

1996  
ANNUAL REPORT  
OF THE  
PUBLIC EMPLOYEE RETIREMENT  
COMMISSION

Public Employee Retirement Commission  
Commonwealth of Pennsylvania  
March 1997



## **PUBLIC EMPLOYEE RETIREMENT COMMISSION**

### ***Gubernatorial Appointees***

Mr. Paul D. Halliwell, A.S.A., F.C.A.  
Chairman  
President  
Halliwell Consulting Group

Mr. A. Carville Foster, Vice Chairman  
Retired Legislator

Dr. J. Richard Aronson  
William L. Clayton  
Professor of Business & Economics  
Lehigh University

Mr. Albert L. Hydeman, Jr.  
Retired Director of  
Economic & Community Development  
City of York

Mr. William A. Murray  
Executive Vice President  
The Packard Press

### ***Legislative Appointees***

Senator Jay Costa, Jr.  
District 43, Allegheny County

Representative James C. Lynch  
District 65, Forest, McKean,  
and Warren Counties

Senator Harold F. Mowery, Jr.  
District 31, Cumberland, Perry,  
and York Counties

Representative Terry E. Van Horne  
District 54, Allegheny  
and Westmoreland Counties

Executive Director: Anthony W. Salomone

Commission Office: 510 Finance Building  
P.O. Box 1429  
Harrisburg, PA 17105-1429

(717) 783-6100





COMMONWEALTH OF PENNSYLVANIA  
PUBLIC EMPLOYEE RETIREMENT COMMISSION  
HARRISBURG  
17120

March 1997

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 1996.

During 1996, the Commission authorized the attachment of twenty-seven actuarial notes to eighteen bills and eleven amendments at the request of the various committees of the General Assembly. This report contains a synopsis of each of these notes and contains a summary of the Commission's reviews of the State Employees' Retirement System and the Public School Employees' Retirement System. This report also describes research conducted during 1996 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 fourteenth 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 1996.

Sincerely,

A handwritten signature in cursive script, reading "Paul D. Halliwell".

Paul D. Halliwell  
Chairman



## INTRODUCTION

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

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

Under the Municipal Pension Plan Funding Standard and Recovery Act, adopted in 1984, the Commission has three additional responsibilities. The first is to administer the actuarial valuation reporting program for municipal retirement systems, which entails monitoring and enforcing compliance with the statutorily mandated actuarial funding standard. The second is to certify annually municipal pension cost data used in allocating the General Municipal Pension System State Aid money of over \$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 eleventh 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 1996.



# TABLE OF CONTENTS

	PAGE
LETTER OF TRANSMITTAL .....	i
INTRODUCTION .....	iii
DUTIES AND RESPONSIBILITIES OF THE COMMISSION .....	1
<b>Part I. Preparation of Actuarial Notes and Advisory Notes .....</b>	<b>3</b>
<b>A. Statutory Provisions .....</b>	<b>3</b>
<b>B. Summary of 1996 Activity .....</b>	<b>4</b>
<b>C. Synopses of Advisory Notes .....</b>	<b>4</b>
• S. B. 1093, P. N. 1226, SERS .....	4
• H. B. 2025, P.N. 2514, Municipal — All Firefighters’ and Police Officers’ Retirement Systems .....	4
• H. B. 2109, P. N. 2640, Municipal — All Firefighters’ and Police Officers’ Retirement Systems .....	5
• H. B. 2109, P. N. 2640, as amended by Amendment 1927, Municipal — All Firefighters’ and Police Officers’ Retirement Systems .....	5
• H. B. 2120, P. N. 2654, Municipal — All Firefighters’ and Police Officers’ Retirement Systems .....	5
• H. B. 2399, P. N. 3123, All County Employee Retirement Systems .....	5
• H. B. 2579, P. N. 3463, All Municipal Employee Retirement Systems .....	5
• H. B. 2937, P. N. 4104, Municipal Police Pension Law Systems (Boroughs and Townships) .....	6
<b>D. Synopses of Actuarial Notes</b>	
• S. B. 244, P. N. 1953, Volunteer Firefighters’ Relief Associations .....	7
• S. B. 388, P. N. 401, All Municipal Firefighters’ and Police Officers’ Retirement Systems .....	10
• A. 0561 to S. B. 633, P. N. 657, Municipal Police Pension Law Systems (Boroughs and Townships) .....	13
• A. 0604 to S. B. 633, P. N. 657, Municipal Police Pension Law Systems (Boroughs and Townships) .....	17
• S. B. 1044, P. N. 1154, SERS .....	20
• S. B. 1193, P. N. 1390, Municipal Police Pension Law Systems (Boroughs and Townships) .....	27
• S. B. 1233, P. N. 1440, PSERS .....	31

# TABLE OF CONTENTS

(Cont'd)

## D. Synopses of Actuarial Notes (Cont'd)

• S. B. 1304, P. N. 1579, SERS .....	35
• S. B. 1307, P. N. 1587, PSERS .....	40
• S. B. 1519, P. N. 1958, Second Class (Allegheny) County Employee's Retirement System .....	45
• H. B. 168, P. N. 3374, PSERS and SERS .....	47
• A. 0691 to H. B. 168, P. N. 2468, PSERS and SERS .....	50
• A. 6389 to H. B. 168, P. N. 3374, SERS .....	62
• A. 6527 to H. B. 168, P. N. 3374, PSERS .....	40
• A. 6788 to H. B. 168, P. N. 3374, SERS .....	67
• H. B. 225, P. N. 207, SERS .....	73
• H. B. 1130, P. N. 2805, Third Class City Nonuniformed Employees' Retirement Systems .....	75
• H. B. 1242, P. N. 1402, SERS .....	77
• A. 3144 to H. B. 1302, P. N. 3584, SERS .....	81
• H. B. 1666, P. N. 1987, Second Class City A (Scranton) Police Officers' Retirement System .....	84
• H. B. 1668, P. N. 1989, Second Class City (Pittsburgh) Police Officers' Retirement System .....	86
• H. B. 2109, P. N. 3600, with A. 4452, All Municipal Firefighters' and Police Officers' Retirement Systems .....	89
• H. B. 2399, P. N. 3773, All County Employees' Retirement Systems .....	93
• H. B. 2444, P. N. 3202, PSERS .....	96
• H. B. 2659, P. N. 3629, with A. 4656, PSERS .....	100
• A. 6542 to H. B. 2659, P. N. 4080, PSERS and SERS .....	105
• A. 6543 to H. B. 2659, P. N. 4080, PSERS .....	108
• A. 6561 to H. B. 2659, P. N. 4080, PSERS and SERS .....	105
• A. 6516 to H. B. 2690, P. N. 3695, Second Class (Allegheny) County Employees' Retirement System .....	111

