1995
ANNUAL REPORT
OF THE
PUBLIC EMPLOYEE RETIREMENT
COMMISSION

Public Employee Retirement Commission
Commonwealth of Pennsylvania
March, 1996

PUBLIC EMPLOYEE RETIREMENT COMMISSION

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT COMMISSION
HARRISBURG
17120

March, 1996

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 1995.

During 1995, the Commission authorized the attachment of twenty-one actuarial notes to nineteen bills and three 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 Employes' Retirement System and the Public School Employes' Retirement System. This report also describes research conducted during 1995 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 thirteenth 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 1995.

Sincerely,

Paul D. Halliwell
Chairman

DEDICATION

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

DALE D. STONE

Mr. Stone was appointed as a charter member of the Public Employee Retirement Commission on October 17, 1981, and served faithfully and conscientiously in that capacity until his resignation on April 18, 1995. Mr. Stone was elected as Chairman of the Commission on October 8, 1986, and served in that capacity until his resignation.

During Mr. Stone's tenure, the Commission issued more than 200 actuarial notes on proposed public employee pension legislation, developed the Municipal Pension Plan Funding Standard and Recovery Act, and issued numerous policy development reports to the Governor and General Assembly.

The Public Employee Retirement Commission expresses its sincere appreciation to Mr. Stone for his ability to understand, integrate, and lead, and for his dedication to the Commission, its staff, and the citizens of the Commonwealth, and wishes him the best of health, happiness and success in his future endeavors.

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 $125 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 tenth 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 1995.

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PART I

PREPARATION OF ACTUARIAL NOTES AND ADVISORY NOTES

A. STATUTORY PROVISIONS.

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

Section 6. Powers and duties.

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

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

Section 7. Actuarial notes.

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

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

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

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

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

The requirement that an actuarial note be attached to public employee pension and retirement bills prior to their second consideration in either house of the General Assembly was a modification of the legislative process. In response to this statutory mandate to prepare the required actuarial notes, the Commission and the leaders of the General Assembly developed and implemented legislative procedures. The standardization of these procedures makes it easier to expeditiously and efficiently provide the required actuarial information to the General Assembly. The procedures clarify the manner of attaching actuarial notes to bills, including floor amended bills and bills in the possession of the House and Senate Appropriations Committees upon the request of the chairman. The procedures also clarify the availability of the Commission's staff to provide technical assistance to members of the General Assembly on matters relating to public employee retirement system design, financing, and administration. The legislative procedures also provide for the preparation of advisory notes for committee chairmen. The Commission uses an advisory note, as distinct from an actuarial note, for the analysis of proposed legislation when the bill is being considered by a committee of the General Assembly. The advisory note is prepared primarily by the Commission's staff with review or additional analysis by one of the Commission's consulting actuaries as deemed necessary.

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

B. SUMMARY OF 1995 ACTIVITY.

During 1995, the Commission authorized the attachment of twenty-one actuarial notes to nineteen bills and three amendments. In addition, the Commission's staff provided the General Assembly with ten advisory notes.

C. SYNOPSES OF ADVISORY NOTES.

- <u>Senate Bills 614 and 615, Printer's Numbers 638 and 639</u>. At the request of Senator Richard A. Tilghman, Chairman, Senate Appropriations Committee, the Commission staff provided an Advisory Note on Senate Bills 614 and 615, Printer's Numbers 638 and 639, to him on March 17, 1995. Senate Bill 614 would amend the State Employees' Retirement Code to permit certain active members of the State Employes' Retirement System who have attained age 55, have completed ten years of service, and retire between October 1, 1995, and March 31, 1996, to receive credit for an additional ten percent of their Class A and Class C service without paying any additional member contributions. Senate bill 615 would amend the Public School Employees' Retirement Code to permit certain active members of the Public School Employes' Retirement System who will have attained age 55 by July 31, 1996, have completed ten years of service, and terminate active service between December 1, 1995, and July 31, 1996, to apply for retirement before August 1, 1996, and receive credit for an additional ten percent of their service without paying any additional member contributions. The bills also provide that the extra ten percent service credit shall be forfeited in the event an annuitant who has received this retirement incentive returns to service.

- Senate Bill 633, Printer's Number 657. At the request of Senator Melissa A. Hart, Chairman, Senate Finance Committee, the Commission staff provided an Advisory Note on Senate Bill 633, Printer's Number 657, to her on May 31, 1995. The bill would amend the Municipal Police Pension Law (Act 600) to extend its provisions to include regional police departments.

- 1995 Document 07168. At the request of Senator Richard A. Tilghman, Chairman, Senate Appropriations Committee, the Commission staff provided an Advisory Note of 1995 Document 07168 to him on November 30, 1995. The document would amend section 5304(c)(3) of the State Employees' Retirement Code to permit active multiple service members of the State Employes' Retirement System to purchase service credit for service as a public educator in another state or with the federal government and to remove the length of service limitation on such service purchases that restricts the purchases from exceeding the length of service as a public educator member of the System.

- House Bill 205, Printer's Number 183. At the request of Representative Paul I. Clymer, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 205, Printer's Number 183, to him on March 30, 1995. The bill would amend the State Employees' Retirement Code to permit an active member to purchase service credit for up to ten years of full-time nonstate service in a state government other than the Commonwealth if the member makes the purchase after at least ten years of service with the Commonwealth but within three years of becoming eligible and pays the full actuarial cost and prohibits withdrawal under Option 4 of the portion of the purchase price attributable to the employer cost.

- House Bill 391, Printer's Number 396. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 391, Printer's Number 396, to him on May 3, 1995. The bill would amend the Municipal Police Pension Law (Act 600) to change from a specified pension of 50 percent of final average salary, except for length of service increments, to a variable pension with a minimum of 50 percent of final average salary and to allow a municipality to provide a pension of up to 75 percent of final average salary.

- House Bill 391, Printer's Number 396, as amended by the Proposed Amendment. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House 391, Printer's Number 396, as amended by the Proposed Amendment, to him on June 16, 1995. The bill as amended would amend the Municipal Police Pension Law (Act 600) to permit municipalities to increase police officers' pensions beyond the statutorily specified standard pension of 50 percent of final average salary provided that the actuarial value of assets exceeds the actuarial present value of future benefits in the pension trust fund after granting the increased pension. The pensions may be increased to not more than 75 percent of final average salary.

- House Bill 648, Printer's Number 714. At the request of Representative Paul I. Clymer, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 648, Printer's Number 714, to him on April 3, 1995. The bill would amend the State Employees' Retirement Code to permit an active member to purchase service credit for up to ten years of nonstate service as an individual holding a county office or position in any Pennsylvania county.

- House Bill 1153, Printer's Number 1287. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on house Bill 1153, Printer's Number 1287, to him on November 29, 1995. The bill would amend the Municipal Police Pension Law (Act 600) to permit any cost-of-living increase to be granted to members already retired or their survivors, as the ordinance or resolution may provide.

- House Bill 1302, Printer's Number 1487. At the request of Representative Paul I. Clymer, Chairman, House State Government Committee, the Commission staff provided an Advisory Note on House Bill 1302, Printer's Number 1487, to him on April 27, 1995. The bill 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 Crimes 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.

- House Bill 1500, Printer's Number 1753. At the request of Representative Jess M. Stairs, Chairman, House Education Committee, the Commission staff provided an Advisory Note on House Bill 1500, Printer's Number 1753, to him on August 28, 1995. The bill would amend the Public School Employees' Retirement Code to authorize active members to purchase service credit for previous nonschool work experience of the type required for permanent certification as a vocational teacher. Service would be creditable at the rate of one year of service credit for each two years of eligible work experience, not to exceed a total of three years of service credit. Previous work experience could not include time served in an apprenticeship. Contributions payable by the member for purchase of the service credit would be equal to the increase in the actuarial present value at the time of purchase attributable to the additional credited service calculated on the basis of the average annual compensation for the first three years of credited public school service after the purchasable work experience. The contributions could not be withdrawn at a lump sum under Option 4.

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. A subject index to the actuarial notes is provided in Appendix E.

Bill ID: Senate Bills 203 and 204, Printer's Numbers 204 and 205

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

Subject: Purchase of Service Credit for Military Service

SYNOPSIS

Senate Bill 203, Printer's Number 204, would amend the Second Class A City Employee Pension Law (the statute establishing the pension plan for nonuniformed employees in the City of Scranton), and Senate Bill 204, Printer's Number 205, would amend the statute establishing the pension plan for police officers and firefighters in the City of Scranton, in both cases to remove the statutory three-year time limit within which a member must commence employment with the City following military service in order to be eligible to purchase credit for nonintervening military service and instead to authorize the city council to establish a time limit by ordinance or resolution.

DISCUSSION

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

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

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

The Municipal Pension Plan Funding Standard and Recovery Act establishes the procedure for determining financial distress in municipal retirement systems. This distress determination is based on a quantified evaluation of both the aggregate actuarial condition of a municipality's retirement systems and the general fiscal condition of the municipality. The City of Scranton elected to participate in the Recovery Program for Financially Distressed Municipal Pension Plans established by the Act. The Public Employee Retirement Commission has determined that the City is eligible to participate in Level III of the Recovery Program, which applies to severely distressed municipal retirement systems. Beginning in 1988 and continuing for a maximum of 15 years, the Act establishes a Supplemental State Assistance Program for certain municipalities participating in the Recovery Program. The amount of assistance is directly related to the degree of financial distress in the individual municipal retirement system. In 1994, the City of Scranton received $270,936.46, the third highest allocation of the 15 made to municipalities participating in the Supplemental State Assistance Program.

On January 1, 1994, the actuarial value of assets as a percentage of the actuarial accrued liabilities of the City's employee retirement systems were as follows: Firefighters - 16.05 percent; Police Officers - 38.82 percent; and Nonuniformed Employees - 62.66 percent. The total unfunded actuarial accrued liabilities of the City's employee retirement systems exceeded $81.4 million.

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

SUMMARY OF ACTUARIAL COST IMPACT

The bills represent general enabling legislation. Specific provisions relating to the purchase of service credit for military service would be set forth in ordinances adopted by the City of Scranton to implement the authority granted under the bills. Under the Municipal Pension Plan Funding Standard and Recovery Act, actuarial cost estimates must be prepared for the city council before it enacts the ordinances.

> Provisions for purchase of service credit do have significant employer costs.
>
> The City's retirement system for nonuniformed employees would be less affected by the purchase of service credit for military service provisions than the retirement systems for police officers and firefighters.
>
> The cost of liberalization presently is not measurable because the specific provisions have not been adopted and the demographic data are not available regarding the employees who would benefit. As an example of the potential cost of the purchase of service credit for military service provisions, extrapolating from an actuarial study of the police officers' retirement system in another city, the Commission's consulting actuary estimates that the bills could increase the unfunded actuarial accrued liabilities in the City's employee retirement systems for police officers and firefighters by as much as $2,500,000.

POLICY CONSIDERATIONS

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

Optional Implementation. The bills will not become effective unless implemented by ordinances adopted by the city council after it has received actuarial costs estimates of the proposed changes.

Financially Distressed Retirement Systems. The public employee retirement systems of the City of Scranton have substantial unfunded actuarial accrued liabilities. The City's employee retirement systems have been determined to be "severely distressed," this highest level of distress under the Municipal Pension Plan Funding Standard and Recovery Act. There is reason consider seriously whether the proposed changes to remove the time restrictions on the purchase of service credit for nonintervening military service is warranted in view of the potentially large increase in the already substantial unfunded actuarial accrued liabilities of the City's retirement systems.

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

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

COMMISSION RECOMMENDATION

On May 25, 1995, the Commission voted to attach the actuarial note to the bills, expressing general concern about the policy issues identified above and particular concern about the propriety of significantly increasing the unfunded actuarial accrued liabilities of municipal employee retirement systems classified as severely distressed.

LEGISLATIVE STATUS ON DECEMBER 31. 1995

Senate Bills 203 and 204, Printers Number 204 and 205, were referred to the Senate Local Committee on January 17, 1995.

Bill ID: Senate Bill 614, Printer's Number 638

System: State Employes' Retirement System

Subject: Additional Service Credit Early Retirement Incentive Program

SYNOPSIS

Senate Bill 614, Printer's Number 638, would amend the State Employees' Retirement Code to permit certain active members of the State Employes' Retirement System (SERS) who have attained age 55, have completed ten years of service, and retire between October 1, 1995, and March 31, 1996, to receive credit for an additional ten percent of their Class A and Class C service without paying any additional member contributions. SERS members eligible to apply for this benefit would be active members who are not members of the judiciary, members of the General Assembly, elected officials, or officers of the Pennsylvania State Police. The bill also provides that the extra ten percent of Class A and Class C service credit shall be forfeited in the event an annuitant who has received this retirement incentive returns to Commonwealth service.

DISCUSSION

The bill would grant additional service credit equal to ten percent of accrued service credits to the credited service of each eligible SERS member retiring during the six-month period from October 1, 1995, through March 31, 1996. Eligibility for the additional service credit is limited to members who are at least 55 years old, have at least ten years of service credit, and are not members of the judiciary, members of the General Assembly, elected officials, or officers of the Pennsylvania State Police. The bill applies to approximately 14,500 SERS members. The effect of the additional service credit would be to add an amount equal to from two to over six percent of the final average salary to the basic benefit prior to modification, the added amount being proportional to the length of service. The unfunded actuarial accrued liability resulting from the adoption of the additional service credit early retirement incentive provision would be funded over 20 years with the amortization payments increasing five percent each year.

The utilization of the ten percent additional service credit early retirement incentive program is indirectly influenced by two other programs. By providing eligibility for these two programs earlier than would otherwise be the case, the proposed early retirement incentive program indirectly increases their costs.

> Increased Eligibility for Post Retirement Medical Insurance. SERS members currently must have at least 25 years of service credit (or be age 60 with 15 years of service credit) to be eligible for Commonwealth paid medical insurance in retirement. With the additional service credit early retirement incentive, SERS members who are at least age 55 and have at least 22.8 years of service credit or are age 60 with at least 13.7 years of service credit will be eligible for the post retirement medical insurance benefits.
>
> Increased Eligibility for 30 and Out. SERS Class A Members who are less than age 60 must have at least 30 years of service credit to be eligible for unreduced retirement annuities

under the existing special early retirement provisions in the code. With the additional service credit early retirement incentive, members who are at least age 55 and have at least 27.3 years of service credit will be eligible for unreduced retirement annuities.

The savings potential directly attributable to an early retirement incentive program occurs only because retiring employees either are not replaced or are replaced by employees at a lower salary level. In most instances, savings are achieved only for three to five years after the program as the retiring employees would have retired during the three to five year period even without the incentive. Any indirect savings that occur in the longer term because of permanent reduction in the work force could be achieved through a policy of attrition without the added pension costs of the early retirement incentive program.

Because the direct savings attributable to an early retirement incentive program occur for a short period of time immediately after implementation of a program, the short term savings may be less than the pension costs, particularly when amortization is considered. Replacement rates, complement parameters, and the amortization method must be specified and controlled for early retirement incentive programs to have the potential to result in net cost savings. Based upon the apparent 100 percent replacement of the early retirees, the Commission estimates that the Commonwealth incurred about $74 million in net costs in implementing the prior additional service credit early retirement program under Act 23 of 1991. When amortization payments are considered, the $74 million cost of that early retirement incentive program will result in a total outlay of approximately $266 million.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial costs of the additional service credit early retirement incentive program will be dependent on the utilization patterns experienced. The Commission's consulting actuary indicates that, since the exact extent and pattern of utilization will not be known until the end of the window period, they are not in a position to estimate the ultimate cost of these bills. They were able, however, to estimate a range in the costs, assuming low, moderate, and high utilization patterns, that are presented below. The consulting actuary indicates that the moderate utilization pattern is based on the experience in the State Employes' Retirement System with the additional service credit early retirement incentive program under Act 23 of 1991.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	Low Utilization	Moderate Utilization	High Utilization
Increase in Unfunded Actuarial Accrued Liability	$ 93,900,000	$117,400,000	$139,000,000
Increase in Employer Costs			
Normal Cost	$ 0	$ 0	$ 0
Amortization Payment (First year cost, increasing 5% a year for 20 years)	7,200,000	9,000,000	10,700,000
Total Increase in Employer Costs (First year only)	$ 7,200,000	$ 9,000,000	$ 10,700,000
First Year Employer Costs as a Percent of Payroll	0.18%	0.22%	0.26%
Total Amortization Payments	$238,074,869	$297,593,586	$353,805,709

POLICY CONSIDERATIONS

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

Departure from Policy Guidelines. In March of 1995, the Public Employee Retirement Commission published *Feasibility of Early Retirement Incentives in the Public Sector*, a report providing specific recommendations with respect to the design and implementation of future early retirement incentive programs at the state level.

Legislative Intent. The Commission recommended that the early retirement incentive program legislation clearly set forth the specific purpose of the program as being a permanent work force reduction to achieve long term savings, a temporary work force reduction to achieve short term budgetary reductions, or a means to achieve a restructuring of the work force at its current level. Senate Bill 614 contains general findings of legislative intent, but it does not specify the purpose as being one of the three potential reasons for enacting an early retirement incentive program.

Complement Control. The Commission recommended that the early retirement incentive program legislation specify complement control mechanisms and that the complement control mechanisms include the assignment of maximum replacement rates and total complement parameters to be applied on an agency by agency basis for at least ten years following implementation of the program. The bill does not provide for any complement control.

Amortization Payments. The Commission recommended that early retirement incentive programs be funded on a level dollar basis over a period of no more than ten years. The program proposed in the bill will be funded over 20 years with the payment increasing five percent each year. If the program were to be funded on a level dollar basis over a ten year period, the Commonwealth would save from $87,000,000 to over $130,000,000 in financing payments.

Analysis by Office of Administration. The Commission recommended that prior to final consideration in either House of the General Assembly, an analysis of the proposed early retirement incentive program be conducted by the Office of Administration producing both the estimated pension liability and the estimated net costs or savings impact upon the Commonwealth budget, including non pension postretirement costs, and disclosing the assumed replacement ratios, the assumed average replacement salary differential, and the total outlay required to amortize the pension liabilities.

Increased Cost of Future Cost-of-Living Adjustments. The bill may generate costs associated with granting future cost-of-living post retirement adjustments. Employees retiring earlier than normal due to the early retirement incentive program may become entitled to additional supplemental annuities during their extended retired lifetimes.

COMMISSION RECOMMENDATION

On April 18, 1995, 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, that a task force on early retirement incentives be legislatively established, and that the bill not be considered further until the Commission makes its report under House Resolution 52.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

Senate Bill 614, Printer's Number 638, was referred to the Senate Finance Committee on February 24, 1995.

Bill ID: Senate Bill 615, Printer's Number 639

System: Public School Employes' Retirement System

Subject: Additional Service Credit Early Retirement Incentive Program

SYNOPSIS

Senate Bill 615, Printer's Number 639, would amend the Public School Employees' Retirement Code to permit certain active members of the Public School Employes' Retirement System (PSERS) who will have attained age 55 by July 31, 1996, have completed ten years of service, and terminate active service between December 1, 1995, and July 31, 1996, to apply for retirement before August 1, 1996, and receive credit for an additional ten percent of their service without paying any additional member contributions. The bill also provides that the extra ten percent service credit shall be forfeited in the event an annuitant who has received this retirement incentive returns to school service.

DISCUSSION

The bill would grant additional service credit equal to ten percent of accrued service credits to the credited service of each eligible PSERS member retiring during the eight month period from December 1, 1995, through July 31, 1996. Eligibility for the additional service credit is limited to members who are at least 55 years old and have at least ten years of service credit. The bill applies to approximately 31,700 PSERS members. The effect of the additional service credit would be to add an amount equal to from two to over six percent of the final average salary to the basic benefit prior to modification, the added amount being proportional to the length of service. The unfunded actuarial accrued liability resulting from the adoption of the additional service credit early retirement incentive provisions would be funded over 20 years with the amortization payments increasing five percent each year.

The utilization of the ten percent additional service credit early retirement incentive program is indirectly influenced by two other programs. By providing eligibility for these two programs earlier than would otherwise be the case, the proposed early retirement incentive program indirectly increases their costs.

> <u>Increased Eligibility for Post Retirement Medical Insurance</u>. PSERS members currently must have at least 24½ years of service credit (or be superannuation age with 15 years of service credit) to be eligible for $55 a month paid toward medical insurance in retirement by PSERS. With the additional service credit early retirement incentive, PSERS members who are at least age 55 and have at least 22.3 years of service credit or superannuation age with at least 13.7 years of service credit will be eligible for the post retirement medical insurance benefits.

> <u>Increased Eligibility for 30 and Out</u>. PSERS members who are less than superannuation age must have at least 30 years of service credit to be eligible for unreduced retirement annuities under the existing special early retirement provisions in the code. With the

additional service credit early retirement incentives, members who are at least age 55 and have at least 27.3 years of service credit will be eligible for unreduced retirement annuities.

The savings potential directly attributable to an early retirement incentive program occurs only because retiring employees either are not replaced or are replaced by employees at a lower salary level. In most instances, savings are achieved only for three to five years after the program as the retiring employees would have retired during the three to five year period even without the incentive. Any indirect savings that occur in the longer term because of permanent reduction in the work force could be achieved through a policy of attrition without the added pension costs of the early retirement incentive program.

Because the direct savings attributable to an early retirement incentive program occur for a short period of time immediately after implementation of a program, the short term savings may be less than the pension costs, particularly when amortization is considered. Replacement rates, complement parameters, and the amortization method must be specified and controlled for early retirement incentive programs to have the potential to result in net cost savings. In House Resolution 52, the General Assembly directed the Commission to study the long-term financial ramifications of Act 186 or 1992 and Act 29 of 1994, which was the prior additional service credit early retirement incentive program for PSERS. The Commission has begun work and expects to complete the study and make its report before the March 30, 1996, due date.

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial costs of the additional service credit early retirement incentive programs will be dependent on the utilization patterns experienced. The Commission's consulting actuary indicates that, since the exact extent and pattern of utilization will not be known until the end of the window period, they are not in a position to estimate the ultimate cost of the bill. They were able, however, to estimate ranges in the costs, assuming low, moderate, and high utilization patterns, that are presented below. The consulting actuary indicates that the moderate utilization pattern is based on the experience in the Public School Employes' Retirement System with the additional service credit early retirement incentive program under Act 186 of 1992 and Act 29 of 1994.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	Low Utilization	Moderate Utilization	High Utilization
Increase in Unfunded Actuarial Accrued Liability	$315,000,000	$ 395,000,000	$ 475,000,000
Increase in Employer Costs *			
Normal Cost	$ 0	$ 0	$ 0
Amortization Payment (First year cost, increasing 5% a year for 20 years)	25,000,000	31,300,000	37,500,000
Total Increase in Employer Costs (First year only)	$ 25,000,000	$ 31,300,000	$ 37,500,000
First Year Employer Costs as a Percent of Payroll *	0.33%	0.41%	0.50%
Total Amortization Payments *	$826,648,852	$1,034,964,363	$1,239,973,279

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

POLICY CONSIDERATIONS

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

Departure from Policy Guidelines. In March of 1995, the Public Employee Retirement Commission published *Feasibility of Early Retirement Incentives in the Public Sector*, a report providing specific recommendations with respect to the design and implementation of future early retirement incentive programs at the state level.

Legislative Intent. The Commission recommended that the early retirement incentive program legislation clearly set forth the specific purpose of the program as being a permanent work force reduction to achieve long term savings, a temporary work force reduction to achieve short term budgetary reductions, or a means to achieve a restructuring of the work force at its current level. Senate Bill 615 does not contain any findings of legislative intent.

Complement Control. The Commission recommended that the early retirement incentive program legislation specify complement control mechanisms and that the complement control mechanisms include the assignment of maximum replacement rates and total complement parameters to be applied on an agency by agency basis for at least ten years following implementation of the program. The bill does not provide for any complement control.

Amortization Payments. The Commission recommended that early retirement incentive programs be funded on a level dollar basis over a period of no more than ten years. The program proposed in the bill will be funded over 20 years with the payment increasing five percent each year. If the program were to be funded on a level dollar basis over a ten year period, the school districts and other educational employers and the Commonwealth would save from $346 million to over $515 million in financing payments.

Analysis by Office of Administration. The Commission recommended that prior to final consideration in either House of the General Assembly, an analysis of the proposed early retirement incentive program be conducted by the Office of Administration producing both the estimated pension liability and the estimated net costs or savings impact upon the Commonwealth budget and disclosing the assumed replacement ratios, the assumed average replacement salary differential, and the total outlay required to amortize the pension liabilities.

<u>Appropriateness of Early Retirement Incentive in Cost-Sharing Multiple-Employer System</u>.

Variable Need. The Public School Employes' Retirement System is a cost-sharing multiple-employer system serving 634 employers. A generally applicable early retirement incentive program, including employers where no permanent reduction in the work force is likely or desirable, will increase the costs to those employers where work force reductions are unlikely. An early retirement incentive program, which induces retirement by means other than increasing the retirement benefits, could be more appropriately and efficiently implemented by the individual employers that need to reduce their work forces.

Lack of Coordination. Due to the independent operation of the 634 public school employers, there is a potential for a state mandated early retirement incentive program to duplicate locally implemented retirement incentive programs. The affected employees will receive retirement incentives under two uncoordinated programs, and the affected employers will incur the costs of dual early retirement incentive programs, which may produce higher than expected retirements due to the compounded retirement incentives.

<u>Increased Cost of Future Cost-of-Living Adjustments</u>. The bill may generate costs associated with granting future cost-of-living post retirement adjustments. Employees retiring earlier than normal due to the early retirement incentive programs may become entitled to additional supplemental annuities during their extended retired lifetimes.

COMMISSION RECOMMENDATION

On April 18, 1995, 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, that a task force on early retirement incentives be legislatively established, and that the bill not be considered further until the Commission makes its report under House Resolution 52.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

Senate Bill 615, Printer's Number 640, was referred to the Senate Finance Committee on February 24, 1995.

Bill ID: Senate Bill 633, Printer's Number 657

System: 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 633, Printer's Number 657, would amend the Municipal Police Pension Law (Act 600) to extend its provisions to include regional police departments.

