/94
		Referred to Senate Rules and Executive Nominations Committee	06/28/94
		Commission Letter (P. N. 2108)	09/13/94
		Re-reported as committed	09/19/94
		Second Consideration	09/27/94
		Passed Senate (48-0)	10/03/94
		Referred to House Local Government Committee	10/03/94
		Reported as committed	10/04/94
		Re-referred to House Appropriations Committee	10/04/94
		Commission Letter (P. N. 2108)	10/07/94
		Actuarial Note (P. N. 2108, A. 5236)	11/10/94
		Re-reported as committed	11/16/94
		Second Consideration	11/16/94
		Commission Letter (P. N. 2108, A. 5558)	11/21/94
Passed House (135-64)	11/22/94		
Act 1994-168)	12/28/94		
S. B. 1687 P. N. 2109 (Heckler)	Local Government Unit Debt Act, authorizing and providing for incurring debt to fund unfunded actuarial accrued liabilities in pension trust funds	Referred to Senate Finance Committee	04/25/94
		Reported as committed	06/15/94
		Referred to Senate Rules and Executive Nominations Committee	06/28/94
		Commission Letter (P. N. 2109)	09/13/94
		Re-reported as committed	09/19/94
		Second Consideration	09/27/94
		Passed Senate (48-0)	10/03/94
		Referred to House Local Government Committee	10/03/94
		Reported as committed	10/04/94
		Re-referred to House Appropriations Committee	10/04/94
		Commission Letter (P. N. 2109)	10/07/94
		Actuarial Note (P. N. 2109, A. 5237)	11/10/94
		Re-reported as committed	11/16/94
		Second Consideration	11/16/94
		Commission Letter (P. N. 2109, A. 5557)	11/21/94
Commission Letter (P. N. 2109, A. 5657)	11/22/94		
Passed House (127-72)	11/22/94		
Act 1994-169	12/28/94		
S. B. 1690 P. N. 2112 (Lewis)	Southeastern Pennsylvania Cultural and Scientific Asset District Act, creating the Southeastern Cultural and Scientific Asset District in the Philadelphia area, and, among other things, giving its board the right and power to enroll its employees in a retirement system, including an existing retirement system of the county, city, or other governmental entity	Referred to Senate Intergovernmental Affairs Committee	04/25/94
		Reported as amended	05/24/94
		Re-referred to Senate Appropriations Committee	06/06/94
S. R. 137 P. N. 2188 (Madigan)	A Resolution recognizing the 75th Anniversary of the Public School Employees' Retirement System of Pennsylvania and commending the Public School Employees' Retirement Board and its staff	Introduced	05/17/94
		Adopted	05/17/94

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
S. B. 1817 P. N. 2337 (Peterson)	PSERS, prohibiting PSERS from restricting the annuitant's choice of insurance carriers under the health insurance premium assistance program	Referred to Senate Finance Committee	07/13/94
S. B. 1841 P. N. 2363 (Baker)	Establishing the Mandate Review Commission to investigate and study legislative enactments and administrative regulations that require counties, municipalities, and school districts to spend new or additional funds or to take action requiring the expenditure of funds	Referred to Senate State Government Committee	09/16/94
S. B. 1898 P. N. 2472 (Mowery)	Municipal Police Pension Law (Act 600), including regional police departments within the coverage of the act	Referred to Senate Finance Committee Actuarial Note (P.N. 2472)	10/04/94 11/10/94
S. B. 1915 P. N. 2505 (Greenleaf)	PSERS and SERS, for purposes of the 1994 COLA, making the effective date of retirement the date of termination of service, i.e., in most cases, the day before the effective date of retirement	Referred to Senate Finance Committee	11/14/94
S. B. 1916 P. N. 2506 (Greenleaf)	PSERS and SERS, for purposes of the Mellow Windows, giving the additional 10% service credit for the combined credited service in both systems for those who had such service	Referred to Senate Finance Committee	11/14/94
S. B. 1924 P. N. 2519 (Greenleaf)	Tax Reform Code of 1971, prohibiting the Commonwealth's courts from recognizing another state's claim on the pension payments made to a Commonwealth resident	Referred to Senate Finance Committee	11/14/94
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 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

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(PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 systems and prospectively change contribution rates, retirement allowances, or pension benefits for both current and prospective members	Referred to House Rules Committee Reported as committed Re-referred to House State Government Committee	01/27/93 02/10/93 02/10/93
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 Reported as committed Recommitted to House Urban Affairs Committee	02/01/93 02/10/93 02/10/93 06/08/93 06/08/93 09/27/93 09/27/93 02/07/94 02/07/94