## Part II. Public Employee Retirement System Administration ..... 115

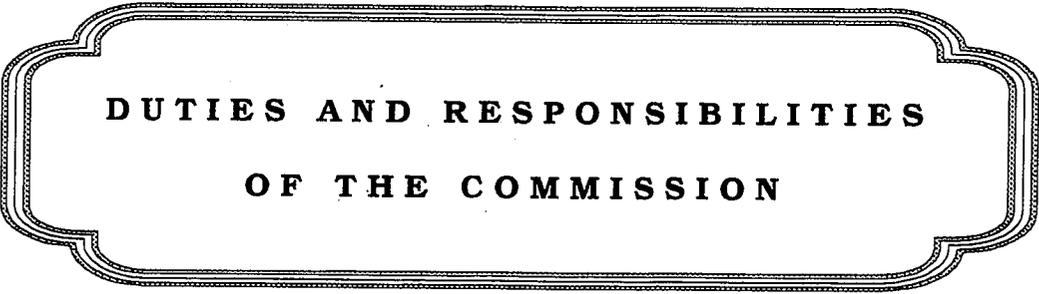
### A. Administration of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) ..... 115

### B. Administration of Act 293 of 1972 ..... 116

**TABLE OF CONTENTS**  
(Cont'd)

<b>Part III. Public Employee Retirement System Policy Development and Coordination .....</b>	<b>117</b>
<b>A. Statutory Provisions .....</b>	<b>117</b>
<b>B. Research .....</b>	<b>117</b>
<b>C. Statewide Public Employee Retirement System Reviews .....</b>	<b>118</b>
• Public School Employes' Retirement System Actuarial Valuation Review .....	119
• State Employes' Retirement System Actuarial Valuation Review .....	124
<b>APPENDICES .....</b>	<b>129</b>
<b>A. Advisory Committees and Actuarial Services .....</b>	<b>131</b>
<b>B. Legislative Procedures .....</b>	<b>133</b>
<b>C. By-Laws .....</b>	<b>135</b>
<b>D. 1995-96 Sessions Listing of Bills Regarding Public Employee Retirement Issues .....</b>	<b>139</b>
<b>E. Concise Index to Actuarial Notes .....</b>	<b>181</b>





**DUTIES AND RESPONSIBILITIES  
OF THE COMMISSION**



# PART I

## PREPARATION OF ACTUARIAL NOTES AND ADVISORY NOTES

---

---

### A. STATUTORY PROVISIONS.

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

*Section 6. Powers and duties.*

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

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

*Section 7. Actuarial notes.*

- (a) Note required for bills. - Except as otherwise provided in subsection (f)(1), no bill proposing any change relative to a public employee pension or retirement plan shall be given second consideration in either House of the General Assembly, until the commission has attached an actuarial note prepared by an enrolled pension actuary which shall include a reliable estimate of the cost and actuarial effect of the proposed change in any such pension or retirement system.*
- (b) Note required for amendments. - Except as otherwise provided in subsection (f)(2), no amendment to any bill concerning any public employee pension or retirement plan shall be considered by either House of the General Assembly until an actuarial note prepared by an enrolled pension actuary has been attached.*
- (c) Preparation of note. - The commission shall select an enrolled pension actuary to prepare an actuarial note which shall include a reliable estimate of the financial and actuarial effect of the proposed change in any such pension or retirement system.*
- (d) Contents of a note. - The actuarial note shall be factual, and shall, if possible, provide a reliable estimate of both the immediate cost and effect of the bill and, if determinable or reasonably foreseeable, the long-range actuarial cost and effect of the measure.*
- (e) Notes for proposed constitutional amendments. - The commission shall issue an actuarial note, prepared by an enrolled pension actuary, for any joint resolution proposing an amendment to the Constitution of Pennsylvania which initially passes either House of the General Assembly. If said joint resolution is subsequently amended and passes either House of the General Assembly, a new actuarial note shall be prepared.*

The requirement that an actuarial note be attached to public employee pension and retirement bills prior to their second consideration in either house of the General Assembly was a modification of the legislative process. In response to this statutory mandate to prepare the required actuarial notes, the Commission and the leaders of the General Assembly developed and implemented legislative procedures. The standardization of these procedures makes it easier to expeditiously and efficiently provide the required actuarial information to the General Assembly. The procedures clarify the manner of attaching actuarial notes to bills, including floor amended bills and bills in the possession of the House and Senate Appropriations Committees upon the request of the chairman. The procedures also clarify the availability of the Commission's staff to provide technical assistance to members of the General Assembly on matters relating to public employee retirement system design, financing, and administration. The legislative procedures also provide for the preparation of advisory notes in response to requests from 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 1996 ACTIVITY.**

During 1996, the Commission authorized the attachment of twenty-seven actuarial notes to eighteen bills and eleven amendments. In addition, the Commission's staff provided the General Assembly with eight advisory notes.

## **C. SYNOPSES OF ADVISORY NOTES.**

- Senate Bill 1093, Printer's Number 1226. At the request of Senator Robert J. Mellow, Senate Democratic Floor Leader, the Commission staff provided an Advisory Note on Senate Bill 1093, Printer's Number 1226, on December 20, 1996. The bill, retroactive to December 1, 1989, would have amended section 5907(j) of the State Employees' Retirement Code to provide that, if a member has nominated a contingent beneficiary, the contingent beneficiary automatically becomes the beneficiary upon the death of the original beneficiary or survivor annuitant until the member nominates a new beneficiary or survivor annuitant.
- House Bill 2025, Printer's Number 2514. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 2025, Printer's Number 2514, on March 4, 1996. The bill would have amended the Special Ad Hoc Municipal Police and Firefighter Post-retirement Adjustment Act (Act 147 of 1988) to grant, continue, and increase special ad hoc postretirement adjustments to certain retired municipal firefighters and police officers retroactive to the first municipal pension payment in 1996, with the retiree adjustments being paid for out of the proceeds of the premium tax on casualty insurance sold in Pennsylvania by out-of-state insurance companies.

- House Bill 2109, Printer's Number 2640. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 2109, Printer's Number 2640, on February 27, 1996. The bill would have amended the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) to grant special ad hoc postretirement adjustments retroactively to certain survivor spouses of retired municipal firefighters and police officers, with the cost of reimbursing municipalities for making the survivor spouse adjustments being paid out of the General Fund of the Commonwealth 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.
- House Bill 2109, Printer's Number 2640, as amended by Amendment 1927. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 2109, Printer's Number 2640, as amended by Amendment 1927, on April 22, 1996. The bill would have amended the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) to grant special ad hoc postretirement adjustments beginning January 1, 1997, to certain survivor spouses of retired municipal firefighters and police officers, with the cost of reimbursing municipalities for making the survivor spouse adjustments being paid out of the General Fund of the Commonwealth 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.
- House Bill 2120, Printer's Number 2654. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 2120, Printer's Number 2654, on April 26, 1996. The bill would have amended the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) to grant, continue, and increase special ad hoc postretirement adjustments to certain retired municipal firefighters and police officers retroactive to the first municipal pension payment in 1996, with the retiree adjustments being paid for out of the proceeds of the premium tax on casualty insurance sold in Pennsylvania by out-of-state insurance companies.
- House Bill 2399, Printer's Number 3123. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 2399, Printer's Number 3123, on May 13, 1996. The bill would have amended Act 293 of 1972 by changing references to the Department of Community Affairs to references to the Public Employee Retirement Commission and defining actuarial valuation report to be one that complies with or is substantially equal to the requirements of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984).
- House Bill 2579, Printer's Number 3463. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided

an Advisory Note on House Bill 2579, Printer's Number 3463, on May 20, 1996. The bill amended the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) to remove certain practical problems that have become evident in holding harmless municipalities that have issued debt to fund the unfunded actuarial accrued liabilities in their municipal employee retirement systems.