DISCUSSION

Senate Bill 633, Printer's Number 657, 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, cities, towns, or townships through an intermunicipal agreement under the Intergovernmental Cooperation Law. There are about 24 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 as proposed in the bill 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;
>
> 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, towns, and townships; and
>
> "Grandfather" 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.

The Municipal Police Pension Law governs the establishment of a police officers' 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 officer's pension plan under the Municipal Police Pension Law. The local government's police officers' 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. Each year the local government 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. If, however, 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 various rates below five percent depending on the social security offset percentage. 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, without requiring contributions by the local government to keep the fund in compliance with the actuarial funding standard, the local government, on an annual basis, may 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.

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 preexisting local government police officers' retirement systems to the new regional police officers' 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 bill also provides discretion for the participating local governments in allocating the costs of the regional police department retirement system and requires predisclosure of those costs in an actuarial valuation report on the proposed pension plan.

For clarity, the bill also divides section 5 of the Law into subsections. The bill further deletes the first paragraph and the last two paragraphs of section 6 of the Law, which have 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.

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.

Retention of Provisions. (+) The bill will assure that existing eligibility and benefit provisions of a regional police pension plan may be retained while future modifications to those provisions must conform to the Municipal Police Pension Law.

Discretion in Allocating Costs. (+) The bill provides discretion for the participating local governments in allocating the costs of the regional police department retirement system and requires predisclosure of those costs to the creating local governments in an actuarial valuation report on the proposed pension plan.

COMMISSION RECOMMENDATION

On June 14, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

Senate Bill 633, Printer's Number 657, passed the Senate on June 28, 1995, and was referred to the House Finance Committee on June 29, 1995.

Bill ID: Senate Bill 652, Printer's Number 684

System: Second Class (Allegheny) County Employee's Retirement System

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

SYNOPSIS

Senate Bill 652, Printer's Number 684, would, among other things, amend sections 1714(a), 1715(a), 1715(b), and 1715(c) of the Second Class County Code to permit:

> The Allegheny County Employes' Retirement Board to fix the interest rate to be credited to withdrawn member contributions;
>
> 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 member contributions plus interest at the legal rate; and
>
> Allegheny County employees who provided county service before becoming members of the retirement system to include any period of probation served immediately after initial hiring in the period of service for which credit may be purchased.

DISCUSSION

Credited Interest on Refunded Employee Contributions

Under the Second Class County Code, all Allegheny 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 employes' retirement board to fix the rate of interest.

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. Under the Second Class County Code, as under many public employee pension plans, the rate of interest credited to employee contributions is mandated in the pension plan. These rates presumably represent the equivalent of the return the employee would have received had the employee been able to invest the contributions. When the rate is changed, inequities occur unless the rate is applied annually on a prospective basis.

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 purchase of the service credit. 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 is listed as one of the appropriate uses for service purchase authorizations in *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems* issued by the Commission.

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 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 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.

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. At the time the employee elects membership, the employee begins to contribute to the pension trust fund and accrue benefits. Under section 1714(c) of the Code, an employee may purchase credit for the previous service prior to electing membership in the county employees' retirement system. The purchase amount is payable either in a lump sum or in a series of monthly payments over not more than 24 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, plus the contribution the county would have been required to make, plus interest at the legal rate. The bill would amend section 1714(c) to include a period of probation served immediately after initial hiring that occurred within the service period of up to six months before joining the retirement system for which service credit may be purchased.

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. Permitting the purchase of service credit for service from the time of employment to the time of election of membership is, therefore, a reasonable use of a service purchase provision.

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. The county employees' retirement board, presumably, will consult with its actuary before setting this rate and, therefore, know the cost impact 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. He concluded, however, 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.

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 during a period of probation served immediately after initial hiring but prior to joining the system. He concluded, however, 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:

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.

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 authorizations to purchase service credit 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 clarify the existing Code provisions regarding the purchase of service credit for previous county service during the six months election window by specifically including a period of probation served immediately after initial hiring.

Length of Service Purchased. The Commission recommended that, for authorizations to purchase service credit 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 a period of probation served immediately after initial hiring during the election window prior to electing membership in the system.

No Time Limit on Exercise of Purchase Options. 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 credit for previous county service during the election window prior to election of system membership. 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 authorizations to purchase service credit 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. This is not consistent with the Commission's recommendations because employees may purchase less than three years of service credit. For the purchase of credit for service with the county prior to electing membership in the retirement system, however, the Code effectively limits the installment payments to not more than two years, which the bill would not change. This, too, is not consistent with the Commission's recommendation because employees may purchase no more than six months of service credit.

COMMISSION RECOMMENDATION

On May 25, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

As Printer's Number 1292, Senate Bill 652 passed the Senate on June 21, 1995, and as Printer's Number 1637, Senate Bill 652 passed the House of Representatives on December 12, 1995, and was referred to the Senate Rules and Executive Nominations Committee on December 13, 1995.

Bill ID: Amendment 1765 to Senate Bill 652, Printer's Number 684

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

Subject: Computation of Final Average Salary for Pension Purposes

SYNOPSIS

Amendment 1765 would amend Senate Bill 652, Printer's Number 684, to amend section 1712 of the Second Class County Code to change the method of computing the final average salaries for pension purposes of prison guards, deputy sheriffs, and police officers from the average monthly salary for the highest 24 months during their last four years of employment to the average monthly salary for the highest 24 months during their entire working careers.

DISCUSSION

Under the Second Class County Code, the normal monthly pension of a retiree is one-half of the final average monthly salary, up to a ceiling of $4,333.33, plus a service increment of two percent for each whole year of service in excess of 20 up to a maximum 20 additional years (40 %). The final average monthly salary is computed as the average monthly salary for the highest 24 months during the retiree's last four years of employment or, in the case of a retiree who was paid on a biweekly basis, during the retiree's last two years of employment. Amendment 1765 would change the computation only for prison guards, deputy sheriffs, and police officers to the average monthly salary for the highest 24 months during their entire working careers.

In defined benefit public employee pension plans, calculating the final average salary based upon the salary in the highest 24 months in the last two to four years of public employment benefits most public employees because the last years are the highest paid years. This is because the compensation of most public employees continues to increase during their working careers because of promotions, service-related compensation increases (for example, longevity pay), general inflation inducted pay increases, collective bargaining, and, sometimes, deliberate assignment of extra pay work in the final years (for example, overtime and court time). For some public employees, however, the final years may not be the highest paid years. Reasons for this include situations involving transfers to a less-stressful position with lower pay levels (either because of the physical requirements or psychological requirements or both are better handled by younger employees or because the employee has become disabled in some way), situations where sporadic months of extra pay work occurred in the earlier years of employment, and situations where the employee is transferred or promoted into a position that pays a higher base salary but pays no overtime.

Basing the pension on career highest salary obviously benefits public employees who earned more earlier in their careers without hurting those who earned more later in their careers. The career high approach, however, can cause substantial administrative problems.

> A complete pay history for each employee must be maintained over the 20 to 40 or more years of public service. While this automatically would be done where the pension plan involved a career salary approach, the Commission has no knowledge regarding the

adequacy of the salary records of the county or of the retirement system, except that for a number of years the county's actuarial valuation reports indicated unreliable data. If complete data are not readily available, reconstruction can be an administrative problem or an impossibility. Those employees who retained their own records over their careers would be at a substantial advantage in providing the needed documentation.

Because the proposed calculation involves monthly compensation, there will be problems where compensation has been paid on a basis other than once or twice a month. If compensation has been paid weekly or bi-weekly, for example, there will be more pay days in some months than others. The Commission has no knowledge regarding the pay history of the affected employees, although it is clear from the Code that certain employees are or were paid on a biweekly basis.

The public pension policy reason for selecting only these three classes of employees for a retirement benefit change is not clear. The selected three classes do not include all county public safety employees. Other classes of county employees, both public safety and other, are just as apt to have been transferred to lower pay level jobs, or to have had sporadic months of overtime early in their careers, or to have been transferred or promoted into no positions paying no overtime.

SUMMARY OF ACTUARIAL COST IMPACT

Because the Commission's consulting actuary did not have the pay history over the entire working career of the 693 employees who would be affected by the amendment, he was unable to provide an definite actuarial cost estimate. He indicated that his feeling was that the actuarial cost probably would be less than one percent of the covered payroll in each specific group. One percent of covered payroll would be as follows:

	Amount
Increases in Annual Employer Costs	
Prison Guards (295)	$ 84,121
Deputy Sheriffs (115)	40,098
Police Officers (243)	84,485
Total Annual Employer Costs	$208,704

POLICY CONSIDERATIONS

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

Equitable Treatment of Employees with High Salaries Early in Their Careers. Basing the pension on career highest salary benefits public employees who earned more earlier in their careers without hurting those who earned more later in their careers.

Adequacy of Old Payroll Records. Unless Allegheny County or its retirement system have complete, reliable payroll records going back 20 to 40 years, there will be substantial administrative problems in determining the highest 24 months of pay over the entire careers of the affected employees.

Frequency of Pay Days. Unless all the affected employees always have been paid on a monthly or semi-monthly basis, there will be substantial administrative problems in determining the highest 24 months of pay over the entire careers of the employees.

Inequitable Treatment of County Employees. The proposal in the amendment would give three selected classes of county employees a pension benefit change while denying the same change to all other classes of county employees. The public pension policy for this is not clear, and granting the change will serve as a precedent for other classes of county employees to request the same benefit change.

COMMISSION RECOMMENDATION

On May 25, 1995, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

As Printer's Number 1292, Senate Bill 652 passed the Senate on June 21, 1995, and as Printer's Number 1637, Senate Bill 652 passed the House of Representatives on December 12, 1995, and was referred to the Senate Rules and Executive Nominations Committee on December 13, 1995.

Bill ID: Amendment 4938 to Senate Bill 652, Printer's Number 1292

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

Subject: Change in Special Public Safety Employee Benefit Coverage

SYNOPSIS

Amendment 4938 to Senate Bill 652, Printer's Number 1292, would amend section 1710(b) of 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.

DISCUSSION

Article 17 of the Second Class County Code provides the pension plan for all employees of Allegheny County. The pension plan provisions for the employees of all other Pennsylvania counties (except Philadelphia) are contained in the County Pension Law.

For the various types of public safety employees who are employed by Allegheny County, special retirement benefit coverage is provided through the county employees' pension plan. The special coverage provided to firefighters and police officers is to voluntarily retire and receive a normal retirement benefit if the employee has attained age 50 and has at least 20 years of service. The special coverage provided to a sheriff, deputy sheriff, or prison guard is to voluntarily retire and receive a normal retirement benefit if the employee has attained age 55 and has at least 20 years of service. The regular coverage provided to all other employees is to voluntarily retire and receive a normal retirement benefit if the employee has attained age 60 and has at least 20 years of service. The special retirement benefit coverage for the sheriff and deputies was created in 1989 and was extended to include prison guards in 1992. Prior to then, these employees had the regular coverage provided to all other employees.

It is common practice in public employee pension plans to provide special retirement coverage for various types of public safety employees. The special treatment beyond the pension plan treatment applicable to general employees can include a number of items, including an earlier age for retirement with a retirement benefit unreduced for early retirement, a greater annual retirement benefit accrual rate leading to a greater replacement of average salary with shorter service, or enhanced disability benefit or survivor coverage. The special treatment for public safety employees is premised on the need to maintain an exceptionally vigorous and able public safety employee workforce.

The proposed legislation provides for an expansion of the group of Allegheny County employees entitled to the special retirement benefit provided for firefighters and police officers. The Allegheny County employees to be newly included in this special public safety employee benefit are the sheriff and deputy sheriffs. The special coverage to be provided would permit a sheriff or deputy sheriff to voluntarily retire and receive a normal retirement benefit after attaining age 50 with at least 20 years of service.

SUMMARY OF ACTUARIAL COST IMPACT

As the actuarial note indicates, the method used by the Allegheny County Employees' Retirement System to determine annual funding requirements is unique to the system. For purposes of comparison, the consulting actuary of the Commission used the entry age normal actuarial cost method, which is the method statutorily required to be used by all municipal employee retirement systems, the Public School Employes' Retirement System, and the State Employes' Retirement System. The increase in unfunded actuarial accrued liability data presented below will be the actual impact on Allegheny County. The increase in employer normal cost data and total amortization payments data presented below will not be the actual impact on Allegheny County, however, because the annual funding requirements of the Allegheny County Employees' Retirement System are not determined by the entry age normal actuarial cost method.

	Amount
Increase in Actuarial Accrued Liability	$2,561,000

	Amount	As a % of Affected Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 90,000	2.1%
Amortization Payment	234,000	5.4%
Total Increase in Employer Annual Costs	$324,000	7.5%

	Amount
Total Amortization Payments:	$4,680,000

POLICY CONSIDERATIONS

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

Appropriateness of Special Benefit Coverage. ( ) Special public safety employee retirement benefit coverage typically is provided for employees who work in areas where it is necessary to maintain an exceptionally able and vigorous workforce. The bill would transfer the sheriff and deputy sheriffs of Allegheny County from one group of public safety employee retirement benefit coverages to another, more generous one. The question of whether the more generous special benefit coverage is warranted for this group of employees should be considered.

Precedent. (-) Since prison guards would be the only group of employees with special coverage not permitted to retire at age 50, the proposal may lead to requests to further expand the special coverage permitting retirement at age 50.

COMMISSION RECOMMENDATION

On October 12, 1995, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

As Printer's Number 1292, Senate Bill 652 passed the Senate on June 21, 1995, and as Printer's Number 1637, Senate Bill 652 passed the House of Representatives on December 12, 1995, and was referred to the Senate Rules and Executive Nominations Committee on December 13, 1995.

Bill ID: Senate Bill 680, Printer's Number 818

System: Pennsylvania Municipal Retirement System

Subject: Various Changes

SYNOPSIS

Senate Bill 680, Printer's Number 818, would amend the Pennsylvania Municipal Retirement Law to permit local governments to define the qualifications for disability retirement, to redefine the terms "municipal employee" and "retired member's reserve account," to change the provisions regarding crediting of regular and excess interest to the total disability reserve account, to change mandatory membership from permanent employees to full-time employees, to permit withdrawal of the balance in a member's excess interest account upon termination before vesting, to change the provisions for the purchase of service credit for military service, and to make technical changes.

DISCUSSION

The Pennsylvania Municipal Retirement System (PMRS) was established to provide pension administrative services to any local government within the Commonwealth that elects to join the system. PMRS is an agent multiple-employer retirement system, in which each member local government has considerable flexibility in constructing its individual pension plan(s). Each participating local government retirement system is maintained as a separate entity and is self-insured except in the areas of investment return experience, one year term disability cost, administrative expenses, and common risk of mortality loss or gain on retired life reserves.

SUMMARY OF ACTUARIAL COST IMPACT

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

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

POLICY CONSIDERATIONS

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

Drafting Ambiguities.

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

Subsidized Financing of Disability Benefit. The bill would continue the current practice of funding disability benefits through the pooled Disability Reserve Account financed by annual local government contributions. Because the bill replaces the current standard definition of disability with a variable definition determined by each local government, the appropriateness of the continued utilization of the current funding mechanism for disability benefits is questionable. Financing the proposed variable disability benefits under the current funding mechanism will result in local governments with more stringent definitions of disability subsidizing local governments with less stringent definitions of disability.

Need for Definition. The phrase "full-time employee" is not defined in the Pennsylvania Municipal Retirement Law. The bill should be amended to provide such a definition to prevent problems in administration.

COMMISSION RECOMMENDATION

On May 25, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

Senate Bill 680, Printer's Number 818, was referred to the Senate Local Government Committee on March 6, 1995.

Bill ID: Senate Bill 833, Printer's Number 883

System: Municipal Police Pension Law (Act 600) Systems
(All Boroughs, Towns, and Townships with Three or More Full-Time Police Officers)

Subject: Absolving Municipalities of Improper Refunds of Member Contributions

SYNOPSIS

Senate Bill 833, Printer's Number 883, would amend the Municipal Police Pension Law (Act 600) to absolve municipalities that, under an agreement, arbitration award, or court decision, returned member contributions, with or without interest, before February 24, 1994, and provide that these municipalities need not restore the returned contributions and any interest to the police officers' pension trust funds in a lump sum payment.

DISCUSSION

The Municipal Police Pension Law governs the establishment of a police officers retirement system in a borough, incorporated town, or township with three or more full-time 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 municipality's police officers' pension trust fund is under the direction of the municipal governing body. In this capacity the municipal governing bodies are fiduciaries and owe a fiduciary duty to the active and retired members and their beneficiaries, to the municipality and its revenue payers, and to the Commonwealth and its revenue payers. The main sources of revenue for the fund are contributions by police officers, contributions by the municipality including General Municipal Pension System State Aid, and earnings from the investment of the fund assets.

The municipality annually must contribute an amount at least equal to the minimum municipal 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. If an actuarial valuation shows that payments into the police officers' pension trust fund by police officers may be reduced below the minimum percentage or eliminated without requiring contributions by the municipality to keep the fund in compliance with the actuarial funding standard, the municipality may, on an annual basis, reduce or eliminate the police officers' contributions.

Some eligible municipalities had, from time to time, reduced or eliminated the contributions by police officers on an annual prospective basis. The first instance of a refund of prior years contributions to active police officers known to the Commission occurred in a municipality that had promised its police officers that it would consider reduction or elimination in the next year. The municipality inadvertently failed to make the required calculation to determine the feasibility of the reduction or elimination at the designated time and for a few years thereafter. When the police officers brought a legal action, the municipality admitted that it had made the promise but failed to make the necessary calculation. The court ruled that, since an after the fact analysis showed that the contributions could have been eliminated, refunds of the contributions made after the date of the promise were due to the police officers.

It seemed a logical extension of this result to conclude that refunds could be made when there had been no request or promise but when an after the fact analysis showed that there could have been an elimination. When questioned about the propriety of this, both the Department of Community Affairs and the Commission took the position that these refunds were not permitted by the Municipal Police Pension Law and were contrary to sound public employee retirement system management practices. Nevertheless, some municipalities did make the refunds in the mistaken belief that, although not permitted by the Law, refunds were, by implication, permitted and were being made with no apparent resulting problems elsewhere throughout the Commonwealth.

Although section 10 of article 8 of the Pennsylvania Constitution and section 404 of The Fiscal Code prohibit the Department of the Auditor General from giving pre-audit advice, that Department has, from time to time, provided information to municipalities on its post audit processes in an attempt to be helpful. One such piece of information was Municipal Pension Bulletin No. 7-88, Reduction, Refund and Elimination of Members Contributions, which was issued on December 1, 1988. In this Bulletin, the Department of the Auditor General took the position that, under certain circumstances, member contributions could be refunded. On December 13, 1988, and March 6, 1989, the Commission wrote to the Department expressing the Commission's concern that an erroneous interpretation of the Municipal Police Pension Law had been provided. In its Municipal Pension Bulletin No. 2-89, Withdrawal of Municipal Pension Bulletin 7-88, Reduction, Refund and Elimination of Members Contributions, which was issued August 11, 1989, the Department took the position, based upon the Constitution and The Fiscal Code, that Municipal Pension Bulletin No. 7-88 was being withdrawn as improvidently issued. All municipalities were advised to destroy their copies of Municipal Pension Bulletin No. 7-88 and to relay upon their solicitors for legal advice in this matter. The Department provided no indication that the advice had been incorrect. Thus, although municipalities rely upon this sort of information at their peril, there certainly were municipalities that detrimentally relied upon Municipal Pension Bulletin No. 7-88 after November 30, 1988, and before August 11, 1989, and made refunds of contributions in good faith with the understanding that making the refunds was not objectionable to the Department of the Auditor General.

Before, during, and after the effectiveness of Auditor General's Municipal Pension Bulletin No. 7-88, in some situations, municipalities and their police officers made collective bargaining agreements under Act 111 that required the refund of member contributions from the police officers' pension trust funds to active police officers. Apparently realizing the legal uncertainty surrounding these refunds, the parties sought and received orders from the court of common pleas. While the courts may have reacted to resolve an issue between parties in which the parties agreed upon the resolution rather than to adjudicating an adversarial proceeding, the municipalities reasonably believed that these refunds enjoyed court sanction. At the same time, there were a number of other reported decisions by Pennsylvania appellate courts that dealt with different, but related, issues that also may have lead many municipalities to believe that refunds were permitted.

Within the same context, in some situations, municipalities and their police officers did not reach collective bargaining agreements but rather reached impasses and resorted to collective bargaining in which the arbitrators ordered refunds of member contributions from the police officers' pension trust funds to active police officers. While it is well settled law in Pennsylvania that arbitrators in these situations may not order a municipality to perform an illegal act, these awards appeared legal to some municipalities and to other municipalities the cost of pursuing an appeal through the Supreme Court of Pennsylvania appeared more costly both in terms of money and labor-management relations than making the refund.

DISCUSSION (CONT'D)

After a 1994 Supreme Court denial of appeal of a 1993 Commonwealth Court decision, the law in Pennsylvania clearly is that refunds of member contributions to active members are not permitted under the Municipal Police Pension Law, and the Department of the Auditor General has been making audit findings to that effect and insisting that municipalities restore to the police officers' pension trust funds the assets improperly disbursed. Thirty-four municipalities have been identified to the Commission as having made these refunds of contributions, and it is believed that other municipalities also did so. In at least 22 of these, the Department of the Auditor General already has made findings and requested lump sum refunds ranging from $7,842 to $613,446. To finally resolve this matter and to prevent further litigation, the bill would make it clear that refunds are not authorized but absolve the municipalities that made these refunds and provide that they need not repay the refunds to the police officers' pension trust funds in a lump sum. Also, by implication, individual members of municipal governing bodies are absolved for any breach of fiduciary duty they may have committed in making the refunds.

SUMMARY OF ACTUARIAL COST IMPACT

Although the bill prevents the Department of the Auditor General or others from insisting that municipalities make lump sum repayments into the police officers' pension trust funds for the refunds, the refunds will be reflected as an actuarial loss in any actuarial valuation properly prepared under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) and will have to be repaid over time by the municipalities through amortization payments. These amortization payments will increase the costs of these retirement systems. In some municipalities, the additional cost will be paid entirely out of increased General Municipal Pension System State Aid (a state shared revenue), but in some other municipalities, General Municipal Pension System State Aid will not increase and the additional cost will be paid entirely out of other revenues of the municipalities. Thus, the passage of the bill will help the cash flow of all these municipalities by eliminating the need for immediate lump sum repayments by the municipalities.

The Commission's consulting actuary was able to review 19 retirement systems in which the amount of the refund has been determined by the Department of the Auditor General. Based upon this review, the Commission's consulting actuary determined that the average increase in the annual minimum municipal obligation under the Municipal Pension Plan Funding Standard and Recovery Act will be $10,882 as opposed to a median immediate lump sum reimbursement of $93,726. The total cost of the refunds in these 19 retirement systems is $1,780,791. The statewide cost of the refunds and the statewide increase in the annual minimum municipal obligations is not known at this time because of a lack of audit information for 12 identified municipalities and the absence of a final figure for the total number of affected municipalities. If, however, the average repayment amount for the 19 cases in which audit data are available ($93,726) is assumed to reasonably represent the ultimate average for all affected municipalities, an approximate statewide cost of the refunds can be estimated to be $3,187,000, which represents the $93,726 average multiplied by the total number of known municipalities affected (34).

POLICY CONSIDERATIONS

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

> Clarification of the Law. The bill make is clear that refunds to active police officers are not permitted and removes the necessity for further litigation either concerning the refund of member contributions or the repayment of the refunds to police officers' pension trust funds through immediate lump sum payments.

POLICY CONSIDERATIONS (CONT'D)

Cash Flow Assistance. The passage of the bill will help the cash flow of affected municipalities by eliminating the need for an immediate lump sum repayment.

Source of Funding for Amortization Payments. Some affected municipalities will receive an increase in a state shared revenue, General Municipal Pension System State Aid, in amounts equal to their increased amortization payments, while other affected municipalities will experience no increase in this Aid and will have to make the necessary amortization payments entirely from other municipal revenue sources.

Impact on State Aid. In those cases in which the necessary amortization payments can be made out of increased General Municipal Pension System State Aid, this increased Aid will reduce the total amount of Aid available for allocation to all other municipalities, including those who did not make the refunds.

COMMISSION RECOMMENDATION

On April 18, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31. 1995

Senate Bill 833, Printer's Number 883, was referred to the Senate Local Government Committee on April 6, 1995.

Bill ID: Senate Bill 866, Printer's Number 916

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

Subject: Election and Purchase of Multiple Service Status

SYNOPSIS

Senate Bill 866, Printer's Number 916, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code provisions on election and purchase of multiple service status to:

> Lengthen the time period available for members to elect multiple service after beginning school or State service from 30 to 90 days;
>
> Provide that members electing multiple service may pay for any credit to be reinstated or purchased through installment payments; and
>
> Open a 90-day window for current active members, who have not elected multiple service but have service in both systems, to elect multiple service.

DISCUSSION

Multiple service is the combining of service in a public school system in Pennsylvania and service as an employee of the Commonwealth for retirement purposes. If an individual entering one of these types of employment and its retirement system formerly was employed in the other type of employment, the individual may request multiple service. The multiple service election is a voluntary decision on the part of the individual.

If an individual elects multiple service, the individual receives credit for each type of service in the respective retirement system. An individual cannot receive a combined total of service credits in the two systems of more than one year for service in any one calendar year. The individual's record of service, contributions, and interest in each system remain in that system until the individual applies for a refund or retirement. When the individual applies for retirement, each system calculates the individual's retirement annuity from that system. The annuity is calculated based on the average of the individual's three highest years salary in either system and the individual's contributions, interest, and years of credited service in the calculating system. The amount necessary to purchase this annuity payable by the first system is then transferred to the system in which the individual was last active. The two annuities are combined into one monthly check and paid from the last system.

In some cases, the individual either withdrew contributions and interest from the first retirement system upon terminating service or had purchasable service in the first retirement system that never was purchased. Upon electing multiple service in the second retirement system, the individual must repay the first system for any withdrawn contributions and interest to reinstate the service credit or purchase the service credit.