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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 [See S. B. 974]	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 to being under superannuation age from June 30, 1993, to June 30, 1994 [See S. B. 974]	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. 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

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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 began receiving benefits before July 2, 1992 [See S. B. 974]	Referred to House State Government Committee Advisory Note (P. N. 297) Reported as committed Re-committed to House Appropriations Committee Actuarial Note (P. N. 297)	02/08/93 02/18/93 03/16/93 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	Referred to House Local Government Committee	02/08/93

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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

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 Employees' 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. 3475 (Tangretti)	County Pension Law, permitting county commissioners or county councils, with the approval of county retirement boards, to offer special early retirement provisions not more often than once every five years under which between ten and 30 percent additional service credit is given to those members who either are at least age 55 with at least ten years of service or have at least 30 years of service and apply during an election period that is 60 to 120 days long with a seven-day revocation period and then retire within a special period that is not more than 12 months long, the cost of which must be amortized by level dollar payments over five years ending at the end of fifth	Referred to House Local Government Committee Advisory Note (P. N. 387, A. 3655) Reported as amended Re-referred to House Appropriations Committee Actuarial Note (P. N. 2882) Commission Letter (P. N. 2882, A. 1076) Re-reported as amended Second Consideration Amended and Passed House (126-70) Referred to Senate Local Government Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as committed	02/10/93 09/17/93 12/06/93 12/08/93 01/18/94 03/18/94 03/23/94 03/23/94 04/11/94 04/15/94 06/14/94 06/15/94 06/20/94

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	retirement system year occurring after the end of the early retirement period	Second Consideration Passed Senate (50-0) Act 1994-71	06/21/94 06/22/94 07/07/94
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. 412 P. N. 3562 (LaGrotta)	The Administrative Code of 1929, various amendments, including requiring the Commonwealth to make the payment of any penalty that has been or may be assessed against an SERS annuitant who retired or was placed on disability prior to July 1, 1992, and has been enrolled to Medicare Part B coverage as a result of the withdrawal of the option to retain the Blue Shield portion of Basic Health Coverage	Referred to House Finance Committee Reported as amended Re-committed to House Rules Committee Re-reported as committed Second Consideration Re-referred to House Appropriations Committee Re-reported as amended Amended and Passed House (173-15) Referred to Senate Finance Committee Commission Letter (P. N. 3562)	02/10/93 06/08/93 06/08/93 06/15/93 06/15/93 06/16/93 04/11/94 04/19/94 04/19/94 09/26/94
H. B. 545 P. N. 596 (Godshall)	Constitution of Pennsylvania, amending section 31 of article 3 to permit binding arbitration in collective bargaining involving not only firefighters and police officers but also other classes of essential public employees designated by the General Assembly	Referred to House State Government Committee	03/15/93
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

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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 (Withdrawn)	Second Class County Code, creating the Allegheny County Asset District, whose board would 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 by the House (122-76) Referred to Senate Rules and Executive Nominations Committee Rereported as committed Senate concurred in House amendments to Senate 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 Reported as committed Re-referred to House Appropriations Committee Actuarial Note (P. N. 729)	03/22/93 04/06/94 04/11/94 04/12/94
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

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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
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 Reported as amended Second Consideration Amended and Passed House (119-80) Referred to Senate Appropriations Committee Reported as committed Second Consideration Re-committed to Senate Appropriations Committee Re-reported as amended Passed Senate (25-24) House non-concurred in Senate amendments Senate Insisted on Senate amendments Referred to Conference Committee	03/17/93 03/22/93 03/23/93 03/24/93 03/26/93 05/24/93 05/25/93 05/25/93 05/25/93 05/26/93 05/26/93 05/26/93 05/26/93

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		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 Reported as committed Re-committed to House Appropriations Committee Re-reported as committed Second Consideration Amended and Passed House (197-0) Referred to Senate State Government Committee Reported as amended Second Consideration Re-referred to Senate Appropriations Committee	03/22/93 04/19/93 04/19/93 04/20/93 04/20/93 05/04/93 05/06/93 06/21/93 06/22/93 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 Advisory Note (P. N. 904)	03/22/93 04/13/93
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 Reported as committed Re-committed to House Appropriations Committee Actuarial Note (P. N. 915) Re-reported as committed Second Consideration Passed House (198-0) Referred to Senate Local Government Committee Reported as committed Second Consideration Re-referred to Senate Appropriations Committee Re-reported as amended	03/22/93 03/23/93 03/24/93 04/15/93 04/20/93 04/20/93 04/28/93 04/29/93 05/11/93 05/24/93 05/24/93 05/26/93