- House Bill 2937, Printer's Number 4104. At the request of Representative James R. Merry, Chairman, House Local Government Committee, the Commission staff provided an Advisory Note on House Bill 2937, Printer's Number 4104, on November 8, 1996. The bill would have amended the Municipal Police Pension Law (Act 600) by requiring each affected municipality to provide an early retirement benefit that would permit a municipal police officer to retire with at least 20 years of service but before reaching the officer's superannuation retirement date and to receive an actuarially reduced annuity reflecting both the officer's years of actual service in relation to the years of service required to reach the officer's superannuation retirement date and the commencement of the pension benefit before the officer's superannuation retirement date.

#### **D. SYNOPSIS OF ACTUARIAL NOTES.**

A synopsis of each actuarial note containing a summary of each bill, its actuarial costs, and its disposition follows. These synopses are arranged by Senate and House Bill in numerical order. A subject index to the actuarial notes is provided in Appendix E.

---

---

**Bill ID:** Senate Bill 244, Printer's Number 1953

**Systems:** Volunteer Firefighters' Relief Associations

**Subject:** Establishment of Retirement Plans for Volunteer Firefighters

---

SYNOPSIS

---

Senate Bill 244, Printer's Number 1953, would amend the Volunteer Firefighters' Relief Association Act to authorize volunteer firefighters' relief associations to establish a program to provide money purchase deferred benefits (compensation) to volunteer firefighters paid for, at least in part, by money allocated by the Commonwealth from the Foreign Fire Insurance Premium Tax.

---

DISCUSSION

---

The primary purposes of volunteer firefighters' relief associations are to provide financial assistance to ameliorate the conditions of volunteer firefighters and the families of volunteer firefighters who have been injured or killed in the fire service, to reduce the frequency and severity of such injuries and the frequency of such deaths by providing safeguards for volunteer firefighters, and to provide insurance against legal liabilities of volunteer firefighters for losses and expenses from claims arising out of the performance of fire service duties. For these reasons, the associations are regarded as charitable corporations for all purposes including the right to establish exemption from the operation of certain taxes.

The bill authorizes volunteer firefighters' relief associations to establish a program to provide deferred benefits to volunteer firefighters. Under the program, a relief association, usually using the administrative services of an insurance company, bank, or employee benefits administrator, would establish an account for each eligible volunteer firefighter. The relief association would make a contribution each year to the account for each firefighter who maintained eligibility through a defined level of participation in fire company activities. A firefighter's eligibility for the annual contribution would be based on a system of points given for various firefighting, training, and administrative activities associated with the volunteer fire service. A volunteer firefighter would be eligible to begin receiving benefits from the account upon leaving the volunteer fire service and reaching a minimum age of at least 55, as specified by the relief association. The amount payable would be dependent on the amount of money that had accumulated in the account, with interest, during the years of active volunteer fire service. Benefits would be payable either in lump sum or in periodic payments, depending on the options for payment specified in the document governing the plan. Members would be 100 percent vested in the value of their accounts from the time the accounts are established.

Money to provide for the annual contributions to the deferred benefit accounts would come from Commonwealth allocations received each year by relief associations from the tax on premiums for fire insurance sold in Pennsylvania by out-of-state ("foreign") insurance companies. The bill authorizes a relief association to use up to one-half of the allocation received in any year for funding the deferred benefit plan. Where relief associations already have accumulated cash assets, an equal contribution may be made from the cash assets on hand. Each year the relief association would determine the total amount of money to be contributed to the deferred benefit accounts and would allocate that amount

---

## DISCUSSION (CONT'D)

---

among the accounts of eligible members. During the first ten years that the deferred benefit plan is in effect, the formula for allocating the annual contribution to member accounts may, at the option of the relief association, provide for weighted allocations to the accounts of members with past service. After the first ten years, equal contributions are allocated to each eligible member's account.

Since the funding committed to the program is determined each year based on available resources, no multi-year obligation is undertaken. This plan design avoids the potential that future liabilities for either the cost of funding promised benefits or the cost of making contributions at promised levels will exceed the revenue available to volunteer firefighters' relief associations and assures that pension benefit promises by relief associations cannot, in the future, become the obligation of municipal governments or the Commonwealth. In addition, by limiting the portion of the annual foreign fire insurance premium tax allocation that may be spent for the purpose of the deferred benefit plans, the bill assures that some of the relief association's financial resources remain available for the current purposes of providing casualty benefit coverage, health safeguards, and safety devices for volunteer firefighters.

There is no need for additional reporting to the Auditor General or the municipality. Because Commonwealth money is used, the plans will be subject to routine audits by the Auditor General. The proposal, however, does require that an annual statement be prepared and given to each member.

---

## SUMMARY OF ACTUARIAL COST IMPACT

---

Since the funding commitment to the money purchase deferred benefits plan is determined each year based on available resources, no long-term fiscal analysis is possible. The maximum expenditure in 1995 without consideration of the optional match from previously accumulated cash assets, would have been \$21,207,041 or one-half of the total Commonwealth allocation for Foreign Fire Insurance Premium Tax to the volunteer firefighters' relief associations.

---

## POLICY CONSIDERATIONS

---

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

Single Year Financial Obligations. (+) Since the funding commitment to the proposed program is determined and fully funded each year, no multi-year obligation is undertaken. Multi-year funding obligations may not be appropriate for volunteer firefighters' relief associations that have both variable revenues and unpredictable levels of expenditures required to maintain existing programs. The proposed program's plan design accommodates the need for discretionary annual funding by permitting an individual volunteer firefighters' relief association to determine the resources available to finance its deferred benefit plan each year and setting the liability to the deferred benefit plan equal to the annual funding determinations.

Simplified Reporting Requirements. (+) The nature of the program's plan design eliminates the need for any actuarial reporting requirements and the associated costs, although the use of Commonwealth money will be subject to routine audits by the Auditor General.

Prior Service Recognition. (+) Unlike the typical defined contribution plan, the program established by the bill provides for weighted allocations in recognition of past service, if the relief association wishes to recognize prior service.

---

POLICY CONSIDERATIONS (CONT'D)

---

Administrative Simplicity. (+) The simplicity of the proposed program's administration and its general understandability make it particularly appropriate for volunteer firefighters' relief associations.

Inequity in Benefits and Coverage. (-) The wide variation in retirement benefits permitted under the bill is likely to produce inequitable benefit levels among volunteer fire companies in close proximity. Because membership in the volunteer fire company with the highest retirement benefits will be elected more often, the inequity in retirement benefits authorized by the bill may diminish interest in membership in some volunteer fire companies and exacerbate recruitment and retention efforts. The bill does not address situations where one volunteer firefighters' relief association serves the members of multiple volunteer fire companies and one or more of the volunteer fire companies elect not to participate in the retirement plan.

Multiplicity of Plans. (-) By authorizing each volunteer firefighters' relief association to establish a pension plan, the bill creates the potential for an additional 2,000 public pension plans in Pennsylvania. The further decentralization of public pension plans in the Commonwealth may be questionable from a public pension policy standpoint.

---

COMMISSION RECOMMENDATION

---

On May 8, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

Senate Bill 244, Printer's Number 1953, was re-referred to the Senate Appropriations Committee on May 8, 1996.