If an individual wishes to elect multiple service, the individual must request multiple service in writing within 30 days of entering the second type of employment and its retirement system. In addition, the individual must make any payments necessary to obtain multiple service status within 90 days after being billed. This billing occurs, if any is necessary, shortly after electing multiple service. If the individual does not make an election within the initial 30 days or does not pay within 90 days of being billed, the individual is prohibited from electing or purchasing the service at a later date unless the individual has a bonafide break in service.

Both the Public School Employes' Retirement System and the State Employes' Retirement System have experienced two types of problems with multiple service.

> The one type of problem involves the 30-day election period. Some individuals chose not to elect multiple service and later regret the choice. Others overlook the option in the midst of other matters in the first 30 days of employment with a new employer. Still others were not, or at least claim that they were not, properly counseled regarding the option. The bill seeks to prevent this type of problem in the future by increasing the election period to 90 days. The extension of the existing window of opportunity for a relatively short period of time will result in some increase in employer normal cost. The bill also seeks to rectify any past problems with understanding the election option by giving all eligible active members a one time 90-day election period to make the election, if they have not already done so. This provision would result in an increase in the unfunded actuarial accrued liability that will be amortized over 20 years.
>
> The other type of problem involves the necessity of making any necessary payment within 90 days of being billed. In some cases, this is more money than the individual immediately has available in one lump sum. The bill seeks to prevent this type of problem by permitting those who elect multiple service to make the necessary payments through installment payments to the systems in much the same way as members now may pay for nonschool or nonstate service for which they purchase service credit. Because the installment payments are made at the statutory four percent interest rate, there are costs to the extent that the actual investment earnings of the systems exceed four percent.

SUMMARY OF ACTUARIAL COST IMPACT

The consulting actuary of the Public School Employes' Retirement System has estimated actuarial costs assuming a one-year rather than a 90-day window during which current active members, who have not elected multiple service but have service in both systems, could elect multiple service. The consulting actuary of the State Employes' Retirement System has estimated actuarial costs based on the assumptions used by the consulting actuary of the Public School Employes' Retirement System. The consulting actuary of the Commission has reviewed these actuarial cost estimates and provided the following summary of actuarial cost impact.

Public School Employes' Retirement System

	Amount
Increase in Actuarial Accrued Liability	$16,000,000

	Amount	As a % of Class Payroll
Increase in Employer Annual Costs		
Normal Cost	$ 0	0.00%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	1,300,000	0.02%
Total Increase in Employer Annual Costs (First year only)	$1,300,000	0.02%

	Amount
Total Amortization Payments:	$42,985,740

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

State Employes' Retirement System

	Amount
Increase in Actuarial Accrued Liability	$25,000,000

	Amount	As a % of Class Payroll
Increase in Employer Annual Costs		
Normal Cost	$1,900,000	0.45%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	1,900,000	0.45%
Total Increase in Employer Annual Costs (First year only)	$3,800,000	0.90%

	Amount
Total Amortization Payments:	$62,825,312

POLICY CONSIDERATIONS

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

Adequate Election Period. (+) By increasing the period during which an individual entering the second system has to elect multiple service, the change from a 30-day to a 90-day period proposed in the bill permits eligible individuals to become aware of the opportunity and make a reasoned choice of whether to elect multiple service.

Installment Payments Permitted. (+) The change to include installment payments, in addition to lump sum payments within 90 days of billing, proposed in the bill permits more eligible individuals to make the necessary payments to the systems to obtain multiple service status.

Relief to Inadequately Counseled Members. (+) By granting a one-time 90-day election period for current active members, who have not elected multiple service but have service in both systems, the proposal in the bill will provide relief to any active members who did not make the election because they did not receive timely, adequate counseling upon entry into the second retirement system.

COMMISSION RECOMMENDATION

On September 14, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

Senate Bill 866, Printer's Number 916, was referred to the Senate Finance Committee on April 17, 1995.

Bill ID: House Bill 391, Printer's Number 396

System: Municipal Police Pension Law (Act 600)

Subject: Changing the Statutorily Required Pension

SYNOPSIS

House Bill 391, Printer's Number 396, would amend the Municipal Police Pension Law (Act 600) to change from a specified pension of 50 percent of final average salary, except for length of service increments, to a variable pension with a minimum of 50 percent of final average salary and to allow a municipality to provide a pension of up to 75 percent of final average salary.

DISCUSSION

The Municipal Police Pension Law governs the establishment of police officers' retirement systems in every 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 officers' retirement system under the Municipal Police Pension Law.

Under the Municipal Police Pension Law, a police officer may retire after a total of 25 years of service with the same municipality when the officer reaches age 55. If an actuarial valuation shows it is feasible, this age may be reduced to 50. The amount of the monthly pension, other than length of service increments and cost-of-living adjustments, is set at 50 percent of the monthly salary of the officer averaged over the last 36 to 60 months of employment (final average salary). 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 provide for the monthly pension to the retiree to be reduced by up to 75 percent of the amount of Social Security payable because of the retiree's age and service as a police officer.

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

The bill would amend the Municipal Police Pension Law to change from a specified pension of 50 percent of final average salary to a variable pension with a minimum of 50 percent of final average salary. The bill also would amend the Law to allow a municipality to provide a pension of up to 75 percent of the final average salary provided that this would not impair the actuarial soundness of the pension trust fund. The resulting pension could be the equivalent of the product of three percent (3%) multiplied by years of service multiplied by final average salary. The total retirement allowance could exceed 75 percent of final average salary if length of service increments are provided. Cost-of-living allowances could not be granted that would cause the aggregate total benefit to exceed 75 percent of final average salary, which would limit or preclude cost-of-living allowances in certain instances. This effect may not have been taken into consideration when the bill was drafted. For purposes of the actuarial note, the Commission and its consulting actuary assumed that the bill will be amended to remove the salary related limitation for cost-of-living increases.

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

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

SUMMARY OF ACTUARIAL COST IMPACT

The actuarial note shows that the actuarial cost impact on individual police officers' pension trust funds would vary considerably. Assuming an increase to 75 percent of final average salary but without 75 percent of final average salary limit on the total retirement allowance including cost-of-living allowances, the Commission's consulting actuary examined three different police officers' retirement systems.

If this proposed change to the Municipal Police Pension Law is adopted but no municipality increases the pension above the currently specified 50 percent of final average salary, there will be no cost impact. If, however, all municipalities amend their police officer pension plans to provide pensions of 75 percent of final average salary, there will be a large increase in aggregate actuarial accrued liabilities and normal costs. Because the proposal is permissive, the actual changes cannot be known in advance. The potential increase in actuarial accrued liabilities and employer normal costs are as follows:

	Amount
Potential Statewide Increase in Actuarial Accrued Liabilities	$300,000,000

The increase in actuarial accrued liabilities normally results in an increase in the unfunded actuarial accrued liabilities and associated amortization requirements. This will be the case in approximately 34 percent of the actuarial accrued liabilities that potentially would be incurred under the bill. The remainder of the actuarial accrued liabilities would reduce the assets in excess of the actuarial accrued liabilities in the individual pension trust funds and thereby reduce the annual funding credit that is attributable to those assets. Using the aggregate amortization requirements for the total actuarial accrued liabilities as a representation of the individual amortization requirements and funding credit reductions, the potential annual costs of the bill are as follows:

	Amount
Potential Statewide Increase in Employer Normal Costs	$16,000,000
Potential Statewide Increase in Amortization Payments and Reduction in Funding Credits	26,388,000
Total Potential Statewide Increase in Annual Costs	$42,388,000

POLICY CONSIDERATIONS

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

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

Level of Retirement Benefit.

Pension Benefit. The proposal would permit a pension that is the equivalent of the product of three percent (3%) multiplied by years of service multiplied by final average salary that can be supplemented by length of service increments, cost-of-living allowances, and Social Security benefits, all of which are funded in whole or in part through municipal contributions.

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

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

State Aid Impact. The proposal would potentially increase the annual costs of many of the municipal pension systems subject to the cost cap in the Act 205 allocation formula. As a result, there is potential for the bill to reduce significantly the amount of aid available for allocation to municipalities that receive allocations based on the unit value.

Drafting Ambiguities.

Maximum Pension. The Commission staff assumes that the intention of the proposal is to limit police officers pensions to not less than 50 percent nor more than 75 percent of final average salary. The proposed wording is clear in that the pension cannot be less than 50 percent of final average salary, but the proposal only indicates that a municipal ordinance may provide for a monthly pension up to 75 percent of final average salary. This wording could be construed not as a maximum limit but only as permitting one possible level of benefits above the minimum, thereby, by implication, also permitting a level of benefits above 75 percent of final average salary.

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

COMMISSION RECOMMENDATION

On May 25, 1995, 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 directing the Commission staff to provide technical assistance to the Prime Sponsor in drafting an amendment to clarify the intended scope of the provisions.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 391, Printer's Number 396, was referred to the House Local Government Committee on January 27, 1995.

Bill ID: House Bill 410, Printer's Number 430

System: Public School Employes' Retirement System

Subject: Permitting Certain "Mellow Bill" Retirees to Return to School Service without Forfeiting the Ten Percent Incentive

SYNOPSIS

House Bill 410, Printer's Number 430, would amend section 8346(a) of the Public School Employees' Retirement Code to permit a "Mellow Bill" early retirement incentive annuitant to return to school service, under a separate contract, in a non-emergency situation as a coach, director, or sponsor of a school activity both without forfeiting the additional ten percent service credit and without a stoppage of the retiree's Public School Employes' Retirement System annuity, provided that, under the separate contract, the annuitant does not earn additional service credit in the Public School Employes' Retirement System for the service and no contributions are made to the annuitant's member's savings account in the Public School Employees' Retirement Fund for the service.

DISCUSSION

Under the Public School Employees' Retirement Code, if a member retires and later returns to school service, the annuity ceases and the value of the annuity is frozen as of that date. In addition, if a member retired during the period of May 15, 1992, to August 31, 1993, taking the additional ten percent service credit early retirement incentive ("Mellow Bill") and later returns to school service, the member must forfeit the additional ten percent service credit. This special provision was part of the "Mellow Bill" and apparently was designed to discourage school districts and school employees from abusing the early retirement incentive program by allowing an employee to gain an additional ten percent in the annuity and then resume school employment. The only exceptions to the freezing and forfeiture provisions are in an emergency or a shortage of appropriate subject certified teachers, but then the exception is only for a period of not more than 95 full-day sessions in any school year.

Early retirement incentive programs are a tool for employers searching for ways to achieve long-term work force reductions or to cut payroll costs for short-term budgetary reasons. The savings potential directly attributable to an early retirement incentive program occurs only because retiring employees either are not replaced or are replaced by employees at a lower salary level. Filling positions vacated by early retirement incentive annuitants in non-emergency situations reduces the potential for the early retirement incentive to produce work force reductions or salary savings.

The Public School Employes' Retirement System has at least 115,031 annuitants of whom about 14,977 retired under the "Mellow Bill." The proposal in the bill would apply only to those few "Mellow Bill" annuitants who return to non-teaching school service as coaches, directors, or sponsors of school activities. The proposal would not apply to any other "Mellow Bill" annuitants who might wish or be asked to return to other types of school employment nor to any other, non-"Mellow Bill" annuitants who might wish or be asked to return to any type of school employment.

DISCUSSION (CONT'D)

Before now the public employee retirement policy of the Commonwealth in both the Public School Employees' Retirement Code and the State Employees' Retirement Code has been that, except in emergencies, and then only for a short period of time, a retiree returning to school or state service ceased to receive a pension and became an active, contributing member of the system. The bill would enact a fundamental change in this policy by permitting retirees to be paid to return to service in non-emergency situations for unlimited periods of time while still receiving their pensions.

Because proposed section 8346(e) refers to a separate contract under which the returning annuitant would receive no service credit in the system nor have any contributions made to the annuitant's account, the Commission assumes the intention of the proposed legislation is that an annuitant returning to school service will continue to receive an annuity rather than experience a stoppage of the annuity that is currently prescribed for reemployed annuitants. This is not clear, however, and proposed section 8346(e) should be amended to make this clear.

SUMMARY OF ACTUARIAL COST IMPACT

Except for the potential for the loss of a de minimis actuarial gain, the proposal in the bill will have no actuarial affect upon the Public School Employes' Retirement System.

POLICY CONSIDERATIONS

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

Reduction in Savings Potential. (-) The savings potential directly attributable to an early retirement incentive program occurs only because retiring employees either are not replaced or are replaced by employees at a lower salary level. Filling positions vacated by early retirement incentive annuitants in non-emergency situations reduces the potential for the early retirement incentive to produce work force reductions or salary savings.

Lack of Uniformity. (-) The bill would not apply to the vast majority of the annuitants of the Public School Employes' Retirement System. It would provide the special benefit of returning to non-teaching school service in non-emergency situations to only a few early retirement incentive annuitants. The public policy rationale for this lack of uniformity is not apparent.

Fundamental Change in Public Employee Retirement Policy. (-) The bill would enact a fundamental change in public employee retirement policy by permitting retirees to return to school service in non-emergency situations for unlimited periods of time while still receiving their pensions.

Drafting Ambiguity. (-) Proposed section 8346(e) implies but does not explicitly state that the annuitant returning to school service will continue to receive an annuity and not become an active member. An amendment to clarify this is attached.

COMMISSION RECOMMENDATION

On November 15, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 410, Printer's Number 430, was re-referred to the House Appropriations Committee on September 19, 1995.

Bill ID: House Bill 483, Printer's Number 503

System: State Employes' Retirement System

Subject: Improved Benefit for Philadelphia Municipal Court Bail Commissioners

SYNOPSIS

House Bill 483, Printer's Number 503, would amend the State Employees' Retirement Code to permit active members who are bail commissioners of the Philadelphia Municipal Court to elect for their future service as bail commissioners to be Class E-2 Members with a class of service multiplier of 1.5 rather than being Class A Members with a class of service multiplier of 1.

DISCUSSION

The State Employes' 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, 1993, there were 115 participating state and other organizations. Membership is SERS is mandatory for most state employees. Certain other employees are not required but are given the option to participate. At December 31, 1993, SERS membership consisted of 85,407 retirees, beneficiaries, and terminated employees entitled to benefits and 111,962 active members.

Before March 1, 1974, there were a number of classes of membership in SERS each of which had its own class of service multiplier. As part of the Commonwealth's pension reform efforts of the early 1970s, which also included the adoption of Act 293 of 1972 and a new Public School Employees' Retirement Code on October 2, 1975, on March 1, 1974, a new State Employees' Retirement Code was adopted that, among other things, placed all individuals joining SERS after February 28, 1974, in Class A, for which the class of service multiplier is one.

The class of service multiplier has an effect both on the calculation of the regular member contributions and on the member's annuity. Under section 5102 of the State Employee's Retirement Code, the regular member contribution is the basic contribution rate of five percent of payroll multiplied by the class of service multiplier. In the case of bail commissioners under the bill, that would mean that their regular member contribution would increase from 5.0 percent of payroll to 7.5 percent of payroll upon election of the benefit. Under section 5702 of the Code, the maximum single life annuity of a member is the product of two percent multiplied by the member's years of credited service multiplied by the member's final average salary multiplied by the member's class of service multiplier. In the case of bail commissioners under the bill, that would mean a maximum single life annuity calculated as the product of two percent multiplied by years of service as a bail commissioner multiplied by $50,725 multiplied by 1.5, to which would be added any annuity for service in another class. For example, service as a Class A Member before electing Class E-2 Membership would be calculated as the product of two percent multiplied by years of Class A service multiplied by the final average salary multiplied by 1.0 and added to the Class E-2 maximum single life annuity to calculate the member's maximum single life annuity.

DISCUSSION (CONT'D)

Individuals who were SERS members and members of another class of membership before March 1, 1974, and have remained continuously in the same job category continue to be credited in the special membership class until they move into a different job category or leave Commonwealth employment. All justices and judges are Class E-1 Members and all district justices are Class E-2 Members, however, because the Supreme Court of Pennsylvania has ruled that within the Commonwealth's unified judicial system all members "of a single level/court performing similar functions and exercising similar authority [must] be paid at the same rate of compensation." *Klein v. State Employees' Retirement System*, 521 Pa. 330, 555 A.2d 1216, 1221 (1989).

Justices, judges, and district justices all are judicial offices that existed on March 1, 1975. Bail commissioners in the Philadelphia Municipal Court did not exist on that date. In 1984, section 1123(a)(5) of the Judicial Code was amended to permit the judges of the Philadelphia Municipal Court to appoint for four-year terms up to six bail commissioners who become employees of the Commonwealth. The 1984 statutory provisions providing for the bail commissioners speak of their receiving "an annual salary equal to the salary of an associate judge of the Traffic Court of Philadelphia." The statute does not speak of "salary and emoluments" nor does it speak of "compensation." The State Employees Retirement Code has been amended about eleven times since 1984, but in none of these amendments has section 5306, Classes of service, been amended. The State Employes' Retirement System, therefore, has classified the bail commissioners in Class A because of the 1974 statutory requirement in section 5306 that a Commonwealth employee "who becomes a member of the system subsequent to the effective date of [the Code] shall be classified as a Class a member . . . ."

The duties of the bail commissioners as specified in section 1123(a)(5) of the Judicial Code are similar to those of district justices as specified in section 1414(a)(4) of the Judicial Code. If, therefore, the General Assembly intends bail commissioners to receive salary and emoluments, including pension benefits, equal to those of some existing class of judicial officer, the bill is the best method to accomplish this, and classification as Class E-2 Members would appear to be appropriate.

SUMMARY OF ACTUARIAL COST IMPACT

	Amount
Increase in Unfunded Actuarial Accrued Liability	$82,500

	Amount	As a % of Class Payroll
Increase in Employer Annual Costs		
Normal Costs	($ 600)	(0.20)
Amortization Payment (First year cost, increasing 5% a year for 20 years)	6,600	2.17
Total Increase in Employer Annual Costs (First year only)	$6,000	1.97

	Amount
Total Amortization Payments	$218,235

POLICY CONSIDERATIONS

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

> Legislative Intent. ( ) Under the State Employees' Retirement Code, since 1974, all individuals newly employed by the Commonwealth, except for the judicial branch, have been classified as Class A Members. If, in light of the court decision placing all judicial offices existing in 1974 in Class E-1 or E-2 Membership regardless of date of employment or election, the General Assembly wishes to make bail commissioners similar to district justices in terms of pension benefits, the bill is an appropriate way to do this.
>
> Optional Prospective Application. (+) Under the bill, bail commissioners would be permitted, but not required, to elect Class E-2 Membership and then only on a prospective basis.

COMMISSION RECOMMENDATION

On June 14, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 483, Printer's Number 503, was referred to the House State Government Committee on January 31, 1995.

Bill ID: House Bill 975, Printer's Number 1092

System: Public School Employes' Retirement System

Subject: Further Additional Service Credit for Certain School Employees

SYNOPSIS

House Bill 975, Printer's Number 1092, would amend the Public School Employees' Retirement Code by adding a new section 8302(d) to provide that at retirement a school employee who is a member of the Public School Employes' Retirement System (PSERS) and who has been employed under a regular contract or work schedule of at least 11 months or 220 days a year for at least six years shall receive, at no additional cost to the member, additional service credit of one-sixth a year for every year of employment under such a contract or work schedule not to exceed three years of additional service credit.

DISCUSSION

The Commonwealth's defined benefit pension plans have retirement benefits based on a predetermined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plans 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 as well as other benefits such as vesting, disability retirement, and death benefits. Public employee defined benefit pension plan provisions that permit members to receive credit for additional years of service are of value to members because they enhance the retirement benefit or accelerate retirement eligibility or both of these.

Additional service credit already is provided for under the PSERS pension plan. All full-time school employees who work 180 or more days or 1,100 or more hours in any fiscal year are entitled to a full year's service credit. The pension is calculated as two percent of the final average salary multiplied by the years of service credit. Additional service credit beyond 180 days or 1,100 hours a year is recognized through this formula by the use of the final average salary in the calculation. School employees working more hours a year receive higher compensation than equally qualified employees working fewer hours a year. Thus, those individuals on regular contracts or work schedules of at least 11 months or 220 days a year already have their additional service recognized through higher pension benefits. At no cost to them, the bill would provide them with further additional pension benefits that could equal at least two percent and as much as six percent of their final average salary.

This situation is similar to the one under the State Employees' Retirement Code in which any full-time Commonwealth employee working 220 or more days or 1,650 or more hours a year is entitled to a full year's service credit but in which full-time Commonwealth employees typically are employed for about 1,950 to 2,080 hours a year. The pension for these Commonwealth employees is calculated using the same formula, and, again, equally qualified individuals working more hours have that fact recognized in their pay and, through the formula, in their pensions.

A year of service frequently is used in pension plans for the purpose of determining eligibility for full pension credit. For example, in the private sector, under section 410(a)(3)(A) of the Internal Revenue Code a "'year of service' means a 12-month period during which the employee has not less than 1,000 hours of service." For purposes of the Commonwealth's public employee pension plans, the General Assembly has fixed the minimums at higher limits, 1,100 hours in PSERS and 1,650 hours in SERS. Employees who work fewer than 1,100 but more than 500 hours in PSERS or fewer than 1,650 hours but more than 750 hours in SERS receive credit for a proportional part of a year.

The money to pay for the further additional benefit for service of at least 11 months or 220 days a year proposed in the bill will have to come from additional contributions by the school districts and other educational employers, the Commonwealth, and the investment earnings on these contributions. As of June 30, 1993, the Public School Employees' Retirement Fund only had $87.27 for every $100 it owed to public school employees and their beneficiaries. Thus, the bill will increase the employer contributions paid by school districts, other educational employers, and the Commonwealth. For Fiscal Year 1994-95, these costs were 6.43 percent of payroll to pay for the benefits being earned by active members, plus 4.18 percent of payroll to pay for increases in benefits granted to members in the past and for adverse experience, plus 0.45 percent of payroll to pay for the health insurance premium assistance provided to retirees. The bill will increase both the 6.43 percent normal cost (because existing and new employees will earn this additional service credit in the future) and the 4.18 percent amortization payment (because existing employees who have earned this additional service credit already will receive an increased pension accordingly when they retire). It also may increase the health insurance premium assistance benefit cost to the extent that the additional service credit permits eligible members to retire sooner and, thus, live longer covered by the retiree health program.

The cost could be further increased by the proposal not to credit this additional service credit until the individual retires. As a general rule, the later in an employees' working career that a retirement system service credit is recognized the more it will cost the employer to pay for it because the employer is unable to prefund the benefit during the employee's working career or invest these contributions to earn additional money to fund the benefit.

SUMMARY OF ACTUARIAL COST IMPACT

	Amount
Increase in Unfunded Actuarial Accrued Liability	$137,000,000

	Amount	As a % of Class Payroll
Increase in Employer Annual Costs		
Normal Costs	$ 5,900,000	1.0%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	9,200,000	1.6%
Total Increase in Employer Annual Costs (First year only)	$15,100,000	2.6%

	Amount
Total Amortization Payments	$304,206,778

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

POLICY CONSIDERATIONS

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

Unequal Treatment. (-) The proposal seeks to provide additional service credit for one type of school employee working more than the minimum standard (180 days or 1,100 hours) required to receive one year of service credit. Most school employees, as well as most Commonwealth employees, work more than the minimum standard specified in the respective retirement code. The public pension policy rationale for providing additional service credit to only one type of employee working more than the minimum standard is not apparent.

Precedent for Similar Requests. (-) The bill may serve as a precedent for other public school employees, and for state employees, to ask for provisions whereby they receive more than one year of service credit when they work less than a full year but more than the minimum standard.

Absence of Cost Sharing. (-) The proposal to give additional service credit to school employees employed on a regular contract or work schedule of at least 11 months or 220 days a year would provide substantially increased benefits to the affected employees without any change in employee contributions.

Delayed Recognition of Additional Service Credit. (-) The bill appears not to recognize the additional service credit until the school employee retires. The delayed recognition increases employer costs and imposes the payment burden upon taxpayers who receive no benefit of the individual's service. Delayed recognition of the additional service credit is not consistent with the accounting principle of matching the expenses of providing a service with the revenues received to pay for the service.

Language Clarification. (-) Under a literal reading of the last sentence of proposed section 8302(d), the additional service credit will be available only to individuals who are PSERS members on the effective date of the bill rather than also being available to individuals who join PSERS after the effective date. Unless this narrow interpretation is the intention of the sponsors, the bill should be amended to include both current active members and all future members.

Drafting Ambiguity. (-) The bill creates an apparent conflict with section 8302(a), which limits a member to no more than one year of service credit for any 12 consecutive months. The bill also should amend section 8302(a) to eliminate this conflict.

COMMISSION RECOMMENDATION

On June 14, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the very serious negative policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 975, Printer's Number 1092, was referred to the House Education Committee on March 6, 1995.

Bill ID: House Bill 1095, Printer's Number 1220

System: Municipal Police Pension Law (Act 600) Systems
(All Boroughs, Towns, and Townships with Three or More Full-Time Police Officers)

Subject: Absolving Municipalities of Improper Refunds of Member Contributions

SYNOPSIS

House Bill 1095, Printer's Number 1220, would amend the Municipal Police Pension Law (Act 600) to absolve municipalities that, under an agreement, arbitration award, or court decision, returned member contributions, with or without interest, before February 24, 1994, and provide that these municipalities need not restore the returned contributions and any interest to the police officers' pension trust funds in a lump sum payment.

DISCUSSION

The Municipal Police Pension Law governs the establishment of a police officers retirement system in a borough, incorporated town, or township with three or more full-time 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 municipality's police officers' pension trust fund is under the direction of the municipal governing body. In this capacity the municipal governing bodies are fiduciaries and owe a fiduciary duty to the active and retired members and their beneficiaries, to the municipality and its revenue payers, and to the Commonwealth and its revenue payers. The main sources of revenue for the fund are contributions by police officers, contributions by the municipality including General Municipal Pension System State Aid, and earnings from the investment of the fund assets.

The municipality annually must contribute an amount at least equal to the minimum municipal 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. If an actuarial valuation shows that payments into the police officers' pension trust fund by police officers may be reduced below the minimum percentage or eliminated without requiring contributions by the municipality to keep the fund in compliance with the actuarial funding standard, the municipality may, on an annual basis, reduce or eliminate the police officers' contributions.