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		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 Reported as committed Second Consideration Passed House (196-0) Referred to Senate Transportation Committee Reported as committed Second Consideration Re-referred to Senate Appropriations Committee Re-reported as amended Re-referred to Senate Rules and Executive Nominations Committee Re-reported as amended Passed Senate (25-22) Referred to House Rules Committee Reported as amended House concurred in Senate amendments as amended (199-0) Referred to Senate Rules and Executive Nominations Committee Re-reported as committed Senate concurred in House amendments to Senate amendments (50-0) Act 1994-3	03/24/93 03/30/93 04/19/93 04/20/93 04/22/93 05/11/93 05/26/93 05/26/93 05/26/93 05/27/93 05/27/93 05/28/93 05/28/93 06/15/93 06/16/93 06/21/93 01/31/94 02/01/94 02/10/94
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 Reported as committed Re-referred to House Appropriations Committee Actuarial Note (P. N. 979)	03/24/93 09/28/93 10/07/93 11/16/93
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 termi-	Referred to House Education Committee Reported as amended	03/25/93 04/19/93

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	nated 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 [See S. B. 974]	Re-committed to House Appropriations Committee Actuarial Note (P. N. 1202) Commission Letter (P. N. 1202, Proposed Amendment)	04/21/93 05/19/93 06/15/93
H. B. 1006 P. N. 3422 (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 Re-reported as committed Second Consideration Amended on Third Consideration Defeated (80-116) House reconsidered and placed on Final Passage Postponed Calendar Advisory Note (P. N. 1088, A. 1259) Advisory Note (P. N. 3422; A. 2096) Passed House (127-62) Referred to Senate Local Government Committee	03/25/93 07/02/93 09/14/93 12/06/93 12/08/93 03/08/94 03/08/94 03/23/94 03/23/94 03/23/94 05/11/94 06/10/94 11/14/94 11/17/94
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 Re-reported as committed Second Consideration Passed House (176-11) Reconsidered and Defeated (86-107)	03/25/93 07/02/93 09/14/93 12/06/93 12/08/93 03/08/94 03/08/94 11/14/94 11/14/94
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	Referred to House Education Committee	03/29/93

BILL NUMBER
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(PRIME SPONSOR)

SUBJECT

CONCISE HISTORY AND STATUS

DATE

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	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		
H. B. 1026 P. N. 1110 (O'Brien)	SERS, permitting Philadelphia ball 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 State Government Committee Actuarial Note (P. N. 1256)	03/29/93 06/16/93
H. B. 1157 P. N. 4247 (Colafella)	Insurance Fraud Prevention Act, creating the Insurance Fraud Prevention Authority that would have the power and duty, among other things, to employ staff [See S. B. 850]	Referred to House Insurance Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as amended Second Consideration	04/19/93 12/06/93 12/08/93 10/03/94 10/03/94
H. B. 1158 P. N. 4248 (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 Re-reported as amended Second Consideration Passed House (195-0) Referred to Senate Banking and Insurance Committee Reported as committed Second Consideration Re-referred to Senate Appropriations Committee Re-reported as committed Passed Senate (50-0) Act 1994-171	04/19/93 05/11/93 05/24/93 10/03/94 10/03/94 11/15/94 11/16/94 11/16/94 11/21/94 11/21/94 11/21/94 11/22/94 12/28/94
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 for-	Referred to House Local Government Committee	04/19/93

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	eign 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		
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 and providing for the conduct of and compensation of the Commission	Referred to House State Government Committee	05/05/93
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

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 and changing employer contributions for social security and PSERS pensions for these employees from one-half to entire required contribution less Commonwealth payment (See S.B. 974)	Referred to House Education Committee Actuarial Note (P. N. 1784) Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Commission Letter (P. N. 1842, Proposed Amendment) Passed House (139-61) House Reconsidered (202-0) Passed House (137-64) Referred to Senate Education Committee	05/05/93 05/19/93 05/24/93 05/24/93 05/24/93 05/25/93 05/28/93 05/28/93 05/28/93 05/28/93 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 Advisory Note (P.N. 1844) Replacement Advisory Note (P.N. 1844)	05/24/93 07/30/93 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	Referred to House Urban Affairs Committee Advisory Note (P. N. 1858)	05/24/93 09/27/93