---

---

**Bill ID:** Senate Bill 388, Printer's Number 401  
**System:** All Municipal Firefighters' and Police Officers' Retirement Systems  
**Subject:** Ad Hoc Postretirement Adjustments

---

SYNOPSIS

---

Senate Bill 388, Printer's Number 401, would amend the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) by amending section 302(c) to require a reduction in the postretirement adjustment under the Act for any subsequent postretirement adjustment received from a municipal retirement system only in a municipality where, as of the most recent actuarial valuation prepared under the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), the actuarial value of aggregated assets as a percentage of the aggregated actuarial accrued liabilities of the municipality's retirement systems is less than 50 percent.

---

DISCUSSION

---

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

In 1988, the General Assembly and the Governor enacted the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act. The Act requires every Pennsylvania municipality that maintains a paid firefighters' or police officers' retirement system that has one or more retired or disabled members to provide a special ad hoc postretirement increase in the pension benefit based on the following formula:

<u>Years on Retirement as of January 1, 1989</u>	<u>Amount of Increase</u>
At least 5 but less than 10	\$ 25 per month
Less than 10 and fully disabled	\$ 50 per month
At least 10 but less than 20	\$ 75 per month
20 or more	\$ 150 per month

The Act requires that the specified postretirement adjustments be funded by the applicable municipalities on an actuarial basis with the actual benefit payments reimbursed by the Commonwealth on a pay-as-you-go basis using a portion of the funds derived from the proceeds of the Commonwealth tax imposed on casualty insurance sold in Pennsylvania by out of state ("foreign") insurance companies, with the remainder of the proceeds continuing to be used for General Municipal Pension System StateAid. In effect, the funding for the program reduces the general state aid available for allocation to municipalities to offset their employee pension costs.

---

DISCUSSION (CONT'D)

---

Under section 302(c) of the Act, postretirement adjustments granted in the future by municipalities are to be offset against the special postretirement adjustments imposed by the Act. Section 302(c) reflects the fact that the Commonwealth-mandated postretirement adjustments were enacted in response to situations where no postretirement adjustments were granted by local governments. When local governments enact postretirement adjustments, the provision serves to proportionately reduce the state imposed postretirement adjustments, enhancing local control. Section 302(c) further functions to reduce the funding needed for the Commonwealth reimbursements of the Commonwealth-mandated postretirement adjustment payments more rapidly than otherwise would occur. Section 302(c) also functions to avoid compounding postretirement adjustments provided to retired firefighters and police officers, particularly in those cases where local governments have implemented automatic postretirement adjustments, some of which are at 100 percent of the increase in the consumer price index. It is section 302(c) that the bill amends.

Section 302(c) provides that any postretirement adjustment granted to a retired firefighter or retired police officer by a municipality after February 12, 1989, reduces the Commonwealth-mandated postretirement adjustment and the Commonwealth reimbursement dollar for dollar. Thus, a retiree receives no municipal pension increase until the municipality has granted postretirement adjustments totalling more than the Commonwealth-mandated postretirement adjustment. The provision, in effect, provides a disincentive for municipalities to grant postretirement adjustments and an incentive for retirees to lobby the General Assembly for further Commonwealth-mandated postretirement adjustments.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

Elimination of the postretirement adjustment offset provisions will not have any direct cost impact on the individual municipalities implementing postretirement adjustments. However, the elimination of the offset provisions of section 302(c) of the Act will remove the disincentive for local governments to grant additional postretirement adjustments because of the reduction in the reimbursement for the Commonwealth mandated postretirement adjustments.

The cost of any ad hoc postretirement adjustment granted will vary substantially from municipality to municipality depending upon the average retirement age, the number of retired members, and the average length of time during which these individuals have been retired. The aggregate cost of these adjustments is not presently measurable because the specific provisions for each municipality electing to grant an adjustment have not been adopted. Before adopting any such postretirement adjustment, the chief administrative officer of the municipal employee retirement system must provide a cost estimate to the governing body under section 305 of the Municipal Pension Plan Funding Standard and Recovery Act.

The Commonwealth provides reimbursements to municipalities for the Commonwealth-mandated postretirement adjustment payments. The higher than expected Commonwealth reimbursements in future years will defer full restoration of funding to the General Municipal Pension System State Aid Program. Under the bill, these reimbursements will not be reduced as rapidly as in the past. The history of these payments to date is as follows:

1990 Commonwealth Reimbursement	\$8,536,986.96
1991 Commonwealth Reimbursement	\$7,754,888.94
1992 Commonwealth Reimbursement	\$7,366,275.94
1993 Commonwealth Reimbursement	\$6,925,867.57
1994 Commonwealth Reimbursement	\$6,477,425.95
1995 Commonwealth Reimbursement	\$6,136,171.87

---

POLICY CONSIDERATIONS

---

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

Potential for Compounding Cost-of-Living Adjustments. (-) Section 302(c) functions to avoid compounding cost-of-living adjustments in those cases where local governments implement cost-of-living adjustments, some of which are at 100 percent of the increase in the consumer price index. Elimination of section 302(c) would permit the simultaneous payment of State and local postretirement adjustments for the same period with no offset.

Financially Distressed Retirement Systems. (+) About 11 percent of the 295 municipalities that are paying the Commonwealth-mandated postretirement adjustments have retirement systems where, in the aggregate, the actuarial value of assets is less than one-half of the actuarial value of liabilities, which means that the retirement systems have less than fifty cents for every one dollar they have committed to their members. By restricting the section 302(c) modifications in the amount of postretirement adjustments to these financially distressed retirement systems, the bill retains a disincentive for these systems to increase their unfunded actuarial accrued liabilities to provide postretirement adjustments.

Return to Local Control. ( ) Elimination of the effect of section 302(c) in certain municipalities will serve as an incentive for those municipalities and their employees to deal with postretirement adjustments at the local level through the collective bargaining process. Since the same conditions existed prior to the adoption of the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, there is a likelihood, however, that retirees dissatisfied with the results of the collective bargaining process will again lobby the General Assembly for Commonwealth-mandated and funded postretirement adjustments.

Reduction of State Pension Aid. (-) The proposal would result in a reduction in the foreign casualty insurance premium tax receipts that would be available through the General Municipal Pension System State Aid to municipalities to offset their employee pension costs.

Needed Clarification. (-) There is a need to clarify that the bill is to be applied prospectively. A proposed amendment to the bill to clarify the prospective application is attached.

---

COMMISSION RECOMMENDATION

---

On May 8, 1996, the Commission voted to attach the actuarial note to the bill recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 2030, Senate Bill 388 passed the Senate on June 11, 1996, and was referred to the House Local Government Committee on June 13, 1996.

---

---

**Bill ID:** Amendment 0561 to Senate Bill 633, Printer's Number 657

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

**Subject:** Removal of Statutory Limits on Cost-of-Living Adjustments  
to Police Officers Who Have Been Retired 20 or More Years

---

SYNOPSIS

---

Amendment 0561 to Senate Bill 633, Printer's Number 657, would amend the Municipal Police Pension Law (Act 600) to exempt cost-of-living increases granted to retired police officers who have been retired 20 years or more from the limits established in the act, if the assets of the police officers' pension trust fund exceed the present value of future benefits.