Some eligible municipalities had, from time to time, reduced or eliminated the contributions by police officers on an annual prospective basis. The first instance of a refund of prior years contributions to active police officers known to the Commission occurred in a municipality that had promised its police officers that it would consider reduction or elimination in the next year. The municipality inadvertently failed to make the required calculation to determine the feasibility of the reduction or elimination at the designated time and for a few years thereafter. When the police officers brought a legal action, the municipality admitted that it had made the promise but failed to make the necessary calculation. The court ruled that, since an after the fact analysis showed that the contributions could have been eliminated, refunds of the contributions made after the date of the promise were due to the police officers.

It seemed a logical extension of this result to conclude that refunds could be made when there had been no request or promise but when an after the fact analysis showed that there could have been an elimination. When questioned about the propriety of this, both the Department of Community Affairs and the Commission took the position that these refunds were not permitted by the Municipal Police Pension Law and were contrary to sound public employee retirement system management practices. Nevertheless, some municipalities did make the refunds in the mistaken belief that, although not permitted by the Law, refunds were, by implication, permitted and were being made with no apparent resulting problems elsewhere throughout the Commonwealth.

Although section 10 of article 8 of the Pennsylvania Constitution and section 404 of The Fiscal Code prohibit the Department of the Auditor General from giving pre-audit advice, that Department has, from time to time, provided information to municipalities on its post audit processes in an attempt to be helpful. One such piece of information was Municipal Pension Bulletin No. 7-88, Reduction, Refund and Elimination of Members Contributions, which was issued on December 1, 1988. In this Bulletin, the Department of the Auditor General took the position that, under certain circumstances, member contributions could be refunded. On December 13, 1988, and March 6, 1989, the Commission wrote to the Department expressing the Commission's concern that an erroneous interpretation of the Municipal Police Pension Law had been provided. In its Municipal Pension Bulletin No. 2-89, Withdrawal of Municipal Pension Bulletin 7-88, Reduction, Refund and Elimination of Members Contributions, which was issued August 11, 1989, the Department took the position, based upon the Constitution and The Fiscal Code, that Municipal Pension Bulletin No. 7-88 was being withdrawn as improvidently issued. All municipalities were advised to destroy their copies of Municipal Pension Bulletin No. 7-88 and to relay upon their solicitors for legal advice in this matter. The Department provided no indication that the advice had been incorrect. Thus, although municipalities rely upon this sort of information at their peril, there certainly were municipalities that detrimentally relied upon Municipal Pension Bulletin No. 7-88 after November 30, 1988, and before August 11, 1989, and made refunds of contributions in good faith with the understanding that making the refunds was not objectionable to the Department of the Auditor General.

Before, during, and after the effectiveness of Auditor General's Municipal Pension Bulletin No. 7-88, in some situations, municipalities and their police officers made collective bargaining agreements under Act 111 that required the refund of member contributions from the police officers' pension trust funds to active police officers. Apparently realizing the legal uncertainty surrounding these refunds, the parties sought and received orders from the court of common pleas. While the courts may have reacted to resolve an issue between parties in which the parties agreed upon the resolution rather than to adjudicating an adversarial proceeding, the municipalities reasonably believed that these refunds enjoyed court sanction. At the same time, there were a number of other reported decisions by Pennsylvania appellate courts that dealt with different, but related, issues that also may have lead many municipalities to believe that refunds were permitted.

Within the same context, in some situations, municipalities and their police officers did not reach collective bargaining agreements but rather reached impasses and resorted to collective bargaining in which the arbitrators ordered refunds of member contributions from the police officers' pension trust funds to active police officers. While it is well settled law in Pennsylvania that arbitrators in these situations may not order a municipality to perform an illegal act, these awards appeared legal to some municipalities and to other municipalities the cost of pursuing an appeal through the Supreme Court of Pennsylvania appeared more costly both in terms of money and labor-management relations than making the refund.

DISCUSSION (CONT'D)

After a 1994 Supreme Court denial of appeal of a 1993 Commonwealth Court decision, the law in Pennsylvania clearly is that refunds of member contributions to active members are not permitted under the Municipal Police Pension Law, and the Department of the Auditor General has been making audit findings to that effect and insisting that municipalities restore to the police officers' pension trust funds the assets improperly disbursed. Thirty-four municipalities have been identified to the Commission as having made these refunds of contributions, and it is believed that other municipalities also did so. In at least 22 of these, the Department of the Auditor General already has made findings and requested lump sum refunds ranging from $7,842 to $613,446. To finally resolve this matter and to prevent further litigation, the bill would make it clear that refunds are not authorized but absolve the municipalities that made these refunds and provide that they need not repay the refunds to the police officers' pension trust funds in a lump sum. Also, by implication, individual members of municipal governing bodies are absolved for any breach of fiduciary duty they may have committed in making the refunds.

SUMMARY OF ACTUARIAL COST IMPACT

Although the bill prevents the Department of the Auditor General or others from insisting that municipalities make lump sum repayments into the police officers' pension trust funds for the refunds, the refunds will be reflected as an actuarial loss in any actuarial valuation properly prepared under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) and will have to be repaid over time by the municipalities through amortization payments. These amortization payments will increase the costs of these retirement systems. In some municipalities, the additional cost will be paid entirely out of increased General Municipal Pension System State Aid (a state shared revenue), but in some other municipalities, General Municipal Pension System State Aid will not increase and the additional cost will be paid entirely out of other revenues of the municipalities. Thus, the passage of the bill will help the cash flow of all these municipalities by eliminating the need for immediate lump sum repayments by the municipalities.

The Commission's consulting actuary was able to review 19 retirement systems in which the amount of the refund has been determined by the Department of the Auditor General. Based upon this review, the Commission's consulting actuary determined that the average increase in the annual minimum municipal obligation under the Municipal Pension Plan Funding Standard and Recovery Act will be $10,882 as opposed to a median immediate lump sum reimbursement of $93,726. The total cost of the refunds in these 19 retirement systems is $1,780,791. The statewide cost of the refunds and the statewide increase in the annual minimum municipal obligations is not known at this time because of a lack of audit information for 12 identified municipalities and the absence of a final figure for the total number of affected municipalities. If, however, the average repayment amount for the 19 cases in which audit data are available ($93,726) is assumed to reasonably represent the ultimate average for all affected municipalities, an approximate statewide cost of the refunds can be estimated to be $3,187,000, which represents the $93,726 average multiplied by the total number of known municipalities affected (34).

POLICY CONSIDERATIONS

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

<u>Clarification of the Law</u>. The bill make is clear that refunds to active police officers are not permitted and removes the necessity for further litigation either concerning the refund of member contributions or the repayment of the refunds to police officers' pension trust funds through immediate lump sum payments.

Cash Flow Assistance. The passage of the bill will help the cash flow of affected municipalities by eliminating the need for an immediate lump sum repayment.

Source of Funding for Amortization Payments. Some affected municipalities will receive an increase in a state shared revenue, General Municipal Pension System State Aid, in amounts equal to their increased amortization payments, while other affected municipalities will experience no increase in this Aid and will have to make the necessary amortization payments entirely from other municipal revenue sources.

Impact on State Aid. In those cases in which the necessary amortization payments can be made out of increased General Municipal Pension System State Aid, this increased Aid will reduce the total amount of Aid available for allocation to all other municipalities, including those who did not make the refunds.

COMMISSION RECOMMENDATION

On April 18, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 1095, Printer's Number 1220, was signed into law by the Governor as Act 1995-22 on June 30, 1995.

Bill ID: Amendment 2965 to House Bill 1238, Printer's Number 1398

System: Public School Employes' Retirement System

Subject: Purchase of Service Credit for Nonpublic School Service

SYNOPSIS

Amendment 2965 to House Bill 1238, Printer's Number 1398, would amend the Public School Employees' Retirement Code to authorize an active member of the Public School Employes' Retirement System to purchase credit for nonschool service in an accredited nonpublic school or institution of higher education in Pennsylvania if the member was entitled to a Pennsylvania provisional or permanent teaching certificate at the time of the nonpublic school service. A member could purchase the service credit only after completing ten years of public school service in Pennsylvania and within three years of becoming eligible. The service credit could be purchased at the rate of one year for each year of eligible nonpublic school service, not to exceed a total of five years. To purchase the service credit, the member would have to contribute an amount equal to the increase in the present value attributable to the additional credited service calculated on the basis of the average annual compensation for the first three years of credited public school service subsequent to the purchasable nonpublic school service. The contribution would not be payable as a lump sum withdrawal under Option 4.

DISCUSSION

The Commonwealth's defined benefit pension plans have retirement benefits based on a predetermined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plans 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 as well as other benefits such as vesting, disability retirement, and health benefits. Public employee defined benefit pension plan provisions that permit members to receive credit for additional years of service are of value to members because they enhance the retirement benefit or accelerate retirement eligibility or both.

Under the Public School Employees' Retirement Code, members may retire at age 60 with 30 years of service credit, age 62 with one year of service credit, or at any age with 35 years of service credit. The pension is the product of two percent multiplied by the number of years of service credit multiplied by the member's final average (highest three years) salary.

Active members of the Public School Employes' Retirement System (PSERS) currently are able to purchase credit for the following types of nonschool service: approved leaves of absence without pay; intervening and nonintervening military service; service in public education in another state or with the federal government, including service in a community college under the Community College Act; service with a county school board where administrative duties or the agency was transferred to some other governmental entity with PSERS coverage; and service as a county nurse.

The amendment would expand the list of purchasable nonschool service to include service in an accredited nonpublic school or institution of higher education in Pennsylvania if the member was entitled to a Pennsylvania provisional or permanent teaching certificate at the time of the nonpublic school service. The effect of the additional service credit would be to increase the PSERS annuity by an amount equal to two percent of the member's final average salary for every year of service credit purchased up to ten percent. In addition, the additional service credit might make the member eligible for other retirement benefits sooner than otherwise. Such benefits might include special early retirement or employer subsidized postretirement medical insurance.

The purchase payment amount required by the proposed legislation would be an amount equal to the increase in the present value attributable to the additional credited service calculated on the basis of the average annual compensation for the first three years of credited public school service subsequent to the purchasable nonpublic school service. Because the payment amount would be only 30 to 50 percent of the actuarial value of the additional service credit, a residual unfunded actuarial accrued liability would be created. The unfunded actuarial accrued liability would be funded by the school districts or other educational employers and the Commonwealth over a 20-year period with amortization payments increasing five percent a year.

The amendment would permit not only members of PSERS who held provisional or permanent teaching certificates but also members who only were eligible for such certificates to purchase service credit. This eligibility criterion will require a determination, at least ten years after the fact, of whether a member would have been eligible for certification at some previous time. PSERS has no expertise to make these determinations, and PSERS is not the Commonwealth entity that normally determines whether individuals are eligible for certification as public school teachers. The Division of Candidate Evaluation Services, Bureau of Teacher Certification and Preparation, Department of Education, which is the Commonwealth entity that normally makes these determinations, has indicated to the Commission staff that it does not have the resources to make such a determination because all of its limited resources are needed to certify current applicants.

SUMMARY OF ACTUARIAL COST IMPACT

Neither the Department of Education nor the Public School Employes' Retirement System (PSERS) has an estimate of the number of individuals who would be eligible under the proposal in the amendment. Because the authorization is restricted to those who would have been entitled to a provisional or permanent certificate at the time of the nonpublic school service, an estimate of 5,000 eligible members was used, which is about two and one-half percent of the active members of PSERS. Due to the absence of specific demographic data on the members of PSERS who may be eligible to purchase this nonschool service, an exact estimate of the actuarial cost of the proposed legislation could not be made. The consulting actuary of the Public Employee Retirement Commission has estimated the following rage of actuarial costs.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

	Range of Increase
Increase in Unfunded Actuarial Accrued Liability	$ 15,000,000 – $ 75,000,000

	Range of Employer Costs	Range As a % of Eligible Payroll
Increase in Employer Annual Costs *		
Normal Cost	$ 0 – $ 0	0.00% – 0.00%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	1,200,000 – 6,000,000	0.62% – 3.08%
Total Increase in Employer Costs (First year only)	$1,200,000 – $6,000,000	0.62% – 3.08%

	Range of Payments
Total Amortization Payments *	$ 39,679,145 – $198,395,724

* 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:

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 service credit. The amendment conforms with some and does not conform with other 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 public employee retirement systems, which is to provide an employment-related benefit to employees devoting a substantial career to public service. The use of service purchase authorizations on an ad hoc basis to recognize past education, training, or experience requires policymakers to make arbitrary determinations concerning what types of past service should be purchasable and results in inequitable treatment of public employees.

Appropriateness of Service Credit for Nonpublic School Service. (-) The specific situations for which the Commission considered the use of service 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. Retirement system coverage on noncoverage is part of the salary and benefits package provided to employees by private and parochial schools. The service credit purchase authorization would represent permission for public school employees to purchase service credit for past service in private or parochial schools. The amendment does not prohibit a member from receiving a pension from the private or parochial school in which the member previously served. If the member does receive such a pension, the member will be receiving two pensions for the same service, one of which will be paid for, in part, by the public school employer and the Commonwealth.

Determination of Purchase Payments. (+) Although the amendment does not use the specific method for determining payment amounts that is recommended in the Commission's report on purchases of service credit, the payment determination does partially conform with the report's recommendation that members of public employee retirement systems be required to pay an amount representing both member and employer cost.

Adequacy of Purchase Payments. (-) The funding method in the proposal represents a partial payment of the full cost by the member. The consulting actuary, however, indicates the purchase amount payable by the member would be less than the full actuarial cost of the increased benefit acquired through the purchase of service credit. A purchase transaction that favors the member at the expense of the retirement system is appropriate only in cases where the service credit purchase is necessary for purposes of equity.

Time Limitation on Making Purchase. (+) For service credit 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 amendment contains such a provision.

Purchase Payments Precluded from Withdrawal. (+) The Commission also recommended that, in cases where the service credit purchase amount required to be paid by an employee includes amounts representative of both employer and employee cost attributable to the purchased service credit, 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 contains such a provision.

Determination of Eligibility. (-) Considerable administrative problems and expense will be caused both for members and the Public School Employes' Retirement System in determining whether a member who was not certified was eligible for certification.

Precedent. (-) Adoption of the proposal in the amendment may serve as a precedent for members with nonpublic school service in other states to request the same benefit and for active nonpublic school teachers to request membership in the Public School Employes' Retirement System.

COMMISSION RECOMMENDATION

On September 14, 1995, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the serious policy problems identified above.

As Printer's Number 2901, House Bill 1238 was signed into law by the Governor as Act 1995-77 on December 20, 1995.

Bill ID: House Bill 1302, Printer's Number 1487

System: State Employes' 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 1302, Printer's Number 1487, would amend the State Employees' Retirement Code to expand the definition of enforcement officer to include:

> 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 Crimes Code and the Game and Wildlife Code, and
>
> Waterways conservation officers and other commissioned law enforcement personnel employed by the Pennsylvania Fish and Boat Commission who have 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 150 days a year as deputy officers without having their annuities stopped and frozen at their present values.

DISCUSSION

The State Employes' 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, 1993, there were 115 participating state and other organizations. 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, 1993, SERS membership consisted of 85,407 retirees, beneficiaries, and terminated employees entitled to benefits and 111,962 active members.

Special retirement coverage for various public safety employees often is 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 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 employee 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.

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

	Amount
Increase in Unfunded Actuarial Accrued Liability	$1,938,182

	Amount	As a % of Class Payroll
Increase in Employer Annual Costs		
Normal Costs	$ 182,763	2.12%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	156,900	1.82%
Total Increase in Employer Annual Costs (First year only)	$339,663	3.94%

	Amount
Total Amortization Payments	$5,188,048

Waterways Conservation Officers
of the
Pennsylvania Fish and Boat Commission

	Amount
Increase in Unfunded Actuarial Accrued Liability	$1,348,498

	Amount	As a % of Class Payroll
Increase in Employer Annual Costs		
Normal Costs	$ 82,363	2.12%
Amortization Payment (First year cost, increasing 5% a year for 20 years)	103,731	2.67%
Total Increase in Employer Annual Costs (First year only)	$186,094	4.79%

	Amount
Total Amortization Payments	$3,429,964

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 work force 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 these 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 work forces 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. (-) In section 2 of the bill, on page 3, line 11, the bill proposes to amend section 5706(a) of the State Employees' Retirement Code to increase from 100 to 150 days a calendar year the time during which certain retirees may return to State or school service without having their annuities stopped and frozen at their present values. The limit already has been changed to 150 days by section 10 of the act of April 29, 1994, P.L. 159, No. 1994-29.

COMMISSION RECOMMENDATION

On June 14, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 1302, Printer's Number 1487, was referred to the House State Government Committee on March 22, 1995.

Bill ID: House Bill 1500, Printer's Number 1753

System: Public School Employes' Retirement System

Subject: Purchase of Service Credit for Nonschool Work Experience Required for Permanent Certification as a Vocational Teacher

SYNOPSIS

House Bill 1500, Printer's Number 1753, would amend the Public School Employees' Retirement Code to authorize active members to purchase service credit for previous nonschool work experience of the type required for permanent certification as a vocational teacher. Service would be creditable at the rate of one year of service credit for each two years of eligible work experience, not to exceed a total of three years service credit. Previous work experience could not include time served in an apprenticeship. Contributions payable by the member for purchase of the service credit would be equal to the increase in the actuarial present value at the time of purchase attributable to the additional credited service. The actuarial present value would be calculated on the basis of the average annual compensation for the first three years of credited public school service after the purchasable work experience. The contributions could not be withdrawn as a lump sum under Option 4.

DISCUSSION

Professional employees certified to serve in the schools of the Commonwealth usually have earned a baccalaureate degree in an appropriate field. Candidates for certification must pass tests in basic skills, general knowledge, professional knowledge, and knowledge of the subject matter(s) in which they seek certification.

There is no work experience required for a Vocational Instructional II Certificate, a permanent certificate. One of the requirements to obtain a Vocational Instructional II Certificate, however, is three years of satisfactory teaching on a Vocational Instructional I Certificate, a temporary certificate. The requirements to obtain a Vocational Instructional I Certificate in one of the about 111 vocational instruction programs vary. In the absence of an appropriate degree, an alternative certification process is available in some vocational instruction programs and is the only process for certification in some other instruction programs.

The Commonwealth's defined benefit pension plans have retirement benefits based on a predetermined formula that is a function of the final average salary and years of credited service. Eligibility requirements for receiving full benefits under the plans 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 as well as other benefits such as vesting, disability retirement, and death benefits. Public employee defined benefit pension plan provisions that permit members to receive credit for additional years of service are of value to members because they enhance the retirement benefit or accelerate retirement eligibility or both.

Under the Public School Employees' Retirement Code, members may retire at age 60 with 30 years of service credit, age 62 with one year of service credit, or at any age with 35 years of service credit. The pension is the product of two percent multiplied by the number of years of service credit multiplied by the member's final average (highest three years) salary.

Active members of the Public School Employe's Retirement System (PSERS) currently are able to purchase credit for the following types of nonschool service: approved leaves of absence without pay; intervening and nonintervening military service; service in public education in another state or with the federal government, including service in a community college under the Community College Act; service with a county school board where administrative duties or the agency was transferred to some other governmental entity with PSERS coverage; and service as a county nurse.

There are at least two ways to read the purchase of service credit authorization in the bill. A restrictive interpretation would limit the authorization to those members who actually used the nonbaccalaureate entry provisions. An expansive interpretation also would include in the authorization all those members with a baccalaureate or higher degree who have previous work experience of the type that is required for temporary certification as a prerequisite for permanent certification. The Commission staff believes that the sponsors intended the restrictive interpretation, and a proposed amendment to make the bill consistent with the restrictive interpretation is attached.

Of the 206,540 members of PSERS, 7,905 are vocational administrators, supervisors, or classroom teachers. Under the restrictive interpretation, about 1,000 of these individuals would be eligible under the purchase of service credit authorization proposed in the bill, and in addition, about 100 to 150 individuals are so certified every year. The purchase would be limited to not more than three years of service credit. The effect of the additional service credit would be to add an amount equal to up to six percent of the final average salary to the value of the basic benefit prior to modification. The purchase payment amount required for the service credit would be the increase in the actuarial present value at the time of purchase attributable to the additional service calculated on the basis of the average annual compensation for the first three years of credited public school service subsequent to the purchasable nonschool work experience. 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 by funded by the school district or other educational employer and the Commonwealth over a 20 year period with payments increasing five percent a year.

SUMMARY OF ACTUARIAL COST IMPACT

Restrictive Interpretation

The consulting actuary of the Commission estimated that, under the restrictive interpretation, 50 percent to 75 percent of those eligible actually would purchase the service credit and would purchase one year of service credit.

	Range of Increase
Increase in Unfunded Actuarial Accrued Liability	\$ 3,000,000 – \$ 4,500,000

	Range of Employer Costs			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)	210,000	–	320,000	0.47% – 0.71%
Amortization Payment for Future Employees (4% of current employee cost)	8,400	–	12,800	0.02% – 0.03%
Total Increase in Employer (First year only)	\$ 218,400	–	\$ 332,800	0.49% – 0.74%

	Range of Payments
Total Amortization Payments for Current Employees**	\$ 6,943,850 – \$10,581,105

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

**Amortization payments for the unfunded actuarial accrued liabilities attributable to the future employees are not included due to the indefinite period involved.

Expansive Interpretation

The consulting actuary of the Commission estimated that, under the expansive interpretation, 50 percent to 75 percent of those eligible actually would purchase the service credit and would purchase two years of service credit. Depending upon the number of individuals eligible under the expansive interpretation, the estimated increase in employer costs could be up to ten times those for the restrictive interpretation.

POLICY CONSIDERATIONS

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

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 service credit. The bill conforms with some and does not conform with other 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 public employee retirement system, which is to provide an employment-related benefit to employees devoting a substantial career to public service. The use of service purchase authorizations on an ad hoc basis to recognize past education, training, or experience requires policymakers to make arbitrary determinations concerning what types of past service should be purchasable and results in inequitable treatment of public employees.

Appropriateness of Service Credit for Vocational Teacher Work Experience. (-) The specific situations for which the Commission considered the use of service 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. Retirement system coverage or noncoverage is part of the salary and benefits package provided to employees by private industry. The service credit purchase authorization would represent permission for public school employees to purchase service credit for past service in private industry.

Determination of Purchase Payments. (+) Although the bill does not use the specific method for determining payment amounts that is recommended in the Commission's report on purchases of service credit, the payment determination does partially conform with the report's recommendation that members of public employee retirement systems be required to pay an amount representing both member and employer cost.

Adequacy of Purchase Payments. (-) The funding method in the proposal represents a partial payment of the full cost by the member. The consulting actuary, however, indicates the purchase amount payable by the member would be less than the full actuarial cost of the increased benefit acquired through the purchase of service credit. A purchase transaction that favors the member at the expense of the retirement system is appropriate only in cases where the service credit purchase is necessary for the purpose of equity.

Purchase Payments Precluded from Withdrawal. (+) The Commission also recommended that, in cases where the service credit purchase amount required to be paid by an employee includes amounts representative of both employer and employee cost attributable to the purchased service credit, 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 contains such a provision.

Drafting Ambiguity. (-) There are at least two ways to read the purchase of service credit authorization in the bill. Assuming that a restrictive interpretation was intended by the sponsors, a proposed amendment to the bill is attached that clarifies that the restrictive interpretation is intended.

Equity. (-) Under the restrictive interpretation of the bill, which is assumed to be the legislative intent, only vocational-technical education personnel who actually used the previous nonschool work experience to obtain certification may purchase service credit for the experience. Other vocational-technical personnel, who have both a baccalaureate or higher degree and have the same type of nonschool work experience, would not be

POLICY CONSIDERATIONS (CONT'D)

permitted to purchase service credit for the experience. There is no apparent policy rationale for distinguishing between two types of vocational teachers in authorizing service credit purchases for nonschool work experience.

COMMISSION RECOMMENDATION

On September 14, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

As Printer's Number 2450, House Bill 1500 was re-referred to the House Appropriations Committee on September 19, 1995.

Bill ID: House Bill 1605, Printer's Number 1906

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

Subject: Increase in Limits on Service Increments

SYNOPSIS

House Bill 1605, Printer's Number 1906, would amend both the firefighters and police officers retirement provisions of The Third Class City Code to change from $100 a month to $300 a month the limit on service increments paid to retirees in addition to their retirement allowances.

DISCUSSION

Under articles 43(a) and 43(b) of The Third Class City Code, a city of the third class must establish, by ordinance, a retirement system for its police officers and for its firefighters. All members of the city police force and all full-time paid firefighters must be members of the retirement systems. There are 43 firefighters' retirement systems in cities of the third class with about 1,511 members and 55 police officers' retirement systems with a total of about 2,182 active members.

A firefighter or 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 firefighter or 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 benefit for each year of service in excess of 20 years rendered before the retiree reaches age 65. The service increment cannot be more than $100 a month, and it is this limit that the bill would increase to $300 a month.

As was typical at the time of their enactment, the pension plans for firefighters and police officers in cities of the third class resemble pension plans for military personnel with half-pay pensions after 20 years of service. This "fixed benefit" approach differs from the usual defined benefit plan where the pension benefit is variable based on the product of the years of service multiplied by a benefit accrual rate. Under the historic "fixed benefit" public safety pension plan, there is a disincentive to remain in public service after completing the minimum service (20 years in the case of cities of the third class), while there is appropriate incentive for remaining in service longer under a conventional "variable benefit" approach. In an attempt to remedy the disincentive inherent with the "fixed benefit" approach, the pension plan for police officers in cities of the third class was amended in 1952 to add service increments. In 1969, the pension plan for firefighters was similarly amended. The result was that skilled public safety employees had a retirement-related incentive to continue service beyond 20 years of service.

When the service increments were added to the pension plan, they were limited to a maximum of $100 a month. Inherent in any named dollar limit is the change in the purchasing power over a long period of time. For example, at the end of 1992, about $535 was needed to purchase what $100 would have purchased at the beginning of 1952 when the police officers' pension plan was amended to add the service increment. As a result of the change in the purchasing power, the service increment benefits have become relatively less valuable due to the $100 a month cap.