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SUBJECT

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DATE

BILL NUMBER PRINTER'S NO. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	paid for services performed in the course of the member's employment and from which pension contributions shall be deducted		
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. 3899 (McNally)	Second Class County Code, permitting members to purchase service credit for previous county service before becoming a member, permitting board to fix the interest rate credited to withdrawn member contributions, and also permitting reemployed members to purchase service credit for their previous service at any time after reemployment and before retirement either in a lump sum or a series of monthly payments over not more than three years	Referred to House Local Government Committee Reported as committed Re-committed to House Urban Affairs Committee Reported as committed Re-referred to House Urban Affairs Committee Re-reported as amended Second Consideration Passed House (195-0) Referred to Senate Local Government Committee Actuarial Note (P. N. 3323) Reported as amended Re-referred to Senate Rules and Executive Nominations Committee	05/25/93 12/06/93 12/06/93 02/08/94 03/07/94 03/15/94 03/15/94 03/22/94 04/06/94 05/18/94 06/14/94 06/28/94
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 Actuarial Note (P. N. 2015)	06/07/93 09/27/93 12/07/93 12/08/93 04/12/94
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) Re-reported as committed Second Consideration Passed House (195-1) Referred to Senate Local Government Committee Reported as committed Second Consideration	06/07/93 09/28/93 09/29/93 10/13/93 04/11/94 04/11/94 04/19/94 04/20/94 11/14/94 11/15/94

BILL NUMBER
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(PRIME SPONSOR)

SUBJECT

CONCISE HISTORY AND STATUS

DATE

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		Re-referred to Senate Appropriations Committee	11/15/94
		Re-reported as committed	11/16/94
		Passed Senate (50-0)	11/21/94
		Act 1994-140	12/12/94
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
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

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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. 3907 (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 [See S. B. 1660]	Referred to House State Government Committee Advisory Note (P. N. 2186) Reported as amended Re-committed to House Rules Committee Commission Letter (P. N. 2205) Re-reported as committed Re-referred to House Appropriations Committee	06/21/93 05/23/94 06/15/94 06/20/94 08/31/94 09/26/94 09/26/94
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 Reported as committed	06/22/93 04/19/94
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 Advisory Note (P. N. 2238) Reported as committed Re-committed to House Rules Committee Re-reported as committed Re-referred to House Appropriations Committee	06/22/93 05/13/94 06/15/94 06/15/94 09/26/94 09/26/94
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

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(PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
H. B. 1905 P. N. 4299 (Staback)	SERS, defining "enforcement officer" to include a full-time Pennsylvania Game Commission employee who is a graduate of the Game Commission Training School; who serves or served as a Wildlife Conservation Officer, and is empowered to enforce or investigate alleged violations of the Crimes Code and the Game and Wildlife Code and a Waterways Conservation Officer and other commissioned law enforcement personnel employed by the Pennsylvania Fish and Boar Commission who has and exercises the same law enforcement powers as a Waterways Conservation Officer but not including a Deputy Waterways Conservation Officer, and prohibiting a retiree who services as a Deputy Wildlife Conservation Officer or Deputy Waterways Conservation Officer from freezing the annuity at its present value and becoming an active member	Referred to House State Government Committee Advisory Note (P. N. 2324) Reported as amended Re-referred to House Appropriations Committee Actuarial Note (P. N. 3373) Commission Letter (P. N. 3373, A. 3583) Commission Letter (P. N. 3373, A. 4024) Re-reported as amended Second Consideration Actuarial Note (P. N. 4299, A. 5194)	06/23/93 11/04/93 03/21/94 03/23/94 06/21/94 07/07/94 09/20/94 10/04/94 10/04/94 11/10/94
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 Advisory Note (P. N. 2328)	06/23/93 03/28/94
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 Re-reported as committed Second Consideration	06/23/93 12/06/93 12/07/93 11/22/94 11/22/94
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. 3220 (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	Referred to House Education Committee Reported as amended Re-referred to House Appropriations Committee Actuarial Note (P. N. 3220) Actuarial Note (P. N. 3220, A. 2270)	10/06/93 02/08/94 03/07/94 03/10/94 06/21/94

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	decisions, provided the annuitants apply within 2 years of the effective date of this change		
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	Referred to House State Government Committee Reported as committed Re-committed to House Appropriations Committee	10/06/93 11/22/93 11/24/93