---

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. As of January 1, 1993, there were about 855 municipal police officers' retirement systems operating under the Municipal Police Pension Law. Of the 855 systems, about 277 (32.4%) had assets in excess of the present value of future benefits and, therefore, could use the provisions of the amendment to give members retired 20 or more years postretirement adjustments that exceed the statutory limits.

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.

In addition to the monthly pension, the municipality may pay a length of service increment to a retiree for each completed year of service beyond 25 years, not to exceed \$100 a month in additional benefit. 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, cannot cause the total police pension to exceed 75 percent of the salary used for computing the retiree's pension, and may not exceed 30 percent.

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that initially was payable at retirement. The increase usually is made at some time after the retirement benefit is commenced. Postretirement adjustments may be granted for a number of reasons, but the most common is to increase retirement pay to reflect some of the increase in the cost of living since the individual retired. The decision to pay a postretirement adjustment generally is made either by the governing body of the retirement system or by the governing body of the governmental entity that established and maintains the public employee retirement system.

---

DISCUSSION (CONT'D)

---

Under the amendment, section 5 of the Municipal Police Pension Law would be amended to provide that cost-of-living increases granted to retired police officers who have been receiving benefits for 20 years or more may exceed the statutory limits for cost-of-living increases, if the assets of the police officers' pension trust fund exceed the present value of future benefits. The three limits (the Consumer Price Index, 75 percent of salary, and 30 percent) would remain in effect for a retired police officer who has been receiving benefits for less than 20 years.

If the Municipal Police Pension Law is amended to permit pensions, including postretirement adjustments, to exceed 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 postretirement adjustment that added to the base pension exceeds 75 percent of final average salary, a retiree could receive a total retirement income from the retirement system plus Social Security equalling or exceeding 100 percent of the retiree's final average salary. However, since the standard of living may significantly change over 20 years or more and, thereby, erode the relative value of the final average salary, the provision of this level of benefits may be determined to be appropriate in instances of long term retirees.

The completely permissive nature of the amendment leaves certain matters of postretirement adjustment design to each municipality. Adjustments could either be ad hoc or automatic. Certain other design issues are not provided for clearly. For example: Is an adjustment limited to the extent that the cost of the adjustment cannot result in the present value of future benefits exceeding the actuarial value of assets?

Municipal Police Pension law retirement systems are considered to be qualified pension plans under section 401(a) of the Internal Revenue Code. Qualified status brings important benefits for the systems, the most important of which is that the members are not taxed each year on the retirement benefits they earn as public safety employees. The tax liability is deferred until the employees retire, when they are taxed on the annual income from the retirement system. Under sections 401(a)(16) and 415 of the Internal Revenue Code, if the total benefits from a retirement system exceed \$10,000 a year, the retirement system cannot provide benefits in excess of 100 percent of the retiree's average compensation as an active member for the retiree's high three years without jeopardizing the system's qualification. Although the consulting actuary of the Commission assumed that this limit would not be violated in granting postretirement adjustments, the bill does not provide any limit to protect municipalities from inadvertent violations of the Internal Revenue Code.

If the holding of the Commonwealth Court in *Borough of Nazareth v. Nazareth Borough Police Association* [161 Pa. Commw. Ct. 354, 636 A.2d 1289, alloc. granted, 539 Pa. 659, 651 A.2d 545 (1994)] regarding the compensation to be used in calculating the retirement benefit (compensation is all W-2 earnings) is upheld by the Supreme Court, pension benefits will be increased and there will be material increases in actuarial accrued liabilities in all police officers' retirement systems operating under the Municipal Police Pension Law and a corresponding decrease in the number of systems capable of increasing pensions under the proposed amendment.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

Using data contained in the January 1, 1993, actuarial valuation reports filed with the Public Employee Retirement Commission, the Commission has identified 277 police officers' retirement systems in which the actuarial value of assets exceeded the actuarial present value of benefits. The consulting actuary of the Commission assumed that after 20 years of retirement, retired members would be eligible for a four percent annual postretirement adjustment and no retroactive adjustments

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

would be made for the period between the year in which the retired member received the last postretirement adjustment and the completion of 20 years of retirement. The consulting actuary further assumed that no postretirement adjustments would be granted that would cause the total retirement benefits to exceed 100 percent of the retiree's average compensation as an active member for the retiree's high three years.

The amendment would result in an increase in aggregate actuarial accrued liabilities ranging from \$0 to \$3,700,000. If the amendment is adopted but no municipality increases the postretirement adjustments above the currently specified limits, there will be no cost impact. If, however, all municipalities amend the police officer pension plans to provide postretirement adjustments in excess of the current statutory limits, there will be an increase in aggregate actuarial accrued liabilities and normal costs. Because the proposal is permissive and the actual changes cannot be known in advance, the actual increase is unknown but obviously will be more than \$0 but less than \$3,700,000.

	<u>Amount</u>	
Potential Statewide Increase in Actuarial Accrued Liabilities	\$3,700,000	
	<u>Amount</u>	<u>As a % of Class Payroll</u>
Potential Statewide Increase in Employer Normal Costs *	\$ 130,000	0.34%

\*Where the actuarial value of assets of the pension plan exceeds the actuarial present value of future benefits after the postretirement adjustments have been granted, the Municipal Pension Plan Funding Standard and Recovery Act does not require the normal costs to be contributed.

---

POLICY CONSIDERATIONS

---

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

Permissive Legislation. (+) The amendment authorizes municipalities to exceed the statutory limits for cost-of-living increases they grant to retired police officers who have been receiving benefits for 20 or more years, if the assets of the police officers' pension trust fund exceed the present value of future benefits. 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.

Impact of Arbitration on Optional Implementation. ( ) Because pension benefits of police officers are subject to collective bargaining under the Policemen and Firemen Collective Bargaining Act (Act 111), a board of arbitration could require a municipality to increase postretirement adjustments above the currently specified limits.

Flexibility in Benefit Design. (+) Because the limits on the optional cost-of-living benefits under Act 600 may prevent a municipality from maintaining the standard of living for its retired police officers in instances of extended periods of retirement, the amendment provides municipalities with the potential to address a legitimate pension benefit need.

---

POLICY CONSIDERATIONS (CONT'D)

---

Variation in Eligibility Standard. (-) The circumstances under which the proposed benefit change may be implemented are based on actuarial calculations at one point in time. Because of the dynamic situation of retirement systems, the funded condition of a municipal retirement system may satisfy the eligibility standard for implementing the proposed benefit change one year and fail to satisfy it the next year.

Disparity in Retirement Benefits. (-) Police officers in boroughs, towns, and townships now are covered by one standard pension plan with minor optional variations in benefits. Under the amendment, police officers could be covered either by the standard pension plan or by any number of possible postretirement adjustment provisions. The disparity created in retirement benefits for similarly situated employees may produce requests from members of other police officers' retirement systems to amend the Municipal Police Pension Law to lower or remove the eligibility standard restricting access to the increased benefits permitted under the amendment.

Technical Deficiency. (-) To prevent inadvertent violations of sections 401(a)(16) and 415 of the Internal Revenue Code, the amendment should be amended to prohibit granting cost-of-living adjustments that would cause the total benefits from a police officers' retirement system to exceed 100 percent of the retiree's average compensation as an active member for the retiree's high three years. Language making this change is attached.