DISCUSSION (CONT'D)

The bill mandates an increase in the $100 a month limit to $300 a month, thus requiring cities of the third class to pay retiring firefighters and police officers service increments of up to $200 a month additional. An alternative would be to authorize the cities to increase the limit on service increments as an optional benefit subject to collective bargaining. In optional retirement systems for nonuniformed employees in cities of the third class, the city council is authorized, but not mandated, to grant a similar service increment.

When the provisions granting a service increment capped at $100 a month were added to The Third Class City Code, provisions also were added requiring public safety employees to make a service increment contribution of not more than $1 a month until reaching age 65. Since the bill would increase the $100 a month cap to $300 a month, a similar increase in employee contributions also may be appropriate.

SUMMARY OF ACTUARIAL COST IMPACT

The consulting actuary of the Commission studied a sample of eight firefighters' and thirteen police officers' retirement systems in cities of the third class. Applying the average increase in costs as a percentage of payroll to the total reported payroll of all public safety employees in cities of the third class produces the following statewide data.

	Amount
Statewide Increase in Unfunded Actuarial Accrued Liability	$26,600,000

	Amount	As a % of Class Payroll
Statewide Increase in Employer Annual Costs		
Normal Cost	$ 789,000	0.64%
Amortization Payment (Level dollars for lesser of 20 years or average remaining future service of active members)	2,996,000	2.43%
Total Statewide Increase in Employer Annual Costs	$3,785,000	3.07%

POLICY CONSIDERATIONS

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

Need for Remedial Action. (+) Modification of the flat dollar limits on service increments is appropriate due to the erosion of the value of the service increment benefits that has resulted since the limits initially were established.

Commonwealth-Mandated Benefit. (-) The bill mandates a benefit modification for firefighters' and 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.

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, particularly since supplemental member contributions as a flat dollar amount were implemented simultaneously with the original service increment benefits to fund a portion of the costs.

Uniformity of Pension Benefits. ( ) A similar service increment is authorized in retirement systems for nonuniformed employees in cities of the third class that operate under the optional retirement system law. If this proposal is determined to be appropriate, the authorization of a similar service increment should be extended to retirement systems for nonuniformed employees in cities of the third class that operate under article 43(c) of The Third Class City Code.

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

COMMISSION RECOMMENDATION

On November 15, 1995, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 1605, Printer's Number 1906, was referred to the House Urban Affairs Committee on May 10, 1995.

Bill ID: House Bill 1704, Printer's Number 2052

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

Subject: Purchase of Service Credit for Military Service

SYNOPSIS

House Bill 1704, Printer's Number 2052, would amend both the statute establishing the pension plan for firefighters and police officers in the City of Scranton and the Second Class A City Employee Pension Law (the statute establishing the pension plan for nonuniformed employees in the City of Scranton), by removing the statutory three-year time limit within which a member must commence employment with the City following military service in order to be eligible to purchase credit for nonintervening military service and instead authorizing the city council to establish a time limit by ordinance or resolution.

DISCUSSION

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

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

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

The Municipal Pension Plan Funding Standard and Recovery Act establishes the procedure for determining financial distress in municipal retirement systems. This distress determination is based on a quantified evaluation of both the aggregate actuarial condition of a municipality's retirement systems and the general fiscal condition of the municipality. The City of Scranton elected to participate in the Recovery Program for Financially Distressed Municipal Pension Plans established by the Act. The Public Employee Retirement Commission has determined that the City is eligible to participate in Level III of the Recovery Program, which applies to severely distressed municipal retirement systems. Beginning in 1988 and continuing for a maximum of 15 years, the Act establishes a Supplemental State Assistance Program for certain municipalities participating in the Recovery Program. The amount of assistance is directly related to the degree of financial distress in the individual municipal retirement system. In 1994, the City of Scranton received $270,936.46, the third highest allocation of the 15 made to municipalities participating in the Supplemental State Assistance Program.

On January 1, 1994, the actuarial value of assets as a percentage of the actuarial accrued liabilities of the City's employee retirement systems were as follows: Firefighters - 16.05 percent; Nonuniformed Employees - 62.66 percent; and Police Officers - 38.82 percent. The total unfunded actuarial accrued liabilities of the City's employee retirement systems exceeded $81.4 million.

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

During the 1991-92 sessions of the General Assembly, Senate Bill 345, Printer's Number 2399, a bill similar to House Bill 1704, Printer's Number 2052, passed both houses of the General Assembly. On December 28, 1992, in Veto No. 10 of 1992, the Governor vetoed Senate Bill 345 because of its impact upon the fiscal situation of both the public employee retirement systems and the City of Scranton.

SUMMARY OF ACTUARIAL COST IMPACT

The bill represents general enabling legislation. Specific provisions relating to the purchase of service credit for military service would be set forth in the ordinances adopted by the City of Scranton under the authority granted under the bill. Under the Municipal Pension Plan Funding Standard and Recovery Act, actuarial cost estimates must be prepared for the city council before it enacts the ordinances.

On April 26, 1995, the consulting actuary of the Commission provided an actuarial note on Senate Bill 203, Printer's Number 204, and Senate Bill 204, Printer's Number 205, which are similar to House Bill 1704, Printer's Number 2052.

> Provisions for purchase of service credit do have significant employer costs.
>
> The City's retirement system for nonuniformed employees would be less affected by the purchase of service credit for military service provisions than the retirement systems for firefighters and police officers.
>
> The cost of liberalization presently is not measurable because the specific provisions have not been adopted and the demographic data are not available regarding the employees who would benefit. As an example of the potential cost of the purchase of service credit for military service provisions, extrapolating from an actuarial study of the police officers'

retirement system in another city, the Commission's consulting actuary estimates that the bills could increase the unfunded actuarial accrued liabilities in the City's employee retirement systems for police officers and firefighters by as much as $2,500,000.

POLICY CONSIDERATIONS

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

Optional Implementation. ( ) The bill will not become effective unless implemented by ordinances adopted by the city council after it has received actuarial cost estimates of the proposed changes.

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

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

Lack of Specificity. (-) The bill specifies neither how the amount of the service purchase is to be calculated nor the source of the purchase payments. The bill also does not specify the structure of the service purchase authorization. For example, it lacks a limit on the length of service to be purchased, a limit on the time for electing the purchase option, a time limit for payment of contributions, and a restriction on duplication of service credits. 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 purchase of service credit. These guidelines appropriately should be reflected in the bill.

COMMISSION RECOMMENDATION

On October 12, 1995, the Commission voted to attach the actuarial note to the bill, expressing general concern about the policy issues identified above and particular concern about the propriety of significantly increasing the unfunded actuarial accrued liabilities of municipal employee retirement systems classified as severely distressed.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 1704, Printer's Number 2052, passed the House of Representatives on October 17, 1995, and was referred to the Senate Local Government Committee on October 18, 1995.

Bill ID: House Bill 1973, Printer's Number 2430

Systems: All Municipal Employee Retirement Systems

Subject: Repeal of Authority to Pledge Proceeds of Debt Issued to Fund Unfunded Actuarial Accrued Liabilities

SYNOPSIS

House Bill 1973, Printer's Number 2430, would repeal section 417 of the Local Government Unit Debt Act, which permits a municipality to pledge the proceeds of debt issued to fund the unfunded actuarial accrued liability of its municipal employee retirement system.

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 in Pennsylvania had unfunded actuarial accrued liabilities totaling over $3.4 billion.

The Local Government Unit Debt Act was amended by Act 169 of 1994 to permit a local government unit to issue debt for the purpose of reducing or eliminating the unfunded actuarial accrued liability in one or more of its retirement systems. The permission was extended to boroughs, cities other than Philadelphia, towns, and townships, but not to Philadelphia, councils of governments, or municipal authorities, which are not covered under the Act. Based upon the January 1, 1993, data, about 700 retirement systems in the affected municipalities with total unfunded actuarial accrued liabilities of over $1.1 billion can take advantage of this permission. The effect would be to exchange one kind of debt, money owed to municipal employees and their beneficiaries, for another kind of debt, money owed to bond holders, at a lower interest rate.

If a municipality issues such debt, the Act requires that the proceeds of the debt issue be deposited into the pension trust fund. Section 417, which was added to the Act by Act 169 of 1994, permits a municipality to pledge the proceeds of the borrowing to the debt holders as additional security and, in such a case, requiring the identifiable segregation of these proceeds from the other assets of the pension trust fund. The bill would repeal section 417.

Legal Issues

Section 417 would appear to create at least two types of legal concerns.

<u>Fiduciary Duties</u>. It is fundamental to pension trust fund management that assets are segregated by a municipality in a trustee capacity to provide pension benefits to the members of the municipal employee retirement system and their beneficiaries. Municipal pension trust fund assets are not assets of the municipality but are merely held and managed by the municipality on behalf of the retirement system members and their beneficiaries. Accordingly, assets that are already pledged cannot become assets of a pension trust fund, and assets that are already part of a pension trust fund cannot be

pledged for some other purpose. The municipality has no financial equity or legal interest in pension trust fund assets, which have been promised to members and their beneficiaries.

Municipal employee retirement system trustees owe a fiduciary duty to the system members and their beneficiaries, and to the municipality and to the Commonwealth, for the proper operation of the pension trust fund. It may be a breach of fiduciary duty to pledge any of the pension trust fund assets to the lenders, which, in effect, promises the same assets to two different claimants. Section 417 provides the municipality with the legal authority to promise or pledge pension trust fund assets to another party, in this case debt holders. In the unlikely event of a default on a municipal borrowing, any claim of the debt holders would appropriately be against the municipality and its full faith and credit and not against the members of the municipal retirement system and their beneficiaries, who have both a contract and a property right to the assets of the pension trust fund.

Violation of Internal Revenue Code. A Pennsylvania public employee retirement system is considered to be a qualified pension plan under section 401(a) of the Internal Revenue Code. Qualified status brings important benefits for the system, the most important of which is that the members are not taxed each year on the retirement benefits they earn as public employees. The tax liability is deferred until the employees retire, when they are taxed on the annual income from the retirement system. In pertinent part, section 401(a)(2) of the Internal Revenue Code provides that a retirement system is a qualified plan if, under its trust instrument, "it is impossible at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries . . . for any part of the corpus or income to be . . . used for, or diverted to, purposes other than for the exclusive benefit of . . employees or their beneficiaries . . . ." Pledging assets of the pension trust funds to debt holders or using any of the pension trust assets to pay debt holders or both may violate section 401(a)(2) and expose the systems, members, and beneficiaries to income tax complications.

Administrative Issues

Section 417 would appear to create several types of administrative concerns.

Control of Assets. Legal control over the pledged assets during the pledge period should be exercised by the trustees of the pension trust fund. Designation of investment managers other than the pension fund's trustees would be contrary to the fiduciary responsibilities of the trustees.

Selection of Investment Strategies. The varying parties in interest make the selection of an appropriate investment strategy more difficult.

Amount Pledged. There are no provisions for reducing the amount of assets pledged as the debt is retired.

Cash Flow. There is no clarification of what happens if some of the pledged assets are needed to pay pensions to members or their beneficiaries before the corresponding debt is completely paid.

Members and Their Beneficiaries Disadvantaged. It is possible that members and their beneficiaries could be disadvantaged if the pledged assets are, in fact, used to pay the debt holders. This is because the local government unit's contributions to the pension trust fund may be lower under this design than they would otherwise have been. If the pledged assets are used to pay debt holders, the result may be that the pension trust fund is less well funded than it would have been had the borrowing not taken place.

Multiple-Employer Retirement Systems

In addition to the general legal and administrative issues, at least two of the Commonwealth's multiple-employer retirement systems may have other concerns with the pledging of assets.

Pennsylvania Municipal Retirement System. The Pennsylvania Municipal Retirement System (PMRS) is an agent multiple-employer retirement system with over 500 separate municipal retirement systems, most of which are administered for municipalities that are local government units under the Local Government Unit Debt Act. Under the Pennsylvania Municipal Retirement Law, municipalities are required to make employer contributions to the Pennsylvania Municipal Retirement Fund, but it is the PMRS board that has the care and control of the fund assets and the State Treasurer who is the custodian of the assets. While the monies of individual municipalities are accounted for separately, they are pooled for investment experience. Under certain conditions, a municipality may withdraw from PMRS and receive the return of its pension trust fund assets, usually as cash. While PMRS is serving as the agent for the municipality, there is no designation of particular assets for particular municipalities. As a result, segregation of pledged assets would be administratively difficult when the municipality is a member of PMRS.

Public School Employes' Retirement System. The Public School Employes' Retirement System (PSERS) is a cost-sharing multiple-employer retirement system with over 500 participating school districts, each of which also is a local government unit under the Local Government Unit Debt Act. Under the Public School Employees' Retirement Code, school districts are required to make employer contributions to the Public School Employees' Retirement Fund, but it is the PSERS board that has the care and control of the fund assets and the State Treasurer who is the custodian of the assets. The fund assets are handled on a system wide basis and there is no designation of particular assets for particular school districts. Because it is a cost-sharing multiple-employer retirement system, the unfunded actuarial accrued liability is computed on a system-wide basis and not on an individual employer basis. As a result, calculation of the unfunded actuarial accrued liability to be funded or the segregation of pledged assets of individual school entities would be administratively difficult within PSERS.

SUMMARY OF ACTUARIAL COST IMPACT

The repeal of section 417 of the Local Government Unit Debt Act will have no actuarial cost impact other than avoiding the potential for reduced funding based on assets that may be diverted for other purposes at a later date.

From administrative and legal perspectives, the consulting actuary of the Public Employee Retirement Commission sees significant advantages in the repeal of section 417.

POLICY CONSIDERATIONS

In reviewing the bill, 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 and procedures for these borrowings. Public policy makers must determine whether pledging the proceeds of a borrowing to fund the unfunded actuarial accrued liability in a public employee retirement system to the debt holders should be permissible.

Legal, Administrative, and Other Problems. (+) Pledging a portion of the assets of a public employee pension trust fund to debt holders may cause serious legal and administrative problems. Repealing the permission to make the pledge would remove the possibility of these problems.

COMMISSION RECOMMENDATION

On September 14, 1995 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 favorably consider the bill.

LEGISLATIVE STATUS ON DECEMBER 31, 1995

House Bill 1973, Printer's Number 2430, passed the House of Representatives on October 30, 1995, and was referred to the Senate Finance Committee on November 9, 1995.

PART II

PUBLIC EMPLOYEE RETIREMENT SYSTEM ADMINISTRATION

A. ACT 205 of 1984

1993 Filing Period

In May of 1995, the Commission issued its *Status Report on Local Government Pension Plans* based on the data contained in the 1993 Act 205 local government pension plan reports. In addition to statistical information, the report disclosed that 173 of the 2,767 (6.4%) local government pension plans were reported to have funding deficiencies. The Commission enforced compliance with the actuarial funding standard in all instances. The *Status Report on Local Government Pension Plans* also disclosed significant municipal pension policy issues for consideration by the Governor and the General Assembly.

1995 Filing Period

In August of 1995, the Commission transmitted filing notices to the 4,500 local governments required to file employee pension plan reports pursuant to Act 205. Several follow-up notices were sent to local governments that failed to respond to the filing notice in the fall of 1995. The filing deadline for the 1995 Act 205 reports will be March 29, 1996.

Municipal Pension Cost Certification

In the summer of 1995, the Commission certified municipal pension cost data to the Department of the Auditor General for use in the 1995 allocation of General Municipal Pension System State Aid. In 1995, the state aid provided to municipalities to offset their employee pension costs totalled more than $125 million. Over 75% of the individual municipal allocations were determined by the cost data certified by the Commission.

Recovery Program

The Commission calculated and certified distress determinations for the 48 municipalities participating in the Act 205 Recovery Program for Financially Distressed Municipal Pension Systems. The Commission calculated the 1995 allocations of Act 205 Supplemental State Assistance and certified the allocation amounts to the Department of the Auditor General to permit the disbursement of the $6.4 million Supplemental State Assistance Allocation in December of 1995.

B. ACT 293 of 1972

1994 Filing Period

Since the passage of the Municipal Pension Plan Funding Standard and Recovery Act, the actuarial reporting program under Act 293 has only been applicable to county employee retirement systems. The 1994 actuarial reports on these systems were filed in 1995. The financial, demographic, and actuarial data contained in the reports has been reviewed and will be summarized in the Status Report on Local Government Pension Plans to be published by the Commission in the spring of 1997.

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.

Feasibility of Early Retirement Incentives in the Public Sector.

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 research was completed during the first quarter of 1995 and issued as a report in March 1995. The Commission reported that the net financial impact of an early retirement incentive program largely is determined by the number of vacated positions that are filled and the differential between the salaries of the retirees and the replacement employees. The Commission further reported that these two factors, the replacement rate and the salary differential, must be effectively controlled for an early retirement incentive program to have the potential to result in a net cost savings. To ensure that the policy makers of the Commonwealth have the advantage of the information necessary to make sound decisions regarding future early retirement incentive programs, the Commission recommended that the specific purpose of the program be identified, complement control mechanisms be specified, amortization periods be specified at no more than ten years on a level dollar basis, the Office of Administration provide the General Assembly with a cost estimate before final adoption of the program, and that the Office of Administration monitor replacement ratios, replacement salaries, and overall costs or savings and issue periodic reports on its findings.

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 was completed during the first half of 1995 and issued as a report in May 1995. The report was 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 were extracted from the individual pension plan reports containing actuarial, financial, and demographic information. The report demonstrated that the actuarial funding requirement implemented for municipal pension plans has significantly slowed the growth of unfunded pension liabilities in the Commonwealth's municipalities. The report further demonstrated that, through legislative improvements and continuing enforcement efforts, actuarial funding deficiencies are becoming both less significant and less frequent. The report also demonstrated that the unit allocation formula provides aid in proportion to municipal pension costs while the formula's cost cap functions to ensure the efficient use of available state aid. The report identified problems that evidence the need for reform outside the parameters of the Municipal Pension Plan Funding Standard and Recovery Act, a including proliferation of small plans, a lack of incentive to contain cost, and deficient retirement codes.

Study of the Financial Ramifications of the Additional Ten Percent Service Credit Early Retirement Incentive Program on the Public School Employes' Retirement System.

In the first quarter of 1995, the General Assembly adopted House Resolution 52, a concurrent resolution directing the Public Employee Retirement Commission to study the long-term financial ramifications of Act 186 of 1992 and Act 29 of 1994 and submit the results of its study and financial projections to the General Assembly not later than March 30, 1996. The Commission immediately began research. With the cooperation of the Department of Education and the Public School Employes' Retirement System, the necessary data needs were identified and the necessary forms developed. With the cooperation of the Department of Education, each of the 586 local education agencies identified as having such retirees were asked to provide the Commission with extensive data. About 90 percent have complied. In addition, the Public School Employes' Retirement System has provided extensive data to the Commission. The report will be issued in March 1996 and will include information about each local education agency identifying the number of employees eligible for the program, the number of employees who actually retired under the program, the number of replacement employees hired. The initial and long-term cost or savings of the program will be reported on a Commonwealth-wide basis.

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. Research on the report continued throughout 1995.

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 Employes' Retirement System (PSERS) in November 1995 and the State Employes' Retirement System (SERS) in October 1995.

Commission Review of PSERS Actuarial Valuation Report

At the November 15, 1995, meeting of the Commission, the staff presented a summary of the June 30, 1994, actuarial valuation report of the Public School Employes' Retirement System. The following are some significant facts contained in the report.

General Funding Facts

Since the prior valuation:

- The employer contribution rate has increased .66%.
- The employer contribution rate increased from 11.06% for fiscal year 94-95 to 11.72% for fiscal year 95-96. The increase of 0.66% is due to the following reasons:
  - Increase in health care contribution rate .05%.
  - Decrease due to other actuarial gains/losses and other experience factors (0.07%).
  - Act 29 changes:

◆ Cost-of-living adjustment	.53%
◆ Extension of "30-and-out" window	.14
◆ Mellow retroactivity	.04
◆ Frozen present value elimination	.01
◆ Elimination of accelerated payment option	(.21)
◆ Health insurance premium assistance eligibility	.17
Total:	.66%

The Commission reviewed the reports with Mr. Jeffrey B. Clay, PSERS Deputy 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 EMPLOYES' RETIREMENT SYSTEM
as of
June 30, 1994

The following is a summary of the June 30, 1994, actuarial valuation of the Public School Employes' Retirement System and a comparison of the 1994 results with those of 1993.

		6/30/93		6/30/94
Membership				
Active Members		197,997		206,540
Inactive and Vested Members		32,964		35,918
Retired Members		104,139		105,313
Disabled Members		4,305		4,500
Survivors and Beneficiaries		4,768		5,218
Payroll and Annuities Payable				
Total Annual Payroll		$6,348,565,000		$6,885,337,000
Annual Annuities and Benefits		$1,057,982,000		$1,185,648,000
Valuation Data				
Accrued Liability		$25,946,963,000		$28,348,273,000
Assets[1]		22,643,776,000		24,551,514,000
Unfunded Accrued Liability		$ 3,303,187,000		$ 3,796,758,000
Funding Ratio		87.3%		86.6%
Funding Costs				
Normal Cost	$ 760,558,087	11.98%	$ 827,617,508	12.02%
Amortization[2]	265,370,017	4.18%	321,545,238	4.67%
Full Actuarial Funding	$1,025,928,104	16.16%	$1,149,162,746	16.69%
Support				
Member	$ 352,345,358	5.55 %	$ 384,890,338	5.59%
School District	336,791,373	5.305%	382,136,204	5.55%
Commonwealth	336,791,373	5.305%	382,136,204	5.55%
Total Support[3]	$1,025,928,104	16.16 %	$1,149,162,746	16.69%

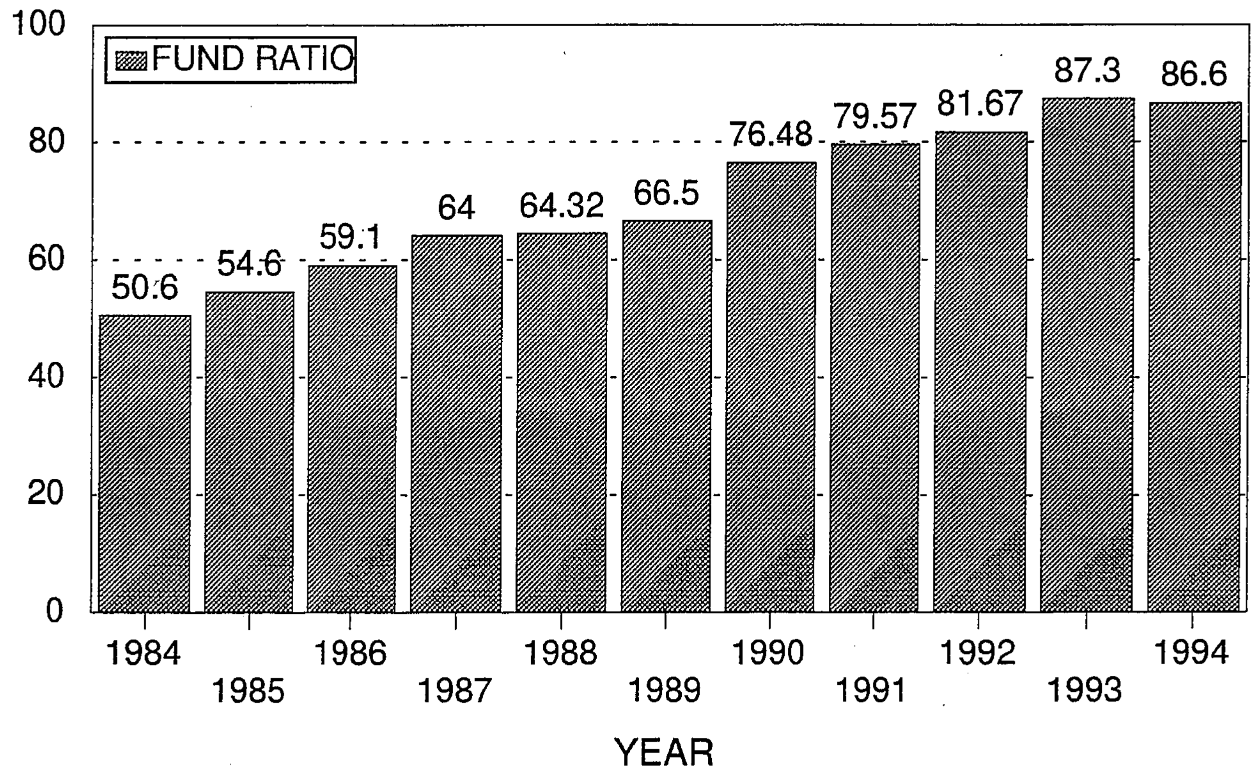
EXPLANATORY FOOTNOTES

1. The smoothing period for recognizing realized and unrealized gains and losses is 3 years.

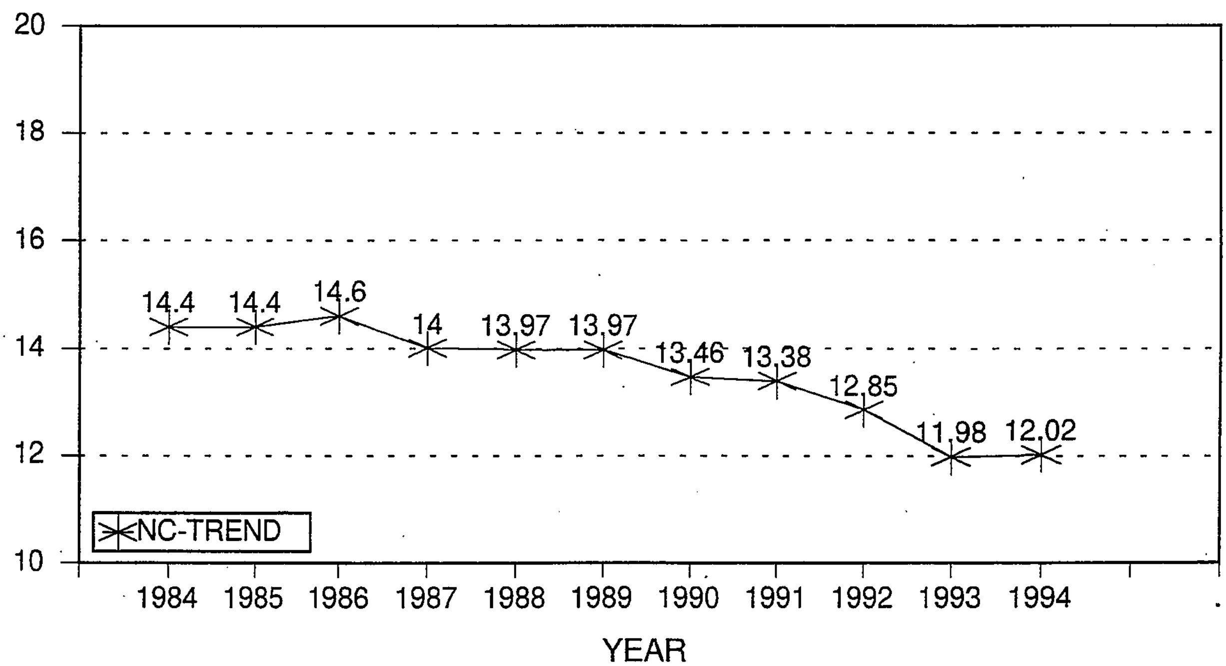
2. Act 23 of 1991 established payment for additional liabilities to be payable over a twenty-year period with the dollar amount of the annual payment increasing at five percent per year over the twenty-year period.