BILL NUMBER PRINTER'S NO. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	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		
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 Transportation Committee	10/06/93
H. B. 2158 P. N. 3324 (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 within Pennsylvania	Referred to House State Government Committee Advisory Note (P. N. 2661) Reported as amended Re-referred to House Appropriations Committee Actuarial Note (P. N. 3324) Actuarial Note (P. N. 3324, A. 1291) Actuarial Note (P. N. 3324, A. 1703) Actuarial Note (P. N. 3324, A. 2283)	10/13/93 12/01/93 03/15/94 03/21/94 05/18/94 05/18/94 05/18/94 06/21/94
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 Business and Economic Development Committee	10/13/93
H. B. 2202 P. N. 4051 (Gerlach)	Optional Local Tax Enabling Act, among other things, providing that local governments shall not be required to spend funds or take actions requiring the expenditure of funds for a new mandate unless the General Assembly either has appropriated funds to pay for it or has authorized to local government to enact a new funding source, but excepting laws adopted to require funding of pension benefits existing on the effective date of the Act	Referred to House Finance Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Amended and Passed House (177-19) Referred to Senate Finance Committee Reported as amended Re-referred to Senate Appropriations Committee Re-reported as committed Amended on Second Consideration Amended on Third Consideration Defeated in Senate (24-26) Senate Reconsidered Laid on the Table	11/24/93 01/31/94 02/01/94 02/07/94 02/07/94 02/08/94 02/09/94 05/24/94 06/06/94 06/21/94 06/22/94 06/28/94 06/28/94 06/28/94 06/28/94
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

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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 Pennsylvania State Police to purchase up to five years of service credit for nonstate service as a municipal police officer	Referred to House State Government Committee	12/07/93
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 Local Government Committee	12/07/93
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 Commonwealth	Referred to House State 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 Local Government Committee	12/08/93
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 payments begun within three years of eligibility and not payable as part of an Option 4 withdrawal	Referred to House Education Committee	12/15/93

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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
H. B. 2524 P. N. 3184 (Reinard)	State Payment for State Mandates Act, among other things, requiring the Office of Local Mandates to review any bill that could possibly incur an increase in costs to local governments before it is reported from committee in either house of the General Assembly and to complete a local-impact statement on any proposed Commonwealth regulation	Referred to House Appropriations Committee	02/02/94
H. B. 2541 P. N. 3225 (L. I. Cohen)	Exempting political subdivision from compliance with laws that require them to spend funds or that limit their ability to raise revenue unless the General Assembly either appropriates money to pay for them or authorizes political subdivisions to enact a new funding source to pay for them	Referred to House Local Government Committee	02/08/94
H. B. 2559 P. N. 3277 (Jarolin)	Fish and Boat Code, among other things, making salaried waterways patrolmen policemen under the Enforcement Office Disability Law and the Policemen and Firemen Collective Bargaining Act (Act 111)	Referred to House Game and Fisheries Committee Reported as amended Re-referred to House Appropriations Committee	02/09/94 03/07/94 03/14/94
H. R. 262 P. N. 3314 (Nickol)	Concurrent Resolution directing the Public Employee Retirement Commission to study the long-term financial ramifications of Act 186 of 1994 (i.e., "Mellow Bill" for PSERS)	Referred to House Appropriations Committee	03/09/94
H. B. 2652 P. N. 3453 (Lucyk)	Act relating to the settlement of public accounts and the payment of the public monies, permitting participants in IRC §457 deferred compensation plans to change their election amounts on a quarterly basis and change their investment choices based on the investment vehicle or contract but not less frequently than quarterly	Referred to House Insurance Committee Reported as committed Second Consideration	04/06/94 09/26/94 10/03/94