---

COMMISSION RECOMMENDATION

---

On March 13, 1996, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 1913, Senate Bill 633 was signed into law by the Governor as Act 1996 — 33 on May 10, 1996.

---

---

**Bill ID:** Amendment 0604 to Senate Bill 633, Printer's Number 657

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

**Subject:** Portability of Service Credits in Certain Situations  
where a Police Force is Disbanded

---

SYNOPSIS

---

Amendment 0604 to Senate Bill 633, Printer's Number 657, would amend section 4 of the Municipal Police Pension Law (Act 600) to permit a municipality that agrees, under the Intergovernmental Cooperation Law, to provide police services to a municipality that has disbanded its police force to amend its police officers' pension plan to give service credit in its police officers' retirement system to a police officer of the police force that was disbanded who is employed after December 31, 1994, and within six months of the disbandment. The credited service would be equal to the total time served by the police officer as a full-time member of the disbanded police force. The amendment also permits the transfer of assets from the police officers' pension trust fund of the disbanded police force to the police officers' pension trust fund of the police force providing police services to the disbanding municipality if the amount of the assets transferred does not exceed the actuarial accrued liability for the service credit transferred.

---

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 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 officers' retirement system under the Municipal Police Pension Law. As of January 1, 1993, there were about 855 municipal police officers' retirement systems operating 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.

In addition to the monthly pension, the municipality may pay a length of service increment to a retiree for each completed year of service beyond 25 years, not to exceed \$100 a month in additional benefit. 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, cannot cause the total police pension to exceed 75 percent of the salary used for computing the retiree's pension, and may not exceed 30 percent.

In its December 1992 *Special Report: Study of the Current Structure of Local Government Retirement Systems and Recommended Establishment of a Statewide Retirement System*, the Public Employee Retirement Commission identified the lack of pension portability as one of the most frequently cited weaknesses of the current structure of local government retirement systems in Pennsylvania.

---

## DISCUSSION (CONT'D)

---

Generally, portability refers to the ability of an employee to transfer pension rights from one pension plan to another in conjunction with a change in employment. The labor market works most efficiently and to the greatest advantage of both employees and employers when workers are free to move from job to job. Impediments to the free movement of labor, such as the lack of pension portability, make recruitment of qualified employees for positions above the entry level more difficult for employers. In addition, these impediments restrict individual employees in the development of their full career potentials by making job mobility less feasible. Particularly suited to the public sector because of the numerous common functions of state and local governments, pension portability responds to both employer recruitment and employee mobility needs. Because of the obvious advantages afforded by the free movement of government personnel, the reason for the absence of pension portability in Pennsylvania's local government retirement system is significant.

As the best solution to this and many other problems, the Commission recommended that a statewide retirement system for local government employees be implemented. The proposed system includes statewide portability of service credits for state and local government service. Enabling legislation to implement a statewide local government retirement system will be introduced into the General Assembly soon.

The amendment permits portability only in a very restricted set of circumstances in which the employees have been forced to seek new employment because their old employer has gone out of the business of providing police service with its own police force. Under these circumstances, the employing municipality probably would be employing additional police officers anyway and the dissolving municipality would be disposing of the assets of its police officers' pension trust. Thus, in the normal course of events, both municipalities would be taking certain administrative actions regarding their police officers' retirement systems.

---

## SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Public Employee Retirement Commission reports that there will be no actuarial cost to the police officers' retirement system of the employing municipality at the time of transfer of service credits if the assets transferred from the police officers' pension trust fund of the disbanding municipality equal the actuarial accrued liability of the service credits granted to the transferring police officer. They also report that, if the value of the assets transferred is less than the actuarial accrued liability, there will be an actuarial cost; however, the employing municipality would know of the cost before it makes the decision to amend its police officers' pension plan to permit the service credit transfers.

---

## POLICY CONSIDERATIONS

---

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

Permissive Legislation. (+) The amendment authorizes municipalities to grant service credits and to transfer assets of police officers' pension trust fund only in situations where one police force has been disbanded and another police force now provides the police services. 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.

---

POLICY CONSIDERATIONS (CONT'D)

---

Timely Resolution of Employment Issues. (+) When there is a lengthy interval between the disbandment and contracting for a governmental function and the consideration of the granting of service credits for the past service of the affected employees, a burden is placed on the policymakers to reconstruct the circumstances of the disbandment and contracting. Ideally, at the time that any disbandment and contracting for a governmental function is considered, the public employees' pension plan coverage and other employment issues impacting on the affected employees should be resolved concurrently with the action affecting the disbandment and contracting. The amendment provides for this by limiting the transfer of service credit to those individuals employed within six months of the disbandment and permitting the transfer of service credits and assets to be covered in the intermunicipal agreement.

Piecemeal Approach to Retirement Benefit Portability. (-) The use of transfer of service credit authorizations as a substitute for a portability mechanism inherently results in inequitable treatment among public employees, with those having greater access to policymakers or presenting their cases more vigorously being more likely to have their past service recognized and forcing policymakers to make arbitrary judgements concerning which types of service should be permitted to be transportable among public employee retirement systems and which should not. Adoption of the Commission's recommended statewide retirement system would provide a comprehensive solution to the problems of retirement benefit portability.

---

COMMISSION RECOMMENDATION

---

On March 13, 1996, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 1913, Senate Bill 633 was signed into law by the Governor as Act 1996—33 on May 10, 1996.

---

---

**Bill ID:** Senate Bill 1044, Printer's Number 1154

**System:** State Employees' Retirement System

**Subject:** Employer Contribution Rate for Members of TIAA/CREF  
and Purchase of Service Credit for Service with Lincoln University,  
University of Pittsburgh, or Temple University

---

SYNOPSIS

---

Senate Bill 1044, Printer's Number 1154, would amend the State Employees' Retirement Code to:

Permit an employer contribution rate of 10.52 percent for members of an independent retirement system;

Direct the Public Employee Retirement Commission to study and recommend a new rate no later than December 31, 1999, and every five years thereafter; and

Permit an academic administrator, teacher, or instructor employed by the State System of Higher Education to purchase service credit for up to ten years of nonstate service as an academic administrator, teacher, or instructor at Lincoln University, the University of Pittsburgh, or Temple University, which must be purchased within one year of eligibility and the contribution for which cannot be withdrawn under Option 4.

---

DISCUSSION

---

**Employer Contribution Rate for Members of TIAA/CREF**

In adopting the current State Employees' Retirement Code, the General Assembly and the Governor authorized school employees who have elected membership in an independent retirement program approved by the employer to be exempted from mandatory membership in the State Employees' Retirement System (SERS). The affected employees are employees of the State System of Higher Education, The Pennsylvania State University, or the Department of Education who have chosen the optional retirement coverage. The retirement program that has been approved by the employer to provide this alternative coverage is the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), a defined contribution pension plan.

From the time the alternative retirement coverage was first authorized in 1974, employer contributions on behalf of employees covered by the TIAA/CREF defined contribution plan were limited to the employer normal cost contribution rate for the SERS, a defined benefit pension plan. During the first 13 years of the alternative retirement program, employer contributions based on the actuarially determined employer normal rate for SERS ranged from 6.42 percent of payroll (1985-86) to 7.9 percent of payroll (1980-81). The average contribution rate for the period was 7.08 percent of payroll.