3. The employer health care contribution rate of .62% is not included in this total.

PSERS FUNDING RATIO TREND



PSERS NORMAL COST TREND



Commission Review of SERS Actuarial Valuation Report

At the October 12, 1995, meeting of the Commission, the staff presented a summary of the December 31, 1994, actuarial valuation report of the State Employes' Retirement System. The following are some significant facts contained in the report.

December 31, 1994, Actuarial Valuation Report

Summary of Changes

- The employer contribution rate will be 10.27%. This is a 1.35% increase over the previous year's contribution rate and a 1.74% increase over the prior year's valuation employer rate.
- The employer contribution rate increased from the prior fiscal year primarily due to:
  1) The need to increase the employee salary growth assumption.
  2) The enactment of major pension legislation (Act 29 of 1994) which granted cost-of-living adjustments for retirees, extended early retirement for members with 30 or more years of service and provided a new option for active members of SERS who previously had drawn an annuity and have returned to active service.

Analysis of Change in Employer Contribution Rate

	Normal Cost	Unfunded Liabilities	Total
I) December 31, 1993 Valuation	10.23%	(1.70%)	8.53%
II) Changes - December 31, 1994 Valuation:			
1) Loss on Investment Earnings		0.11%	0.11%
2) Change in Demographics of the New Entrants	0.15%	(0.12%)	0.03%
3) Changes in the Plan Provisions from Act 1994-29	0.07%	0.60%	0.67%
4) Recognition of New Salary Scale	0.28%	0.89%	1.17%
5) Difference Due to Actual Experience Different from Actuarial Assumptions	____	(0.24%)	(0.24%)
6) Total Change:	0.50%	1.24%	1.74%
III) December 31, 1994 Valuation: (I) + (II)	10.73%	(0.46%)	10.27%

Analysis of Change in Unfunded Liability

I)	December 31, 1993 Unfunded Liability	$ (846,876,772)
II)	Expected Amortization Payment	(63,439,282)
III)	Expected Liability as of December 31, 1994 [((I) x 1.099) - (II)]	(867,278,289)
IV)	Change in Liability Due to:	
	1) Loss on Investment Earnings	58,107,502
	2) Change in Demographics of New Entrants	(61,451,174)
	3) Change in the Plan Provisions from Act 1994-29	307,255,868
	4) Recognition of New Salary Scale	455,762,871
	5) Difference Due to Actual Experience Different from Actuarial Assumptions	(141,825,745)
	6) Total Change:	$ 617,849,322)
V)	December 31, 1994 Unfunded Liability: (III) + (IV)	$(249,428,967)

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

SUMMARY OF ACTUARIAL VALUATION
STATE EMPLOYES' RETIREMENT SYSTEM
as of
December 31, 1994

The following is a summary of the December 31, 1994, actuarial valuation of the State Employes' Retirement System and a comparison of the 1994 results with those of 1993.

	12/31/93	**12/31/94**
Membership		
Active	111,962	114,120
Inactive	4,717	4,455
Retired	69,469	69,192
Disabled	4,425	4,588
Survivors and Beneficiaries	6,796	7,055
Payroll and Annuities Payable		
Total Annual Payroll	$3,546,228,636	$3,761,447,006
Annual Annuities and Benefits	$ 627,068,437	$ 669,870,011
Valuation Data		
Accrued Liability	$12,213,735,976	$13,742,056,298
Assets [1]	13,060,612,748	13,991,485,265
Unfunded Accrued Liability	$ (846,876,772)	$ (249,428,967)
Funding Ratio	106.9%	101.8%

	12/31/93				**12/31/94**	
	Valuation		Actual		Valuation	
Funding Costs						
Normal Cost	$540,090,621	15.23%	$540,090,621	15.23%	$591,675,614	15.73%
Amortization[2]	(60,285,887)	(1.70%)	(46,455,595)	(1.31%)	(17,302,656)	(0.46%)
Full Actuarial Funding	$479,804,734	13.53%	$493,635,026	13.92%	$574,372,958	15.27%

Support

Member	$177,311,432	5.00%	$188,072,350	5.00%
Commonwealth	316,323,594	8.92%	386,300,608	10.27%
Total Support	$493,635,026	13.92%	$574,372,958	15.27%

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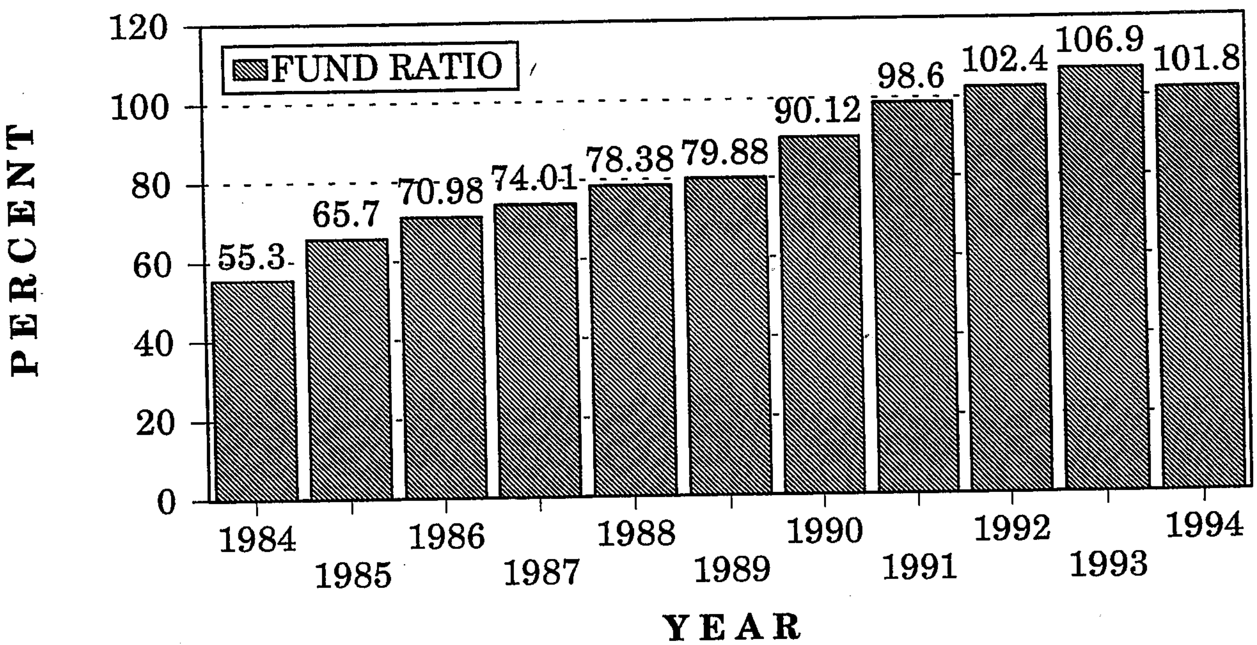
EXPLANATORY FOOTNOTES

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

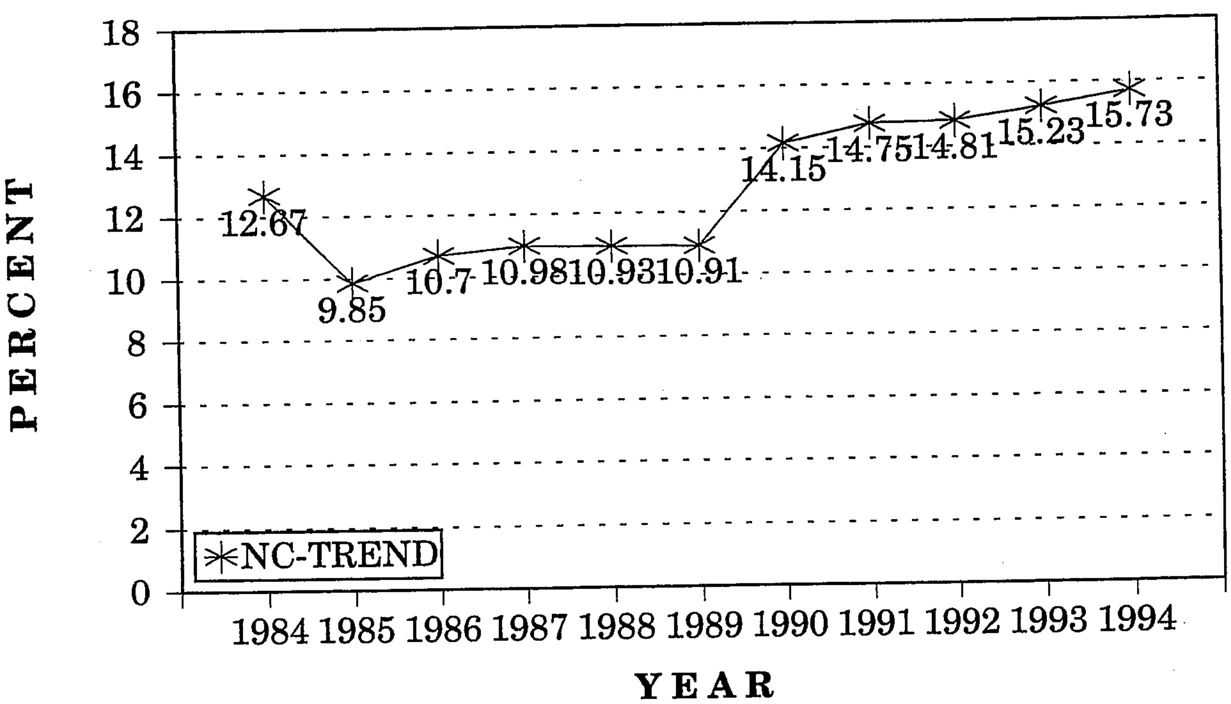
2. The State Employes' Retirement Code requires that the employer normal contribution rate be based on the level percentage of payroll normal cost determined under the entry age normal actuarial cost method for the average new member less the portion of the cost to be funded by member contributions.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

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

SERS FUNDING RATIO TREND



SERS NORMAL COST TREND



APPENDICES

APPENDIX A

ADVISORY COMMITTEES AND CONSULTING ACTUARIES

Advisory Committees

Under Section 8 of the Public Employee Retirement Commission Act, the Commission appoints a Municipal Pension Advisory Committee and a Municipal Employee Pension Advisory Committee. Both advisory committees are appointed annually from nominations submitted by organizations of municipalities and municipal employees and meet with the Commission at least once each year to discuss the activities of the Commission and to present information or recommendations. The members of the advisory committees for calendar year 1995 and their sponsoring organizations were as follows:

MUNICIPAL PENSION ADVISORY COMMITTEE

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

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

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

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

Mr. Ladd Siftar, Jr.
COUNTY COMMISSIONERS ASSOCIATION OF PENNSYLVANIA

Mr. William J. Woll
PENNSYLVANIA MUNICIPAL AUTHORITIES ASSOCIATION

MUNICIPAL EMPLOYEE PENSION ADVISORY COMMITTEE

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

Mr. Robert Stowman - Vice-Chairman
PENNSYLVANIA FRATERNAL ORDER OF POLICE

Mr. Patsy Tallarico - Secretary
PENNSYLVANIA STATE EDUCATION ASSOCIATION

Mr. Carl W. Miers
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 1995 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

APPENDIX D

COMPREHENSIVE LISTING OF 1995-1996 SESSIONS LEGISLATION REGARDING PUBLIC EMPLOYEE RETIREMENT ISSUES

December 31, 1995

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 2 P. N. 1636 (Hart)	Optional Local Tax Enabling Act, provides for imposition of certain taxes by local government units, restricts school district debt, exempts local government units from certain unfunded mandates, prohibits repeal of certain local government revenue raising authorities, etc., but excludes any funding formula or any funding necessary to supply any pension benefit that exists on the effective date of the act	Referred to Senate Finance Committee Reported as amended Re-referred to Senate Appropriations Committee Re-reported as amended Second Consideration Amended on Third Consideration Amended on Third Consideration Amended and Passed Senate (33-15)	01/17/95 11/14/95 11/15/95 12/04/95 12/05/95 12/11/95 12/12/95 12/13/95
S. B. 4 P. N. 5 (Hart)	Constitution of Pennsylvania, providing for spending limitations on the Commonwealth, but excluding expenditures for funding the unfunded pension liabilities existing on the effective date of the amendment	Referred to Senate Finance Committee Reported as committed Referred to Senate Appropriations Committee	01/17/95 03/08/95 03/13/95
S. B. 11 P. N. 1017 (Stewart)	Economic Development Agency and Lender Environmental Liability Protection Act, limiting environmental liability for economic development agencies, financiers, and fiduciaries	Referred to Senate Environment Resources and Energy Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Amended on Third Consideration Passed Senate (46-0) Referred to House Environmental Resources and Energy Committee Reported as amended Re-referred to House Appropriations Committee Reported as committed Second Consideration Passed House (199-0) Re-referred to Senate Rules and Executive Nominations Committee Re-reported as committed Senate concurred in House amendments (50-0) Act 1995-3	01/17/95 02/07/95 02/08/95 02/13/95 02/14/95 02/28/95 03/01/95 03/06/95 04/26/95 04/26/95 05/01/95 05/01/95 05/02/95 05/02/95 05/03/95 05/03/95 05/19/95
S. B. 34 P. N. 35 (Holl)	An act prohibiting persons and corporations convicted of certain crimes related to corrupt organizations, theft and related offenses, commercial bribery and breach of duty to act disinterestedly, and bribery and corrupt influence from bidding on municipal contracts	Referred to Senate Local Government Committee	01/17/95
S. B. 42 P. N. 43 (Holl)	SERS, authorizing qualified veterans with 20 years of State service who are 50 years of age or older, upon termination of service, to elect to convert their medical, major medical, and hospitalization coverage to the plan for State annuitants	Referred to Senate Finance Committee	01/17/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 52 P. N. 53 (Holl)	Volunteer Firefighters' Relief Association Act, permitting relief association to spend 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 Senate Finance Committee	01/17/95
Sp. Ses. 1 S. B. 57 P. N. 71 (Helfrick)	PSERS, providing for the forfeiture of pension benefits for convictions of offenses relating to rape, statutory rape, involuntary deviate sexual intercourse, voluntary deviate sexual intercourse, aggravated indecent assault, indecent assault, and sexual abuse of children	Referred to Senate Finance Committee Reported as committed **Commission Letter** (P. N. 71) Second Consideration Re-committed to Senate Finance Committee	02/14/95 03/08/95 03/13/95 03/14/95 04/26/95
S. B. 61 P. N. 62 (Bell)	Brokerage Services Competitive Bidding Act, requiring Commonwealth funds, including PSERS and SERS, to award brokerage service contracts by competitive bidding	Referred to Senate Finance Committee	01/17/95
S. B. 64 P. N. 65 (Holl)	Sunset Act of 1995, enacting a new sunset with the Public Employee Retirement Commission and the Municipal Pension Advisory Committee to terminate on December 31, 1995, and the Municipal Employee Pension Advisory Committee to terminate on December 31, 1997	Referred to Senate State Government Committee	01/17/95
S. B. 65 P. N. 66 (Holl)	Regulatory Review Act, extending the time for review of proposed regulations by the Independent Regulatory Review Commission from 30 to 40 days and by standing committees of the General Assembly from 20 to 30 days	Referred to Senate State Government Committee	01/17/95
S. B. 89 P. N. 90 (Dawida)	SERS, permitting purchase of service credit for service as an employee of the Allegheny County Department of Health after May 23, 1956, and before November 27, 1982, provided the service was as a full-time employee, the purchase may only be made after an individual has 10 SERS eligibility points, the election to purchase is made within 3 years of eligibility, that full actuarial cost is paid, and that the payment cannot be withdrawn under Option 4	Referred to Senate Finance Committee	01/17/95
S. B. 98 P. N. 99 (Holl)	PSERS, providing that where disability payments are reduced on account of earned income, in excess of the greater of $5,000 or the last year's salary as a school employee, these be indexed to reflect any cost-of-living adjustments to	Referred to Senate Finance Committee	01/17/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	insure that the annuitant does not suffer any reduction in annuity benefits		
S. B. 105 P. N. 106 (Dawida)	Optional Local Tax Enabling Act, provides for imposition of certain taxes by local government units, restricts school district debt, exempts local government units from certain unfunded mandates, prohibits repeal of certain local government revenue raising authorities, etc., but excludes any funding formula or any funding necessary to supply any pension benefit that exists on the effective date of the act	Referred to Senate Finance Committee	01/17/95
S. B. 115 P. N. 116 (Holl)	SERS, expanding the definition of "Correction Officer" to include certain types of employees of Department of Corrections, Youth Development Counselors at Youth Development Centers, and certain employees of Fairview State Hospital	Referred to Senate Finance Committee	01/17/95
S. B. 119 P. N. 120 (Bell)	Act 11 of 1906 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	01/17/95
S. B. 120 P. N. 121 (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 Local Government Committee	01/17/95
S. B. 122 P. N. 123 (Holl)	SERS, authorizing the board, subject to the approval of the Senate by a majority vote, to appoint 6 managers to assist it in carrying out its responsibilities and requiring the board to report to the General Assembly every 6 months	Referred to Senate Finance Committee	01/17/95
S. B. 139 P. N. 140 (Holl)	An act conferring the powers of police officers on sheriffs and their deputies in certain instances	Referred to Senate Judiciary Committee	01/17/95
S. B. 169 P. N. 170 (Bell)	SERS, changing the definition of "Compensation" to include refunds for expenses and contingency and accountable expense allowances but still excluding any severance payments for unused vacation or sick leave	Referred to Senate Finance Committee	01/17/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 170 P. N. 171 (Bell)	Public Employee Pension Forfeiture Act, providing that pension benefits shall be forfeited upon acceptance of Accelerated Rehabilitation Disposition	Referred to Senate State Government Committee	01/17/95
S. B. 172 P. N. 173 (Bell)	PSERS and SERS, prohibiting the systems from investing in the securities of a corporation that is incorporated in a state that prohibits investment of its state funds or public employee retirement system funds in corporations incorporated in Pennsylvania	Referred to Senate Finance Committee	01/17/95
S. B. 181 P. N. 182 (Fumo)	Constitution of Pennsylvania, adding section 13.1 to article 9 relating to laws that require municipalities to spend money or that limit the ability of municipalities to raise revenue but excepting laws that amend funding formulae existing on the effective date of the amendment or laws adopted to require funding of pension benefits existing on the effective date of the amendment	Referred to Senate Local Government Committee	01/17/95
S. B. 203 P. N. 204 (Mellow)	Second Class A (Scranton) City Employe Pension Law, authorizing Scranton to permit its nonuniformed employees to purchase service credit for prior military service time at any time fixed by the city rather than within the presently prescribed 3 years from release from active duty	Referred to Senate Local Government Committee **Actuarial Note** (P. N. 204)	01/17/95 05/25/95
S. B. 204 P. N. 205 (Mellow)	Act 507 of 1947 relating to police officers and firefighters pension funds in Scranton, authorizing the city to permit its uniformed employees to purchase service credit for prior military service time at any time fixed by the city rather than within the presently prescribed 3 years from release from active duty	Referred to Senate Local Government Committee **Actuarial Note** (P. N. 205)	01/17/95 05/25/95
S. B. 210 P. N. 211 (Mellow)	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 subsequently was determined to be eligible for purchase based on federal court decisions	Referred to Senate Finance Committee	01/17/95
S. B. 231 P. N. 237 (Peterson)	PSERS, providing that the board may not restrict annuitants' choice of insurance carriers under the health insurance premium assistance program	Referred to Senate Finance Committee Reported as committed Re-referred to Senate Appropriations Committee	01/23/95 11/21/95 12/04/95

Bill Number Printer's Number (Prime Sponsor)	**Subject**	**Concise History and Status**	**Date**
S. B. 234 P. N. 240 (Mowery)	PSERS, requiring that the basic contribution of 6 ¼% be adjusted annually to pay for one-half of the additional cost of any newly created retirement benefit or any modification of an existing retirement benefit that increases the benefit	Referred to Senate Finance Committee	01/23/95
S. B. 244 P. N. 250 (Helfrick)	Volunteer Firefighters' Relief Association Act, providing for volunteer firefighters' defined benefit and defined contribution pension plans	Referred to Senate Finance Committee	01/23/95
S. B. 249 P. N. 256 (Rhoades)	Constitution of Pennsylvania, amending section 31 of article 3 by providing for compulsory arbitration between teachers in a bargaining unit and their public employers	Referred to Senate Education Committee	01/24/95
S. B. 254 P. N. 261 (Rhoades)	Public School Code of 1949, requiring binding arbitration for settlement of impasses and strikes	Referred to Senate Education Committee	01/24/95
S. B. 257 P. N. 264 (Rhoades)	Public School Code of 1949, providing for school administrators to meet and confer with school employers on administrative compensation and providing for mediation in the case of dispute or impasse	Referred to Senate Education Committee	01/24/95
S. B. 309 P. N. 319 (Helfrick)	PSERS, providing for the forfeiture of pension benefits upon conviction of sexual offenses relating to rape, statutory rape, involuntary deviate sexual intercourse, voluntary deviate sexual intercourse, aggravated indecent assault, indecent assault, and sexual abuse of children	Referred to Senate Finance Committee	01/26/95
S. B. 376 P. N. 389 (Mowery)	Volunteer Firefighters' Relief Association Act, providing for volunteer firefighters' money purchase deferred benefit plans	Referred to Senate Finance Committee	02/01/95
S. B. 377 P. N. 390 (Mowery)	Charter School Demonstration Act, providing for the establishment, implementation, and operation of a charter school demonstration program, including a provision under which a public school teacher who goes to work as a teacher in a charter school may retain membership and accrue benefits in PSERS provided the individual makes both employer and employee contributions to PSERS but in which case the Commonwealth must make certain contributions and the charter school may pay the employer's contribution from nonstate money	Referred to Senate Education Committee	02/01/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 388 P. N. 401 (Uliana)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, restricting the situations where a retiree's subsequent receipt of a COLA under the municipal pension plan reduces the special ad hoc municipal police and firefighter postretirement adjustment to those where the funding ratio is less than 50%	Referred to Senate Finance Committee	02/01/95
S. B. 436 P. N. 455 (Shaffer)	Volunteer Firefighter's Relief Association Act, providing for defined benefit and defined contribution volunteer firefighters' retirement plans	Referred to Senate Finance Committee	02/09/95
S. B. 490 P. N. 509 (Tilghman)	An act exempting political subdivisions from compliance with certain laws that require political subdivisions to spend funds or that limit the ability of political subdivisions to raise revenue but excepting any funding formula that exists on the effective date of the act and any funding necessary to supply any pension benefit that exists on the effective date of the act	Referred to Senate Finance Committee Reported as committed Referred to Senate Appropriations Committee Re-reported as committed Second Consideration Re-committed to Senate Appropriations Committee	02/09/95 03/08/95 03/13/95 04/18/95 04/25/95 05/01/95
S. B. 527 P. N. 551 (Belan)	SERS, permitting active members to purchase up to 3 years of service credit for nonstate service of intervening furlough in active service at only the cost of member's contribution rate	Referred to Senate Finance Committee	02/14/95
S. B. 542 P. N. 566 (Brightbill)	PSERS, permitting annuitants to return to school service to manage or supervise the development and conduct of an extracurricular activity	Referred to Senate Finance Committee	02/14/95
S. B. 614 P. N. 638 (Mellow)	SERS, early retirement incentive program for the period 10/01/95 through 03/31/96 under which members who are at least age 55 with at least 10 years of service may retire and receive an additional 10% service credit	Referred to Senate Finance Committee **Advisory Note** (P. N. 638) **Actuarial Note** (P. N. 638)	02/24/95 03/17/95 04/18/95
S. B. 615 P. N. 639 (Mellow)	PSERS, early retirement incentive program for the period 12/01/95 through 07/31/96 under which members who are at least age 55 with at least 10 years of service may retire and receive an additional 10% service	Referred to Senate Finance Committee **Advisory Note** (P. N. 639) **Actuarial Note** (P. N. 639)	02/24/95 03/17/95 04/18/95
S. B. 633 P. N. 657 (Mowery)	Municipal Police Pension Law (Act 600), extending the provisions of the Law to include regional police departments	Referred to Senate Finance Committee **Advisory Note** (P. N. 657) Reported as committed Second Consideration **Actuarial Note** (P. N. 657)	02/28/95 05/31/95 06/06/95 06/13/95 06/14/95