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
H. B. 2653 P. N. 3433 (Rudy)	SERS, permitting purchase of service credit for at least two but not more than three years of service as a volunteer in the Peace Corps provided the purchase is made within three years of eligibility	Referred to House State Government Committee	04/05/94
H. B. 2759 P. N. 3669 (Lloyd)	PSERS, permitting the purchase at full actuarial cost of up to ten years of service credit for service rendered as an employee of a borough, city, county, town, township, or municipal authority	Referred to House Education Committee	05/18/94
H. B. 2781 P. N. 3690 (Fajt)	PSERS, permitting an active member who formerly was an active SERS member to elect to become a multiple service member at any time rather than within 30 days after becoming an active PSERS member	Referred to House Education Committee	05/18/94
H. B. 2828 P. N. 3737 (Evans)	SERS, Fiscal Year 1994-95 Appropriations Bill of \$14,814,000	Referred to House Appropriations Committee Reported as committed Second Consideration Passed House (198-0) Referred to Senate Appropriations Committee Reported as committed Second Consideration Passed Senate (50-0) Act 1994-8A	05/18/94 05/25/94 06/06/94 06/15/94 06/16/94 06/20/94 06/21/94 06/22/94 07/01/94
H. B. 2829 P. N. 3774 (Evans)	PSERS, Fiscal Year 1994-95 Appropriations Bill of \$23,652,000	Referred to House Appropriations Committee Reported as amended Second Consideration Passed House (195-3) Referred to Senate Appropriations Committee Reported as committed Second Consideration Passed Senate (50-0) Act 1994-9A	05/18/94 05/25/94 06/06/94 06/15/94 06/16/94 06/20/94 06/21/94 06/22/94 07/01/94
H. B. 2836 P. N. 3745 (Belfanti)	Municipal Police Pension Law (Act 600), changing superannuation retirement to not less than 20 years of service and when a minimum age is prescribed, a minimum age of 50, and adding a service increment for service in excess of 20 years of 1/40 of the retirement allowance for each year over 20	Referred to House Local Government Committee	05/18/94
H. B. 2842 P. N. 3760 (Schuler)	PSERS, permitting a "Mellow Window" annuitant employed under a separate contract as a coach, director, or sponsor of a school activity not to forfeit the additional 10% service credit but to earn	Referred to House Education Committee	05/23/94

BILL NUMBER PRINTER'S No. (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	no additional service credit and make no contributions and have no contributions made to the annuitant's account for this contract service		
H. B. 2859 P. N. 3804 (Fajt)	Public Employee Relations Act (Act 195), providing for binding final best offer arbitration for teachers	Referred to House Education Committee	06/06/94
H. R. 336 P. N. 3810 (Evans)	A Resolution recognizing the 75th Anniversary of the Public School Employees' Retirement System	Referred to House Rules Committee Reported as committed Adopted (194-1)	06/06/94 06/13/94 06/20/94
H. B. 2907 P. N. 3884 (Kaiser)	PMRS, permitting municipal employees who are former Commonwealth employees and former members of SERS to purchase service credit for service with the Commonwealth	Referred to House Local Government Committee	06/14/94
H. B. 2914 P. N. 3891 (Herman)	PSERS and SERS, amending multiple service provisions to lengthen the time period available for members to elect multiple service after beginning school or state service, providing that the member electing multiple service can pay for any credit to be reinstated or purchased through installment payments, and open a window for current active members who have not elected multiple service, but have service in both systems, to elect multiple service	Referred to House State Government Committee	06/14/94
H. B. 2921 P. N. 3925 (Trello)	Volunteer Firefighters' Relief Association Act, permitting expenditure of money 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 House Local Government Committee	06/16/94
H. B. 2926 P. N. 3894 (Lescovitz)	Regulatory Flexibility Act, providing for inclusion in all Commonwealth rules and regulations of flexible provisions designed to benefit small businesses, including counties, cities, boroughs, incorporated towns, townships, school districts, vocational school districts, and county institution districts	Referred to House Business and Economic Development Committee	06/14/94
H. B. 2954 P. N. 3987 (Gigliotti)	Constitution of Pennsylvania, amending section 16(b) of article 5 to require justices, judges and justices of the peace to retire on the last day of the calendar year in which they attain age 70 rather than immediately upon attaining age 70	Referred to House Judiciary Committee	06/20/94

BILL NUMBER
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SUBJECT

CONCISE HISTORY AND STATUS

DATE

H. B. 3048 P. N. 4175 (Kenney)	First Class City Home Rule Act, prohibiting Philadelphia from exercising powers contrary to or in limitation or enlargement of powers granted by acts of the General Assembly that are applicable to cities of the Commonwealth including those acts providing for the disability compensation for police officers	Referred to House Urban affairs Committee	09/27/94
H. B. 3134 P. N. 4348 (Laughlin)	Municipal Police Pension Law (Act 600), permitting any cost-of-living increase to be granted to retirees or their survivors as the ordinance or resolution may provide	Referred to House Local Government Committee	10/05/94
H. B. 3151 P. N. 4371 (Petrone)	Second Class County Code, permitting a county detective to receive full retirement after 20 years of service and attaining age 50	Referred to House Local Government Committee	11/14/94
H. B. 3186 P. N. 4428 (Roberts)	Municipal Police Pension Law (Act 600), permitting pensions of up to 75% of final average salary	Referred to House Local Government Committee	11/17/94