Based on the results of the December 31, 1985, actuarial valuation of SERS, the actuarially calculated employer normal cost rate decreased from 6.42 percent in the prior year to 3.6 percent. This would have resulted in a sharp reduction in the employer contribution rate for the 1986-87 fiscal year for employees covered by the TIAA/CREF program.

Because the TIAA/CREF retirement plan is a defined contribution plan under which the amount of the benefit at retirement will be wholly dependent on the amount of contributions and investment earnings that have accumulated to purchase the benefit, the drastic reduction in the contributions would have had a permanent impact on the ultimate benefit that an employee would receive under the plan. By contrast, the SERS plan is a defined benefit plan under which an employee is entitled to a set benefit. The amount of contributions to the plan serve as a means of pre-funding the expected benefits, are subject to actuarial adjustment if determined to be too much or too little, and do not affect the employee's entitlement to the promised benefit amount.

In response to the sharp reduction in employer normal cost, the General Assembly and the Governor enacted Act 176 of 1986 fixing the employer contribution rate for Fiscal Year 1986-87 at seven percent. In enacting Act 176 of 1986, the General Assembly and the Governor recognized the need to evaluate the current method of setting contribution rates on behalf of employees participating in the optional alternate retirement program. The legislation directed the Public Employee Retirement Commission to "undertake a study to ascertain the most appropriate method to set annual employer contribution rates to optional alternate retirement programs so as to ensure parity between employer contribution rates to the State Employees' Retirement System and alternate employee retirement programs." In March 1987, the Commission issued its report.

In response to the Commission's March 1987 report, the State Employees' Retirement Code was amended by Act 78 of 1987 to set the employer contribution rate at 8.95 percent for all years after Fiscal Year 1986-87 for employees who had elected membership in an independent retirement program approved by the employer. Section 2 of Act 78 of 1987 directed the Commission to study this rate in 1991 and to recommend to the Governor and the General Assembly a revised rate designed to produce parity of contributions between the alternate retirement program and SERS. In October 1991, the Commission issued its report.

In response to the Commission's October 1991 report, the State Employees' Retirement Code was amended by Act 112 of 1992 to set the employer contribution rate at 9.29 percent for all years after Fiscal Year 1991-92 for employees who had elected membership in an independent retirement program approved by the employer. Section 5 of Act 112 of 1992 directed the Commission to study the rate of employer contribution to the alternate retirement program in 1994 and to recommend to the General Assembly and the Governor an employer contribution rate for the period commencing with Fiscal Year 1995-96 designed to produce parity of contributions between an alternate retirement program and SERS. In October 1994, the Commission issued its report. The amendment to section 5301(a)(12) proposed by the bill implements the recommendations contained in the report of the Commission.

#### **Purchase of Service Credit for Nonstate Service**

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

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

The bill would expand the list of purchasable nonstate service only for academic administrators, teachers, or instructors employed by the State System of Higher Education to include nonstate service as an academic administrator, teacher, or instructor at Lincoln University, the University of Pittsburgh, or Temple University. The amount of nonstate service at Lincoln University, the University of Pittsburgh, and Temple University for which service credit may be purchased together with any similar nonstate service as public educators in another state or with the federal government for which service credit is purchased cannot exceed the lesser of ten years or the member's number of years of active service as an academic administrator, teacher, or instructor in the Department of Education, State System of Higher Education, any State-owned educational institution, or The Pennsylvania State University. The member must purchase the service credit within one year of eligibility and the member cannot withdraw the member's purchase contribution under Option 4. The effect of the additional service credit would be to increase a member's SERS annuity by an amount equal to two percent of the member's final average salary for every year of service credit purchased. (For example, a purchase of ten years of service credit would increase the annuity by 20 percent of the member's final average salary.)

Under section 5505(d) of the State Employees' Retirement Code (Code), the method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed is the member contribution rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service subsequent to the nonstate service applied to the salary of the first year of subsequent Commonwealth service plus interest at the statutory interest rate of four percent. The residual unfunded actuarial accrued liability is funded by the employer through amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period.

In addition to the direct actuarial cost to the Commonwealth for the increased SERS benefits under the bill, there may be other retirement benefit costs incurred by the Commonwealth. By purchasing service credit in SERS for nonstate service, a member either may become eligible for other postretirement benefits sooner than otherwise or may achieve retirement eligibility when the member could not otherwise do so.

Since 1965, 1966, and 1972, under the Temple University — Commonwealth Act, the University of Pittsburgh — Commonwealth Act, and the Lincoln University — Commonwealth Act, Temple University, the University of Pittsburgh, and Lincoln University have been considered to be instrumentalities of the Commonwealth serving as state-related institutions in the Commonwealth system of higher education. When a member of SERS attempted to purchase service credit in the Public School Employees' Retirement System (PSERS) and in SERS for her service at the University of Pittsburgh prior to the adoption of the University of Pittsburgh — Commonwealth Act, both systems denied her request. In upholding the systems on appeal, the Commonwealth Court of Pennsylvania found that the University "is neither a State-owned educational institution nor a community college," that the University was a private institution prior to the adoption of the University of Pittsburgh — Commonwealth Act, that "employees of the University prior to the passage of the University of

---

DISCUSSION (CONT'D)

---

Pittsburgh — Commonwealth Act are clearly not entitled to purchase PSERS retirement credits for such employment,” and held that “employees of the University are not State employees for purposes of the SER Code” and that the member “was properly denied the opportunity to purchase retirement credits pursuant to the PSER Code. [*Troz v. State Employees' Retirement Board*, 90 Pa. Commw. Ct. 388, 495A.2d 650 (1985).] The bill would permit purchase of service credit for such service as nonstate service.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

**Employer Contribution Rate for Members of TIAA/CREF**

The estimated financial impact on the Commonwealth and other employers is based on the difference between 10.52 percent, the rate proposed in the bill, and 9.29 percent, the rate established by statute, and on the 1994 demographic data furnished to the Commission by the employers.

	<b>Reported Number of Affected Employees</b>	<b>Reported Payroll of Affected Employees</b>	<b>Cost Difference Between 9.29% and 10.52% Rates (1.23%)</b>
The Pennsylvania State University	8,548	\$312,909,493	\$3,848,787
State System of Higher Education	3,043	142,362,688	1,751,061
Department of Education	<u>44</u>	<u>1,846,823</u>	<u>22,716</u>
Total:	11,635	\$457,119,004	\$5,622,564

**Purchase of Service Credit for Nonstate Service**

Because there is no information available on how many members will be eligible to purchase this service credit, how much service credit they will be eligible to purchase, or the extent to which they would utilize this opportunity, the actuarial cost cannot be estimated.

The statutory method for calculating the member contributions to purchase the service credit for nonstate service will result in the members paying about 52 percent to about 126 percent of the full actuarial cost of the increased benefit acquired through the purchase of service credit. The age and normal contribution at the time of employment determine the percentage of the cost paid by the members. The following chart provides the estimated percentages of the cost paid by members at various entry ages and normal cost rates.