Bill Number Printer's Number (Prime Sponsor)	**Subject**	**Concise History and Status**	**Date**
		Re-referred to Senate Appropriations Committee	06/20/95
		Re-reported as committed	06/26/95
		Passed Senate (49-0)	06/28/95
		Referred to House Finance Committee	06/29/95
S. B. 650 P. N. 674 (Salvatore)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, requiring that the special adjustment shall be added to the base pension for all pension computation purposes	Referred to Senate Finance Committee	02/28/95
S. B. 652 P. N. 1637 (Fisher)	Second Class County Code, permitting the Allegheny County Employes' Retirement Board to fix the interest rate to be credited to withdrawn member contributions, permitting 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, and permitting Allegheny County employees who purchase service credit for county service provided before becoming members of the retirement system to include within the period of service purchased a period of probation served immediately after initial hiring	Referred to Senate Local Government Committee	03/02/95
		Reported as committed	05/23/95
		Actuarial Note (P. N. 684)	05/25/95
		Actuarial Note (P. N. 684, A. 1765)	05/25/95
		Second Consideration	06/06/95
		Amended on Third Consideration	06/20/95
		Passed Senate (50-0)	06/21/95
		Referred to House Local Government Committee	06/26/95
		Reported as committed	09/19/95
		Re-referred to House Urban Affairs Committee	09/19/95
		Actuarial Note (P. N. 1292, A. 4938)	10/12/95
		Re-reported as amended	10/17/95
		Re-referred to House Appropriations Committee	10/23/95
		Re-reported as committed	10/23/95
		Second Consideration	10/23/95
		Commission Letter (P. N. 1486, A. 5323)	10/27/95
		Re-committed to House Appropriations Committee	10/30/95
		Re-reported as amended	11/20/95
		Commission Letter (P. N. 1582, A. 6171)	12/01/95
		Commission Letter (P. N. 1582, A. 6376)	12/12/95
		Amended and Passed House (187-13)	12/12/95
		Referred to Senate Rules and Executive Nominations Committee	12/13/95
		Commission Letter (P. N. 1637)	12/13/95
S. B. 680 P. N. 818 (Robbins)	PMRS, permitting local governments to define the qualifications for disability retirement, redefining the terms "municipal employee" and "retired member's reserve 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 member's excess interest account upon termination before	Referred to Senate Local Government Committee	03/06/95
		Actuarial Note (P. N. 818)	05/25/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	vesting, changing the provisions for the purchase of service credit for military service, and making technical changes		
S. B. 689 P. N. 723 (Robbins)	General Local Government Code, adding revised, codified, and compiled provisions relating to local government including the Home Rule Charter and Optional Plans Law and the Local Government Unit Debt Act without the provisions regarding funding unfunded actuarial accrued liabilities added by Act 1994-169	Referred to Senate Local Government Committee Reported as committed Re-committed to Senate Local Government Committee	03/07/95 04/26/95 06/06/95
S. B. 706 P. N. 995 (Hart)	Economic Impact Statement Act, requiring the Department of Commerce, upon written request by a State official or by a member of the House of the General Assembly considering a bill, to review proposed legislation and attach to it an economic impact statement	Referred to Senate Community and Economic Development Committee Reported as amended Re-referred to Senate Appropriations Committee	03/07/95 04/25/95 05/01/95
S. B. 707 P. N. 996 (Hart)	Regulatory Review Act, requiring agencies proposing regulations to include among the supporting information an economic impact statement	Referred to Senate Community and Economic Development Committee Reported as amended Re-referred to Senate Appropriations Committee	03/07/95 04/25/95 05/01/95
S. B. 724 P. N. 760 (Greenleaf)	Constitution of Pennsylvania, amending section 26 of article 3 to permit the increase in retirement benefits or pensions to both members and beneficiaries who are spouses, provided that such increases are certified to be actuarially sound	Referred to Senate Finance Committee	03/08/95
S. B. 731 P. N. 768 (Tartaglione)	First Class City Home Rule Act, prohibiting Philadelphia from exercising home rule powers contrary to statutes applicable to all Pennsylvania cities providing for the disability compensation for police officers and firefighters	Referred to Senate Urban Affairs and Housing Committee	03/10/95
S. B. 768 P. N. 808 (Dawida)	Second Class County Code, providing authorization for early retirement incentives for employees in counties of the second class	Referred to Senate Local Government Committee	03/14/95
S. B. 769 P. N. 809 (Greenleaf)	Freedom of Information Act, requiring a public office or custodian to permit public inspection and copying of public records, providing for procedures for responding to requests to copy public records and for procedures and remedies for litigation, and repealing the Right-to-Know Law and all other acts and parts of acts insofar as they are inconsistent with this act	Referred to Senate State Government Committee	03/14/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 833 P. N. 883 (Baker)	Municipal Police Pension Law (Act 600), absolving municipalities, that under an agreement, arbitration award, or court decision, returned member contributions, with or without interest, before February 24, 1994, and providing that these municipalities need not restore the returned contributions and any interest to the police officers' pension trust funds in a lump sum payment	Referred to Senate Local Government Committee **Actuarial Note** (P. N. 883)	04/06/95 04/18/95
S. B. 859 P. N. 909 (Tilghman)	PSERS, fiscal year 1995-96 appropriations bill of $24,406,000	Referred to Senate Appropriations Committee Reported as committed Second Consideration Passed Senate (50-0) Referred to House Appropriations Committee Reported as committed Second Consideration Passed House (203-0) Act 1995-3A	04/12/95 04/24/95 04/26/95 05/01/95 05/02/95 06/12/95 06/13/95 06/14/95 06/26/95
S. B. 860 P. N. 1324 (Tilghman)	First Supplemental Appropriations Act for 1995-1996, among other things, containing the fiscal year 1995-96 appropriations bill of $15,800,000 for SERS	Referred to Senate Appropriations Committee Reported as committed Second Consideration Passed Senate (50-0) Referred to House Appropriations Committee Reported as amended Second Consideration Passed House (203-0) Referred to Senate Rules and Executive Nominations Committee Re-reported as committed Re-committed to Senate Rules and Executive Nominations Committee Re-reported as amended Re-committed to Senate Rules and Executive Nominations Committee	04/12/95 04/24/95 04/26/95 05/01/95 05/02/95 06/12/95 06/13/95 06/14/95 06/14/95 06/27/95 06/28/95 06/28/95 07/10/95
S. B. 864 P. N. 914 (Salvatore)	Pennsylvania Intergovernment Cooperation Authority Act for Cities of the First Class, repealing provisions requiring board of arbitration under Act 111 to take into consideration the approved financial plan and the financial ability of Philadelphia to pay the cost of the increase in wages or fringe benefits without adversely affecting levels of service	Referred to Senate Intergovernmental Affairs Committee	04/17/95
S. B. 865 P. N. 915 (Mowery)	SERS; giving a $55 a month health insurance premium assistance payment out of the pension trust fund to annuitants who are age 65 or older, have 15 or more years of service credit, and are not enrolled in a Commonwealth-sponsored health insurance plan	Referred to Senate Finance Committee	04/17/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 866 P. N. 916 (Mowery)	PSERS and SERS, lengthening the time period from 30 to 90 days available for members to elect multiple service after beginning school or state service, providing that the members electing multiple service may pay for any credit to be reinstated or purchased through installment payments, and opening a 90 day 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 **Actuarial Note** (P. N. 916)	04/17/95 09/14/95
S. B. 953 P. N. 1030 (Greenleaf)	PSERS and SERS, only for those who retired under the "Mellow Bills," changing the effective day of retirement from the first day following the date of termination of service to the date of termination of service	Referred to Senate Finance Committee	04/28/95
S. B. 955 P. N. 1032 (Greenleaf)	Municipal Police Pension Law (Act 600), requiring pension of at least 1/2 but not more than 75% of final average salary	Referred to Senate Local Government Committee	04/28/95
S. B. 977 P. N. 1075 (Rhoades)	SERS, retroactive to July 1, 1991, permitting surviving spouses of officers of the Pennsylvania State Police within 90 days after the death of the member or 90 days of the effective date of the amendment to buy service credit for military service to which the deceased member would have been eligible	Referred to Senate Finance Committee	05/10/95
S. B. 1023 P. N. 1122 (Salvatore)	SERS, granting annuitants whose last day of employment was June 30, 1989, a COLA of 7.9% rather than the COLA of 5.3% granted by Act 29 of 1994	Referred to Senate Finance Committee	05/18/95
S. B. 1040 P. N. 1143 (Armstrong)	PSERS, repealing § 8527, which provides for Northern Ireland related investments	Referred to Senate Finance Committee	05/23/95
S. B. 1041 P. N. 1144 (Armstrong)	Act 11 of 1906, repealing § 3.1, which provides for limitations on investments in Northern Ireland for PMRS or any municipal employee retirement system, of the Act, which deals with state deposits and depositories	Referred to Senate Finance Committee	05/23/95
S. B. 1042 P. N. 1145 (Armstrong)	SERS, repealing § 5940, which provides for Northern Ireland related investments	Referred to Senate Finance Committee	05/23/95
S. B. 1043 P. N. 1146 (Armstrong)	Act 99 of 1811, repealing the part providing for a South Africa or Namibia free portfolio contained in § 8.2, which provides for deferred compensation plans	Referred to Senate Finance Committee	05/23/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 1044 P. N. 1154 (Armstrong)	SERS, providing an employer contribution rate of 10.52% for members of an independent retirement system, for the Public Employee Retirement Commission to study and recommend a new rate no later than December 31, 1999, and every 5 years thereafter, and permitting purchase of service credit for nonstate service by academic administrators, teachers, or instructors in the State System of Higher Education for service as an academic administrator, teacher, or instructor at Lincoln University, University of Pittsburgh, or Temple University not to exceed the lesser of 10 years or the numbers of years of SERS active membership as an academic administrator, teacher, or instructor, which must be purchased within 1 year of eligibility and prohibiting withdrawal of the purchase contribution under Option 4	Referred to Senate Finance Committee	05/24/95
S. B. 1093 P. N. 1226 (Mellow)	SERS, retroactive to December 1, 1989, permitting a member to designate a contingent beneficiary who automatically becomes the beneficiary upon the death of the original beneficiary or survivor annuitant until the member designates a new beneficiary or survivor annuitant	Referred to Senate Finance Committee	06/12/95
S. B. 1141 P. N. 1337 (Greenleaf)	Public School Code of 1949, removing the right of the employer or the employee organization to reject the determination of a board of arbitration in final best offer arbitration	Referred to Senate Education Committee	06/29/95
S. B. 1152 P. N. 1348 (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 citizen while a resident of the Commonwealth	Referred to Senate Finance Committee	06/29/95
S. B. 1154 P. N. 1350 (Greenleaf)	SERS, providing for health insurance premium assistance payments of $55 a month to annuitants who are 65 or over, with at least 15 years of service credit, and not enrolled in a Commonwealth-sponsored health insurance plan	Referred to Senate Finance Committee	06/29/95
S. B. 1179 P. N. 1570 (Greenleaf)	Public Official Compensation Law, repealing provisions restricting compensation of senior judges from exceeding, when added to SERS annuity, compensation of a regular active judge on the court from which the senior judge retired	Referred to Senate Judiciary Committee Reported as amended Re-referred to Senate Appropriations Committee	07/20/95 11/14/95 11/15/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
S. B. 1193 P. N. 1390 (Greenleaf)	Municipal Police Pension Law (Act 600), permitting a vestee with less than 25 years of service to retire at age 60 rather than at what would have been the vestee's superannuation retirement date	Referred to Senate Local Government Committee	08/16/95
S. B. 1233 P. N. 1440 (Lemmond)	PSERS, redefining salaried employee to make a public school employee compensated on an annual wage based upon performance a salaried employee within the meaning of the Code and requiring PSERS to follow IRS determinations of whether individuals are employees, independent contractors, or persons compensated on a fee basis in determining their school employment status	Referred to Senate Finance Committee Reported as committed Re-referred to Senate Appropriations Committee	09/28/95 11/21/95 12/04/95
S. B. 1304 P. N. 1579 (O'Pake)	SERS, permitting purchase of service credit for nonstate service as an employee of state government in any state other than the Commonwealth	Referred to Senate Finance Committee	11/15/95
S. B. 1307 P. N. 1587 (Schwartz)	PSERS, permitting active members to purchase credit for service as an academic administrator, teacher, or instructor employed by the State System of Higher Education, The Pennsylvania State University, Temple University, Lincoln University, or the University of Pittsburgh but prohibiting withdrawal of the purchase amount under Option 4	Referred to Senate Finance Committee	11/21/95
S. B. 1326 P. N. 1616 (Fisher)	Act 204 of 1984, which is an act extending benefits to police chiefs or heads of police departments who have been removed from bargaining units by the Pennsylvania Labor Relations Board, providing that chiefs who are not under Act 111 bargaining units either by choice or rulings of the Pennsylvania Labor Relations Board shall receive all fringe benefits, excluding overtime and festive holiday pay, and not less than the same annual dollar increase in pay as received by the highest ranking police officer in the bargaining unit	Referred to Senate Labor and Industry Committee	12/05/95
H. B. 43 P. N. 629 (Trello)	Volunteer Firefighters' Relief Association Act, permitting associations to spend funds for financial assistance to volunteer firefighters who have actively participated in the fire service for 20 years and who have attained 65 years of age	Referred to House Veterans Affairs and Emergency Preparedness Committee	02/07/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 104 P. N. 76 (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	01/19/95
H. B. 126 P. N. 100 (D. R. Wright)	Unemployment Compensation Law, providing for shared work programs for the sharing of the work remaining after a reduction in the total hours of work and a corresponding reduction in 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	01/20/95
H. B. 137 P. N. 111 (D. R. Wright)	SERS, permitting academic administrators, teachers, or instructors to purchase service credit for nonstate service with a governmental agency other than the Commonwealth	Referred to House State Government Committee	01/20/95
H. B. 138 P. N. 112 (Maitland)	Optional Local Tax Enabling Act, provides for imposition of certain taxes by local government units and provides for limitation on spending by local government units but excludes any funding formula or any funding necessary to supply any pension benefits existing on the effective date of the act	Referred to House Finance Committee	01/20/95
H. B. 142 P. N. 116 (Lescovitz)	Administrative Law and Procedure provisions of Pennsylvania Consolidated Statutes, authorizing government agencies to use alternate means of dispute resolution to resolve certain issues in controversy	Referred to House Judiciary Committee	01/20/95
H. B. 143 P. N. 117 (Lescovitz)	Economic Development Agency and Lender Environmental Liability Protection Act, limiting environmental liability for economic development agencies, financiers, and fiduciaries	Referred to House Commerce and Economic Development Committee	01/20/95
H. B. 151 P. N. 125 (Lescovitz)	Regulatory Flexibility Act, providing for inclusion in all Commonwealth rules and regulations of flexible provisions designed to benefit small businesses	Referred to House Commerce and Economic Development Committee	01/20/95
H. B. 163 P. N. 137 (Lescovitz)	Municipal Officials Compensation Change Act, prohibiting compensation change during a municipal official's term	Referred to House Local Government Committee	01/20/95
H. B. 168 P. N. 2468 (M. Cohen)	PSERS and SERS, providing for the payment of a special supplemental postretirement adjustment to certain annu-	Referred to House State Government Committee **Commission Letter** (P. N. 1398, A. 2799)	01/20/95 06/05/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	itants 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	Reported as amended Re-referred to House Appropriations Committee	09/20/95 09/20/95
H. B. 204 P. N. 182 (Lloyd)	PSERS, permitting the purchase of service credit for up to 10 years of nonschool service as a full-time municipal employee by PSERS members with at least 10 years of service credit and within 3 years of eligibility if the member pays full actuarial cost and prohibiting withdrawal of the purchase contribution under Option 4	Referred to House State Government Committee	01/23/95
H. B. 205 P. N. 183 (Lloyd)	SERS, permitting the purchase of service credit for up to 10 years of nonstate service as a full-time employee of another state by SERS members with at least 10 years service credit and within 3 years of eligibility if the members pay full actuarial cost and prohibiting withdrawal of the purchase contribution under Option 4	Referred to House State Government Committee **Advisory Note** (P. N. 183)	01/23/95 03/30/95
H. B. 225 P. N. 207 (Godshall)	Constitution of Pennsylvania, amending section 16(b) of article 5 to provide that justices, judges, and district justices must retire on the last day of the calendar year in which they attain the age of 70 rather than upon attaining age 70	Referred to House Judiciary Committee Reported as committed Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House (181-0) Referred to Senate Judiciary Committee Reported as committed Re-referred to Senate Appropriations Committee	01/24/95 09/19/95 09/19/95 10/02/95 10/02/95 10/16/95 10/17/95 10/24/95 10/30/95
H. B. 242 P. N. 224 (Godshall)	Constitution of Pennsylvania, amending section 31 of article 3 to expand the binding arbitration provisions for public employees from police officers and firefighters to include other classes of essential public employees designated by the General Assembly	Referred to House Labor Relations Committee	01/24/95
H. B. 316 P. N. 319 (Gigliotti)	Constitution of Pennsylvania, amending section 16(b) of article 5 to provide that justices, judges, and district justices must retire on the last day of the calendar year in which they attain the age of 70 rather than upon attaining age 70	Referred to House Judiciary Committee	01/26/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 318 P. N. 321 (Gigliotti)	Act 87 of 1975 relating to Pittsburgh nonuniformed employees employed after December 31, 1974, adding 2 members to the board - one chosen by the mayor and one elected by the beneficiaries	Referred to House Urban Affairs Committee	01/26/95
H. B. 359 P. N. 362 (Gamble)	Intergovernmental Cooperation Law, when municipalities consolidate police forces under the Law, requiring them to retain all police officers, regardless of rank, from all of the merging departments, before the merged department may hire any new police officers, whether the officer be full or part-time	Referred to House Local Government Committee	01/26/95
H. B. 391 P. N. 396 (Gamble)	Municipal Police Pension Law (Act 600), requiring pensions of at least ½ but not more than 75% of final average salary	Referred to House Local Government Committee **Advisory Note** (P. N. 396) **Actuarial Note** (P. N. 396)	01/27/95 05/03/95 05/25/95
H. B. 410 P. N. 430 (Schuler)	PSERS, permitting a "Mellow Bill" retiree to be re-employed as a coach, director, or sponsor of a school activity under a separate contract without forfeiting the extra benefit provided the contract prohibits PSERS service credit for service and prohibiting contributions to PSERS for the service	Referred to House Education Committee Reported as committed Re-referred to House Appropriations Committee **Actuarial Note** (P. N. 430)	01/31/95 09/19/95 09/19/95 11/15/95
H. B. 461 P. N. 481 (DeLuca)	Tax Reform Code of 1971, providing that payments to a surviving spouse under a pension or retirement plan are exempt from inheritance tax	Referred to House Finance Committee	01/31/95
H. B. 483 P. N. 503 (O'Brien)	SERS, permitting bail commissioners of the Philadelphia Municipal Court to elect Class E-2 membership with a multiplier of 1.5	Referred to House State Government Committee **Actuarial Note** (P. N. 503)	01/31/95 06/14/95
H. B. 528 P. N. 556 (Lawless)	Constitution of Pennsylvania, adding section 18 to article 8 providing for spending limitations on the Commonwealth but excluding expenditures for funding the unfunded pension liabilities existing on the effective date of the section	Referred to House State Government Committee	02/01/95
H. B. 541 P. N. 569 (Cappabianca)	Third Class City Port Authority Act, permitting port authorities in cities of the third class to appoint police officers	Referred to House Urban Affairs Committee	02/01/95
H. B. 567 P. N. 600 (Reinard)	State Payments for State Mandates Act, providing for mandatory funding of local mandates by the Commonwealth, establishing the Office of Local Mandates, providing review requirements, requiring appropriations, and establishing the Local Government Mandate Appeals Board	Referred to House State Government Committee	02/02/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 568 P. N. 601 (Rohrer)	Regulatory Review Act, adding the chairman and minority of the Appropriations Committees of the Senate and the House of Representatives to those required to receive copies of proposed regulations and requiring each of these four individuals to prepare an economic impact statement for the proposed regulation	Referred to House State Government Committee Reported as committed Re-referred to House Appropriations Committee	02/02/95 02/07/95 02/27/95
H. B. 648 P. N. 714 (Tangretti)	SERS, permitting purchase of service credit for up to 10 years of nonstate service as a county employee	Referred to House State Government Committee **Advisory Note** (P. N. 714)	02/07/95 04/03/95
H. R. 52 P. N. 951 (Nickol)	A Concurrent Resolution directing the Public Employee Retirement Commission to study the long-term financial ramifications of Act 186 of 1992 and Act 29 of 1994 and submit its report to the General Assembly not later than March 30, 1996	Referred to House Rules Committee Reported as amended Amended (201-0) Passed House (201-0) Referred to Senate Finance Committee Reported as committed Passed Senate	02/13/95 02/14/95 02/27/95 02/27/95 03/02/95 03/15/95 03/21/95
H. B. 661 P. N. 733 (Scrimenti)	An act providing for timely mailing of papers and documents to State agencies under which a U. S. Postal Service postmark, receipt for certified mail, or receipt for registered mail showing mailing on or before the due date constitutes compliance with the law and evidence of timely submittal	Referred to House State Government Committee	02/13/95
H. B. 662 P. N. 734 (Schroder)	An act establishing the Mandate Review Commission to investigate and study legislative enactments and administrative regulations and make recommendations concerning the termination, continuation, or revision of the programs investigated	Referred to House Local Government Committee	02/13/95
H. B. 667 P. N. 739 (Pitts)	Act 99 of 1811 relating to the settlement of the public accounts and the payment of the public monies, permitting public employees participating in an IRC § 457(b) plan to change their election amount on a quarterly basis and to change their investment choices based on the frequency provided in the investment vehicle or contract, but not less frequently than quarterly	Referred to House State Government Committee	02/13/95
H. B. 702 P. N. 2681 (D. W. Snyder)	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	Referred to House Local Government Committee **Commission Letter** (P. N. 774) Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration	02/13/95 05/05/95 05/09/95 05/22/95 06/05/95 06/05/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	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 all supervisors to participate in group insurance programs at township expense and prohibiting other elected and appointed officials who are not employees from participating in group insurance programs, 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	Amended on Third Consideration Passed House (201-0) Referred to Senate Local Government Committee Reported as amended Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Amended on Third Consideration Passed Senate (48-0) Referred to House Rules Committee Re-reported as committed House concurred in Senate amendments (197-0) Act 1995-60	06/06/95 06/06/95 06/08/95 09/19/95 09/20/95 10/02/95 10/17/95 10/24/95 10/25/95 10/25/95 10/25/95 10/25/95 11/09/95
H. B. 708 P. N. 780 (Hanna)	Public Employee Relations Act (Act 195), removing confidential employees from the list of those individuals excluded from the provisions of the Act	Referred to House Labor Relations Committee	02/13/95
H. B. 747 P. N. 826 (Corrigan)	PSERS, permitting active members to buy service credit for nonschool service as a school employee, teacher, or instructor in any private or parochial school in Pennsylvania, any other state, or territory or areas under the jurisdiction of the United States	Referred to House Education Committee	02/14/95
H. B. 750 P. N. 829 (Piccola)	Municipal Police Pension Law (Act 600), repealing the minimum retirement age of age 55 or, if actuarially feasible, 50	Referred to House Local Government Committee	02/14/95
H. B. 760 P. N. 839 (Belfanti)	Municipal Police Pension Law (Act 600), reducing the minimum period of service from 25 to 20 years, repealing the minimum age of 55 or, if actuarially feasible, 50 and substituting either no specified minimum age or a specified minimum age of 50, and repealing the existing service increment provisions with its limit of $100 and substituting a service increment computed as 1/40 of the retirement allowance multiplied by years of service in excess of the minimum until the retiree retired or reached age 65 but limited to $100 a month paid for, in part,	Referred to House Local Government Committee	02/14/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	by employee contributions of ½% of salary a month limited to $100 a month		
H. B. 812 P. N. 897 (Kaiser)	PMRS, permitting members who were formerly Commonwealth employees to buy service credit for non-municipal service for service as a Commonwealth employee	Referred to House Local Government Committee	02/14/95
H. B. 815 P. N. 900 (Colafella)	An act providing for mandatory funding of local mandates by the Commonwealth	Referred to House State Government Committee	02/14/95
H. B. 823 P. N. 908 (Lawless)	Municipal Police Pension Law (Act 600), permitting members to buy service credit for service with another municipality at a cost of what member contributions would have been had the member been employed by the present employer, provided an actuarial study shows that this plan is feasible	Referred to House Local Government Committee	02/14/95
H. B. 892 P. N. 994 (Zug)	Constitution of Pennsylvania, adding section 18 to article 8 imposing spending limitations on the Commonwealth but excluding expenditures for funding the unfunded pension liabilities existing on the effective date of the section	Referred to House Finance Committee	02/28/95
H. B. 897 P. N. 999 (Zug)	Constitution of Pennsylvania, amending section 26 of article 3 to permit the General Assembly to create a multiple class retirement system and prospectively to alter or qualify contribution rates or other factors for existing members or future members or both	Referred to House State Government Committee	02/28/95
H. B. 922 P. N. 1023 (Lescovitz)	Constitution of Pennsylvania, amending section 26 of article 3 to permit the General Assembly to increase the retirement benefits payable to beneficiaries of members of public employee retirement systems	Referred to House State Government Committee	02/28/95
H. B. 942 P. N. 1051 (Petrone)	Second Class County Code, changing retirement eligibility for county detectives from age 60 with 8 to 20 years of service to age 50 with 20 years of service	Referred to House Urban Affairs Committee Reported as committed Re-committed to House Rules Committee Re-reported as committed Re-referred to House Appropriations Committee	03/01/95 06/07/95 06/07/95 09/18/95 09/18/95
H. B. 944 P. N. 1053 (Fajt)	Public Employe Relations Act, providing for binding final best offer arbitration for teachers	Referred to House Labor Relations Committee	03/01/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. R. 75 P. N. 1075 (Readshaw)	A 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 Re-committed to House Rules Committee Re-reported as committed Passed House (193-3) Referred to Senate Finance Committee	03/06/95 04/24/95 06/08/95 10/16/95 10/17/95 10/20/95
H. B. 975 P. N. 1092 (Daley)	PSERS, granting up to 3 years additional service credit at retirement to members who have worked at least 11 months or 220 days a year on the basis of one year of additional credit for every 6 years of such employment	Referred to House Education Committee **Actuarial Note** (P. N. 1092)	03/06/95 06/14/95
H. B. 1001 P. N. 1117 (Reber)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, retroactively granting an adjustment of $25 a month to public safety officers who had been retired less than 10 years but at least 4 rather than 5 years on January 1, 1989	Referred to House Local Government Committee	03/06/95
H. B. 1059 P. N. 1179 (Coy)	PSERS, early retirement incentive program for the period 12/01/95 through 07/31/96 under which members who are at least age 55 with at least 10 years of service may retire and receive an additional 10% service credit	Referred to House Education Committee	03/07/95
H. B. 1060 P. N. 1180 (Coy)	SERS, early retirement incentive program for the period 10/01/95 through 03/31/96 under which members who are at least age 55 with at least 10 years of service may retire and receive an additional 10% service credit	Referred to House State Government Committee	03/07/95
H. B. 1063 P. N. 1185 (Fairchild)	Constitution of Pennsylvania, adding section 18 to article 8 providing for spending limitations on the Commonwealth and its political subdivisions including prohibiting the Commonwealth from imposing upon any unit of local government new programs or increased levels of service under existing programs unless the necessary cost thereof is fully funded by the Commonwealth and requiring that future liabilities resulting from the adoption of or contracting for new or improved deferred compensation or benefits or pensions be fully funded each year in accordance with an accepted advance funding actuarial method using actuarial assumptions and asset valuation methods	Referred to House State Government Committee	03/07/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1095 P. N. 1220 (Fargo)	Municipal Police Pension Law, providing exculpatory provisions for return of contributions, interest, or fund earnings made before February 24, 1994	Referred to House Local Government Committee	03/09/95
		Actuarial Note (P. N. 1220)	04/18/95
		Reported as committed	04/25/95
		Re-referred to House Appropriations Committee	04/26/95
		Re-reported as committed	05/01/95
		Second Consideration	05/01/95
		Passed House (199-0)	05/03/95
		Referred to Senate Local Government Committee	05/10/95
		Reported as committed	05/23/95
		Second Consideration	06/06/95
		Passed Senate (50-0)	06/15/95
		Act 1995-22	06/30/95
H. B. 1108 P. N. 1233 (Civera)	Constitution of Pennsylvania, amending section 26 of article 3 to permit increases in retirement benefits or pensions to members and beneficiaries who are spouses, provided the increases are certified to be actuarially sound	Referred to House State Government Committee	03/09/95
H. B. 1127 P. N. 2467 (Gladeck)	Constitution of Pennsylvania, adding subsection (b) to section 31 of article 3 to provide for binding arbitration between teachers and their public employers and prohibiting strikes by police officers, firefighters, or school employees or lockouts of these public employees by their employers	Referred to House Judiciary Committee	03/13/95
		Reported as committed	03/21/95
		Re-referred to House Labor Relations Committee	03/21/95
		Re-reported as amended	09/19/95
		Re-referred to House Appropriations Committee	09/19/95
		Re-reported as committed	09/20/95
		Second Consideration	09/20/95
		Passed House (125-11)	10/02/95
		Referred to Senate Labor and Industry Committee	10/12/95
H. B. 1129 P. N. 1258 (Mundy)	Sunset Act of 1995, enacting a new sunset act with the Municipal Employee Pension Advisory Committee to terminate on December 31, 1996, and the Municipal Pension Advisory Committee and the Public Employee Retirement Commission to terminate on December 31, 2004	Referred to House State Government Committee	03/13/95
H. B. 1130 P. N. 2805 (Dempsey)	The Third Class City Code, among other things, adding section 4343.2 to permit 12 year vesting by nonuniformed employees	Referred to House Urban Affairs Committee	03/13/95
		Reported as committed	06/07/95
		Re-committed to House Rules Committee	06/07/95
		Re-reported as committed	06/15/95
		Second Consideration	06/15/95
		Re-referred to House Appropriations Committee	06/15/95
		Re-reported as committed	06/19/95
		Amended and Passed House (203-0)	06/21/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
		Referred to Senate Urban Affairs and Housing Committee	06/21/95
		Reported as amended	11/14/95
H. B. 1131 P. N. 1260 (Hasay)	Economic Development Agency and Lender Environmental Liability Protection Act, limiting environmental liability for economic development agencies, financiers, and fiduciaries	Referred to House Commerce and Economic Development Committee	03/13/95
H. B. 1153 P. N. 1287 (Laughlin)	Municipal Police Pension Law (Act 600), permitting any cost-of-living increase to be granted to members already retired or their survivors, as the ordinance or resolution may provide	Referred to House Local Government Committee	03/14/95
H. B. 1177 P. N. 1320 (Digirolamo)	The Administrative Code of 1929, abolishing the Department of Health and the Department of Public Welfare and transferring the functions of those departments to the newly established Department of Health and Human Services, creating the Department of Community and Economic Development, reorganizing and transferring the powers and duties of the Department of Commerce and the Department of Community Affairs to the Department of Community and Economic Development, deleting provisions relating to the Energy Development Authority, regulating disposition of surplus property, and making repeals	Referred to House State Government Committee	03/15/95
		Reported as committed	03/21/95
		Re-referred to House Appropriations Committee	03/21/95
		Re-reported as amended	04/18/95
		Second Consideration	04/19/95
		Re-committed to House Appropriations Committee	04/24/95
		Commission Letter (P. N. 1543, A. 2329)	05/08/95
		Re-reported as amended with Prior Printer's Number 1320	10/16/95
		Re-committed to House State Government Committee	10/23/95
H. B. 1191 P. N. 1345 (Schroder)	Tax Reform Code of 1971, assigning subsection designations to the section 902 provisions regarding imposition and disposition of foreign fire and foreign casualty insurance taxes but repealing the imposition of the 2% tax on annuity considerations	Referred to House Finance Committee	03/16/95
H. B. 1229 P. N. 1384 (Roberts)	Municipal Police Pension Law (Act 600), requiring pensions of at least 1/2 of the final average salary and permitting the municipality, in its sole discretion, to provide a pension up to 3/4 of the final average salary, provided this pension would not impair the actuarial soundness of the pension fund	Referred to House Local Government Committee	03/20/95
H. B. 1238 P. N. 2901 (Herman)	PSERS and SERS, amending the provisions relating to the elimination of the frozen present value upon reemployment to include multiple service members, eliminating the 1 year window of opportunity to elect elimination of the frozen	Referred to House State Government Committee	03/20/95
		Commission Letter (P. N. 1398, A. 2330)	05/08/95
		Commission Letter (P. N. 1398, A. 2331)	05/08/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	present value, permitting board established alternative payback methods, giving affected members the better of frozen present value or eliminated frozen present value benefit upon retirement, and repealing the expressed acceptance of future changes in the codes, all retroactive to the original effective date of Act 29 of 1994, by making the $150,000 a year compensation limit required by section 401(a)(17) of the Internal Revenue Code applicable to PSERS members who join after June 30, 1996, but not to individuals who are active members, inactive members, vestees, or annuitants on June 30, 1996, by making the $150,000 a year compensation limit required by section 401(a)(17) of the Internal Revenue Code applicable to SERS members who join after December 31, 1995, but not to individuals who are active members, inactive members, vestees, or annuitants on December 31, 1995, and by making certain desirable, technical amendments to simplify the administration of the Codes under the Internal Revenue Code	Reported as committed Re-referred to House Appropriations Committee **Commission Letter** (P. N. 1398, A. 2799) Re-reported as committed Second Consideration Passed House (201-0) Referred to Senate Appropriations Committee **Commission Letter** (P. N. 1398) Reported as amended Second Consideration Passed Senate (48-2) Referred to House Rules Committee **Actuarial Note** (P. N. 1398, A. 2965) **Commission Letter** (P. N. 2084, A. 6045) **Commission Letter** (P. N. 2084, A. 6122) Re-reported as amended House concurred in Senate amendments as further amended by the House (197-0) Re-referred to Senate Rules and Executive Nominations Committee Re-reported as committed Senate concurred in House amendments to Senate amendments (48-0) Act 1995-77	05/24/95 05/24/95 06/05/95 06/05/95 06/05/95 06/06/95 06/06/95 06/08/95 06/12/95 06/13/95 06/15/95 06/15/95 09/14/95 11/17/95 11/21/95 11/21/95 12/11/95 12/13/95 12/13/95 12/13/95 12/20/95
H. B. 1242 P. N. 1402 (Hanna)	SERS, permitting campus police officers to retire with full benefits at age 50	Referred to House State Government Committee	03/20/95
H. B. 1302 P. N. 1487 (Phillips)	SERS, defining "enforcement officer" to include a full-time Pennsylvania Game Commission employee who is a graduate of the Game Commission Training School and 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 person employed by the Pennsylvania Fish and Boat Commission who has and exercised the same law enforcement powers as a Waterways Conservation Officer except a Deputy Waterways Conservation Officer, and prohibiting the freezing of the present value of the retiree's annuity and requiring the retiree to become an active SERS member if a retiree serves as a Deputy Wildlife Conservation Officer or Deputy Waterways Conservation Officer	Referred to House State Government Committee **Advisory Note** (P. N. 1487) **Actuarial Note** (P. N. 1487)	03/22/95 04/27/95 06/14/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1304 P. N. 1489 (Gruitza)	SERS, permitting active members to purchase service credit for nonstate service spent on a maternity leave of absence limited to two years per leave with the purchase required to begin within one year of eligibility to purchase	Referred to House State Government Committee	03/22/95
H. B. 1313 P. N. 1498 (Tigue)	PSERS, requiring that the basic contribution rate of 6 1/2% 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	03/22/95
H. B. 1314 P. N. 1499 (Tigue)	SERS, requiring that the basic contribution rate of 5% 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 State Government Committee	03/22/95
H. B. 1348 P. N. 1564 (Hutchinson)	Tax Reform Code of 1971, assigning subsection designations to the section 902 provisions regarding imposition and disposition of foreign fire and foreign casualty insurance taxes but repealing the imposition of the 2% tax on annuity considerations	Referred to House Finance Committee Reported as committed Re-referred to House Appropriations Committee	04/19/95 04/19/95 04/19/95
H. B. 1379 P. N. 1595 (DeLuca)	Volunteer Firefighters' Relief Association Act, providing for both defined benefit and defined benefit retirement plans	Referred to House Veterans Affairs and Emergency Preparedness Committee	04/19/95
H. B. 1408 P. N. 1629 (M. N. 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, permitting the Governor to withhold 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	04/20/95
H. B. 1447 P. N. 1686 (Hanna)	Constitution of Pennsylvania, amending section 16(b) of article 5 to permit retirement benefits and pensions of justices, judges, and justices of the peace to be defined by the General Assembly to prospectively establish differing retirement benefits or pensions for various classes of these judicial officers and to prospectively modify these retirement benefits or pensions	Referred to House State Government Committee	04/25/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1450 P. N. 1689 (O'Brien)	Volunteer Firefighters' Relief Association Act, providing for both defined benefit and defined benefit retirement plans	Referred to House Veterans Affairs and Emergency Preparedness Committee	04/25/95
H. B. 1459 P. N. 1708 (J. Taylor)	An act specifically authorizing collective bargaining between school administrators in the Philadelphia School District	Referred to House Education Committee	04/26/95
H. B. 1471 P. N. 1720 (Rudy)	PSERS, permitting the purchase of up to 5 years of service credit for service in an accredited Pennsylvania non-public elementary or secondary school or institution of higher education if the member was entitled to a provisional or permanent professional certificate to teach in the public schools of Pennsylvania at that time at the rate of 1 year of credit for every three years of service, with the purchase beginning within 3 years of eligibility and being the increase in the present value calculated on the basis of the average salary received during the first 3 years of school service after the non-public school service and not withdrawable under Option 4	Referred to House Education Committee	04/26/95
H. B. 1474 P. N. 2065 (Pitts)	SERS, fiscal year 1995-96 appropriations bill of $15,840,000	Referred to House Appropriations Committee	04/26/95
		Reported as amended	05/01/95
		Second Consideration	05/02/95
		Passed House (197-0)	05/08/95
		Referred to Senate Appropriations Committee	05/10/95
		Reported as committed	05/22/95
		Second Consideration	05/23/95
		Re-referred to Senate Appropriations Committee	05/23/95
		Re-reported as amended	06/07/95
		Passed Senate (50-0)	06/07/95
		Referred to House Rules Committee	06/07/95
H. B. 1475 P. N. 2344 (Pitts)	SERS, fiscal year 1995-96 appropriations bill of $15,850,000	Referred to House Appropriations Committee	04/26/95
		Reported as committed	05/01/95
		Second Consideration	05/02/95
		Passed House (197-0)	05/08/95
		Referred to Senate Appropriations Committee	05/10/95
		Reported as committed	05/22/95
		Second Consideration	05/23/95
		Re-committed to Senate Appropriations Committee	05/23/95
		Re-reported as amended	06/28/95
		Passed Senate (49-0)	06/28/95
		Referred to House Rules Committee	06/29/95
		Reported as committed	06/29/95
		Passed House (202-0)	06/29/95
		Act 1995-9A	06/30/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
H. B. 1499 P. N. 1752 (Nickol)	Local Government Unit Debt Act, amending the provisions regarding issuing debt to fund unfunded actuarial accrued liabilities in pension trust funds to require approval by the Commission of borrowing by local government units not in compliance with the Municipal Pension Plan Funding Standard and Recovery Act or other minimum funding requirement laws and prohibiting the pledge of debt proceeds as security for debt payments by local government units whose employees are members of PSERS or SERS	Referred to House Local Government Committee	04/27/95
H. B. 1500 P. N. 2450 (Stairs)	PSERS, permitting the purchase of up to 3 years of service credit at the rate of 1 year for every 2 years of previous work experience used to obtain certification as a vocational teacher under a non baccalaureate program, with the purchase beginning within 3 years of eligibility and being the increase in the present value calculated on the basis of the average salary received during the first 3 years of school service after the work experience and not withdrawable under Option 4	Referred to House Education Committee **Advisory Note** (P. N. 1753) **Actuarial Note** (P. N. 1753) Reported as amended Re-referred to House Appropriations Committee	04/27/95 08/28/95 09/14/95 09/19/95 09/19/95
H. B. 1558 P. N. 1841 (Caltagirone)	Municipal Boundary Change Act, an act that would relate to and regulate local government boundary changes, among other things providing for the adjustment of assets, liabilities, and indebtedness between or among affected local governments	Referred to House Local Government Committee	05/08/95
H. B. 1565 P. N. 1848 (Herman)	PSERS and SERS, increasing the frozen present values of members who return to service at subsequent retirement to reflect any cost-of-living increases enacted during the period of reemployment, and giving an automatic cost-of-living adjustment every year beginning January 1, 1992, to retirees who have been retired at least 2 years of at least 3% adjustable up or down by the board to reflect the fiscal impact on the fund	Referred to House State Government Committee	05/08/95
H. B. 1596 P. N. 1889 (Rudy)	PSERS and SERS, permitting multiple service members to elect to eliminate the effect of frozen present values retroactive to July 1, 1994	Referred to House State Government Committee	05/09/95
H. B. 1605 P. N. 1906 (Van Horne)	The Third Class City Code, increasing the maximum service increment payable to retired police officers and firefighters from $100 a month to $300 a month	Referred to House Urban Affairs Committee **Actuarial Note** (P. N. 1906)	05/10/95 11/15/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1661 P. N. 1982 (Nickol)	PSERS and SERS, providing that unfunded actuarial accrued liability for any future early retirement incentive program be funded by level dollar amortization payments over a 10-year period.	Referred to House Finance Committee	05/24/95
H. B. 1666 P. N. 1987 (Civera)	Act 351 of 1965, the act providing the police officers' and firefighters' pension plan in Scranton, providing that the survivor spouse shall continue to receive a survivor spouse pension even if the surviving spouse remarries.	Referred to House Urban Affairs Committee Reported as committed Re-referred to House Appropriations Committee	05/24/95 10/25/95 10/25/95
H. B. 1667 P. N. 1988 (Civera)	Municipal Police Pension Law (Act 600), providing that the survivor spouse shall continue to receive a survivor spouse pension even if the surviving spouse remarries.	Referred to House Local Government Committee	05/24/95
H. B. 1668 P. N. 1989 (Civera)	Second Class City Policemen Relief Law, providing that the survivor spouse pension shall be paid for life rather than 500 weeks, that the survivor spouse shall continue to receive a survivor spouse pension even if the surviving spouse remarries, and that a survivor child pension shall be paid until the child reaches age 18 or dies rather than for 500 weeks or until the child reaches age 18, marries or dies	Referred to House Urban Affairs Committee Reported as committed Re-referred to House Appropriations Committee	05/24/95 10/25/95 10/25/95
H. B. 1687 P. N. 2007 (Veon)	Public School Code of 1949, providing for the establishment and operation of charter schools, including provision that retirement for all school employees of a school district serving at a charter school shall be governed by the Public School Employees' Retirement Code	Referred to House Education Committee	05/31/95
H. B. 1702 P. N. 2050 (Bunt)	PSERS, permitting active members to buy service credit for previous service as an administrator, teacher, or instructor in any accredited public, American, or international school or educational institution	Referred to House Education Committee	06/07/95
H. B. 1704 P. N. 2052 (Cawley)	Act 507 of 1947, relating to police officers and firefighters pension funds in Scranton, authorizing the city to permit its uniformed employees to purchase service credit for prior military service time at any time fixed by the city rather than within the presently prescribed 3 years from release from active duty	Referred to House Urban Affairs Committee Reported as committed Re-referred to House appropriations Committee **Actuarial Note** (P. N. 2052) Reported as committed Second Consideration Passed House (172-23) Referred to Senate Local Government Committee	06/07/95 09/20/95 09/20/95 10/12/95 10/16/95 10/16/95 10/17/95 10/18/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 1755 P. N. 2132 (Fajt)	Public Employe Relations Act (Act 195 of 1970), providing for final best offer arbitration in the event of an impasse between a school district and its professional employees	Referred to House Labor Relations Committee	06/15/95
H. R. 175 P. N. 2123 (Lynch)	A Concurrent Resolution providing for the establishment of a policy task force to evaluate the potential for utilization of early retirement incentive programs in the Commonwealth	Referred to House Rules Committee	06/15/95
H. B. 1764 P. N. 2190 (Civera)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, granting, continuing, and increasing special ad hoc postretirement adjustments to retired public safety officers who retired before January 1, 1991, paid for out of the foreign casualty insurance premium tax and granting special ad hoc postretirement adjustments to certain survivors of public safety officers who retired before January 1, 1991, paid for in a decreasing amount out of the General Fund and in an increasing amount out of the foreign casualty insurance premium tax	Referred to House Local Government Committee	06/19/95
H. B. 1765 P. N. 2191 (Civera)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, granting, continuing, and increasing special ad hoc postretirement adjustments to retired public safety officers who retired before January 1, 1991, paid for out of the foreign casualty insurance premium tax, granting special ad hoc postretirement adjustments to certain survivors of public safety officers who retired before January 1, 1991, paid for in a decreasing amount out of the General Fund and in an increasing amount out of the foreign casualty insurance premium tax, repealing the requirement for a reduction in the postretirement adjustments under the Act for any subsequent postretirement adjustments received from a municipal retirement system, and requiring the City of Pittsburgh to pay a minimum pension to all retired public safety officers and their survivors	Referred to House Local Government Committee	06/19/95
H. B. 1834 P. N. 2246 (Stairs)	Charter School Act, providing for the establishment of charter schools, for powers and duties of the Secretary of Education and the State Board of Education, and for payments to charter	Referred to House Education Committee	06/21/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
	schools, including, among other things, that all employees of a charter school shall be enrolled in PSERS with employer and Commonwealth contributions as provided for in the Public School Employees' Retirement Code		
H. B. 1871 P. N. 2293 (Jarolin)	Fish and Boat Code, for purposes of collective bargaining and compensation for work related injuries, making salaried waterways patrolmen policemen for purposes of the Enforcement Officer Disability Benefits Law (Act 193 of 1935) and the Policemen and Firemen Collective Bargaining Act (Act 111 of 1968)	Referred to House Game and Fisheries Committee	06/26/95
H. B. 1961 P. N. 2418 (Roberts)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205), permitting a municipality to provide a pension of up to 75% for the final average salary for the last 3 to 5 years if it would not impair the actuarial soundness of the pension fund	Referred to House Local Government Committee	07/25/95
H. B. 1973 P. N. 2430 (Nickol)	Local Government Unit Debt Act (Act 185 of 1972), repealing section 417, which permits a local government unit to pledge the proceeds of debt issued to fund the unfunded actuarial accrued liability of its employee retirement system	Referred to House Finance Committee **Actuarial Note** (P. N. 2430) Reported as committed Referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House (151-36) Referred to Senate Finance Committee	09/01/95 09/14/95 10/18/95 10/23/95 10/23/95 10/23/95 10/30/95 11/09/95
H. B. 1986 P. N. 2461 (M. N. Wright)	PSERS and SERS, authorizing annuitants to have a redetermination made of their annuities to reflect the elimination of the effect of frozen present values	Referred to House State Government Committee	09/19/95
H. B. 1990 P. N. 2531 (Gladeck)	Public School Collective Bargaining Act, revising the collective bargaining procedures used for resolving an impasse in negotiation for all employees who negotiate in public school districts, intermediate units, and area vocational-technical schools and prohibiting strikes and lockouts	Referred to House Labor Relations Committee Reported as committed Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Amended and Passed House (106-87) Referred to Senate Labor and Industry Committee	09/18/95 09/19/95 09/19/95 09/20/95 09/20/95 10/02/95 10/12/95
H. B. 1998 P. N. 2479 (Travaglio)	SERS, permitting the surviving spouse of a Pennsylvania State Police Officer to purchase service credit for any military service to which the officer was entitled but had not purchased, provided the purchase is made within 90 days of the death of the officer or of the effective date of the bill	Referred to House State Government Committee	09/20/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 2025 P. N. 2514 (Civera)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988), granting, increasing, continuing the payment of special ad hoc adjustments beginning January 1, 1997, to certain public safety officers who were receiving pensions before January 1, 1992	Referred to House Local Government Committee	09/25/95
H. B. 2098 P. N. 2613 (Maitland)	SERS, permitting purchase of service credit for up to 5 years of previous service as a full-time employee of a borough, city, county, incorporated town, or township provided the member was a member of the municipal retirement system or, if there was no municipal retirement system, now would be eligible to be a member of the municipal retirement system	Referred to House State Government Committee	10/17/95
H. B. 2109 P. N. 2640 (Pistella)	Special Ad Hoc Municipal Police and Firefighter postretirement Adjustment Act (Act 147 of 1988), extending the provisions of the Act to include survivors of 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	Referred to House Local Government Committee	10/18/95
H. B. 2111 P. N. 2642 (Browne)	Tax Reform Code of 1971, exempting from personal income tax most contributions to and retirement distributions from an old age or retirement benefit plan	Referred to House Finance Committee	10/18/95
H. B. 2112 P. N. 2643 (Browne)	The Local Tax Enabling Act, permitting local governments to exclude from the earned income tax most contributions to and retirement distributions from an old age or retirement benefit plan under the provisions of the Tax Reform Code of 1971 as enacted in House Bill 2111 above	Referred to House Local Government Committee	10/18/95
H. B. 2119 P. N. 2653 (Loscovitz)	Municipal Police Pension Law (Act 600), replacing the 30% limit on COLAs with limits of 40% for those who retired after December 31, 1979, 45% for those who retired after December 31, 1969, and before January 1, 1980, and 55% for those who retired before January 1, 1970	Referred to House Local Government Committee	10/23/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 2120 P. N. 2654 (Lescovitz)	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988), retaining, increasing, and granting special ad hoc postretirement adjustments to certain retired municipal public safety officers	Referred to House Local Government Committee	10/23/95
H. B. 2162 P. N. 2714 (M. N. Wright)	PSERS, repealing requirement that an annuitant who has 15 or more eligibility points and an effective date of retirement after superannuation age must have terminated school service on or after superannuation age to be eligible for postretirement health insurance premium assistance program	Referred to House Education Committee	10/30/95
H. R. 244 P. N. 2731 (Sacrimenti)	A Resolution requesting Governor Thomas J. Ridge to provide funding in future budgets for regional police services	Referred to House Rules Committee	10/31/95
H. R. 246 P. N. 2733 (Boscola)	A Resolution requesting the Pennsylvania Public Employee Retirement Commission to provide the General Assembly of the Commonwealth of Pennsylvania with information concerning the current state of police pensions in Pennsylvania and to determine what is necessary for the establishment of a Statewide police pension system	Referred to House Rules Committee	10/31/95
H. B. 2200 P. N. 2784 (Itkin)	Constitution of Pennsylvania, amending section 31(b) of article 3 by adding emergency medical service personnel to those employees for which the General Assembly may require binding arbitration and prohibiting strikes by and lockouts of police officers, firefighters, and emergency medical service personnel in situations where the General Assembly has provided for binding arbitration	Referred to House Labor Relations Committee	11/14/95
H. B. 2208 P. N. 2792 (Pitts)	The Fiscal Code, amending section 403 by requiring the Department of the Auditor General to make an annual audit of any pension fund receiving State money under either the Foreign Casualty Insurance Premium Tax Allocation Law or chapter 7 of the Municipal Pension Plan Funding Standard and Recovery Act, permitting any such retirement system to obtain an annual audit by an independent CPA in accordance with standards established by the Department of the Auditor General and in lieu of making its own audit, permitting the Department of the Auditor General to obtain the independent CPA's work papers and audit report for review	Referred to House Finance Committee	11/14/95

Bill Number Printer's Number (Prime Sponsor)	Subject	Concise History and Status	Date
H. B. 2245 P. N. 2861 (Bunt)	PSERS, permitting purchase of service credit for previous nonschool service as an administrator or teacher in a nonpublic Pennsylvania school	Referred to House Education Committee	11/27/95
H. B. 2255 P. N. 2871 (Tigue)	Policemen and Firemen Collective Bargaining Act (Act 111 of 1968), prohibiting collective bargaining or interest arbitration regarding retirement, postretirement, or pension benefits, or other statutory benefits	Referred to House Local Government Committee	11/27/95

APPENDIX E

CONCISE INDEX TO ACTUARIAL NOTES

EARLY RETIREMENT

INVESTMENT INCOME

LOCAL GOVERNMENT UNIT DEBT ACT

MEMBERSHIP

RETIREMENT BENEFIT AMOUNT

SCRANTON

SERS — SEE STATE EMPLOYES' RETIREMENT SYSTEM

SERVICE CREDIT PURCHASE