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

<b>Current Age</b>	<b>Current Service with SERS</b>	<b>Normal Contribution Rate = 3.60%</b>	<b>Normal Contribution Rate = 7.00%</b>	<b>Normal Contribution Rate = 10.73%</b>
35	1	86%	107%	126%
50	1	67%	88%	108%
45	10	55%	76%	99%
50	10	52%	73%	95%

The consulting actuary of the Commission estimated the increases in unfunded actuarial accrued liability for a range of possible eligible employees due to these possible purchases based on an average salary of \$46,700, average past salary growth of six percent, a Commonwealth normal contribution rate of seven percent at the time of entry, and the assumption that members would not purchase service if their cost would exceed the actuarial cost of the increased benefit.

<b>Number of Eligible Members who Purchase Service</b>	<b>Estimated Increase in Unfunded Actuarial Accrued Liability</b>
25	\$ 300,000
50	\$ 600,000
100	\$1,100,000

On an ongoing bases, that is, in the second and later years after the bill is passed and effective, the consulting actuary estimates that, if ten members become eligible and elect the option each year, the unfunded actuarial accrued liability will increase about \$100,000 a year.

---

POLICY CONSIDERATIONS

---

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

**Employer Contribution Rate for Members of TIAA/CREF**

Bill Consistent with Commission Recommendations. (+) The proposed amendments to section 5301(a)(12) contained in the bill are consistent with the recommendations set forth in the October 1994 report of the Commission on the *Rate of Employer Contribution for the Alternate Retirement Program*.

Proposed Rate Reflects Value of Certain other SERS Benefits. (+) The 10.52 percent rate proposed in the bill reflects the approximate value of periodic postretirement adjustments typically granted to SERS members as well as the values of disability benefits and death benefits.

**Purchase of Service Credit for Nonstate Service**

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 service purchases. In part, the bill conforms to and, in part, the bill does not conform to the recommendations in this report concerned with authorizing, funding, and structuring service purchases.

*Inequity of Certain Service Purchase Authorizations.* The Commission recommended that service purchase authorizations not be employed as a means of recognizing 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 conventional role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to service for the public employer. 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 Credit of Service with a Formerly Private and Now State-related Institution.* 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. The bill would permit certain SERS members to purchase credit for nonstate service as an employee of a formerly private and now state-related institution. Other SERS members could not purchase service credit for service with these formerly private now state-related institutions. For the Commonwealth, the service credit authorization would represent permission to purchase credit for service with a formerly private and now state-related institution, an institution that enjoyed an actuarial gain when the member terminated service or will enjoy an actuarial gain when the employee surrenders retirement system rights in order to purchase this service credit in SERS, while the Commonwealth will suffer an actuarial loss in permitting the purchase unless the bill is amended to require an employee to pay the full actuarial cost.

*Adequacy of Purchase Payments.* The statutory method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed will result in many members paying less than the full actuarial cost of the increased benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of SERS and increased amortization payments by the Commonwealth calculated as a level percentage of payroll increasing five percent a year over a 20-year period. A service purchase transaction that favors a member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity. If the bill were to be amended to require payment by a member of the full actuarial cost of the increased benefit obtained by virtue of the purchase, as was done with members who had been temporary federal employees assigned to an air quality control complement of the Department of Environmental Resources, there would be no actuarial cost to the Commonwealth.

*Cost Effective Technical Provisions.* For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that, in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee costs attributable to the purchased

---

POLICY CONSIDERATIONS (CONT'D)

---

service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. The bill conforms to these recommendations by requiring exercise of the service credit purchase option within one year of eligibility and prohibiting withdrawal of the purchase contribution under Option 4.

*Equal Treatment of Out-of-State Public Educator and State-related Educator Service. (+)* Public educator members of SERS currently are able to purchase credit for service as public educator in another state or with the federal government. The bill would treat service with a formerly private and now state-related institution in an identical manner.

*Unequal Treatment of SERS Public Educator Members. (-)* The bill does not treat all similarly situated SERS public educator members equally. The purchase option is restricted just to public educators in the State System of Higher Education and does not include public educators in the Department of Education and The Pennsylvania State University, who can purchase service credit for out of state public education service.

*Precedent for Similar Requests. (-)* The bill would initiate a public pension policy in the Commonwealth by allowing service credits for service in a formerly private now state-related institution to be purchased. The bill may serve as a precedent for other SERS members with previous formerly private now state-related institution service to request the option to purchase service credit for that nonstate service.

*Private Non State-related Institution. ( )* The bill does not distinguish between previous service at Lincoln University, the University of Pittsburgh, and Temple University when they were private institutions and when they were state-related institutions.

---

COMMISSION RECOMMENDATION

---

On March 13, 1996, the Commission voted to attach the actuarial notes to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

Senate Bill 1044, Printer's Number 1154, was re-referred to the Senate Appropriations Committee on February 12, 1996.

---

---

**Bill ID:** Senate Bill 1193, Printer's Number 1390

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

**Subject:** Permitting Vestees Who Have Fewer Than 25 Years of Service  
to Retire Upon Attaining the Age of 60

---

SYNOPSIS

---

Senate Bill 1193, Printer's Number 1390, would amend section 5 of the Municipal Police Pension Law (Act 600) to require that a vestee with less than 25 years of service be permitted to retire at age 60 with a proportional retirement benefit rather than being required to wait until what would have been the vestee's superannuation retirement date.

---

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 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 officers' retirement system under the Municipal Police Pension Law. As of January 1, 1993, there were about 855 municipal police officers' retirement systems operating 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.

In the ordinance or resolution that creates the police pension plan, the local government may provide for vesting retirement benefits. Under the authorized provisions, a police officer who completes 12 years of total service and ceases to be a full-time police officer of the local government before reaching the required superannuation retirement age and service may vest his retirement benefits, provided that the officer files a written notice of intention to vest with the local government's governing body. When the vestee reaches what would have been the superannuation retirement date, had the vestee continued in full-time police service with the local government, the retirement system pays the vestee a partial superannuation retirement allowance. The partial superannuation retirement allowance is proportionate to the number of years actually worked, as compared to the superannuation retirement years, and is calculated using the monthly average salary during the appropriate period prior to termination of employment.

The bill would permit a vestee with less than 25 years of service to retire at age 60 with a proportional retirement benefit rather than being required to wait until what would have been the vestee's superannuation retirement date. The bill accommodates those police officers who enter the police pension plan in mid life, terminate police service, and vest their retirement benefits. Under the current provisions, the payment of the vested pension benefit commences when the member would have completed 25 years of service. In the case of a police officer hired at age 48 who works 12 years and

---

DISCUSSION (CONT'D)

---

vests his retirement benefit at age 60, the payment of the retirement benefits does not commence until the vestee is 73 years of age. The bill would permit the payments to commence at age 60. The bill as drafted, however, disadvantages vestees with less than 25 years of service who would have completed 25 years of service prior to reaching age 60. Under the bill, these vestees would have to wait until they reach age 60 before being eligible to receive their vested pension benefits. The intent of the bill can be achieved without this reduction of benefits by removing the less than 25 years of service restriction and granting the proportionate retirement benefits to any vestee upon attaining the age of 60 years or the date that would have been the vestee's superannuation retirement date, whichever is earlier.

Under the bill, all vestees not reaching their superannuation retirement date before age 60 would receive the specified proportional benefit at age 60. For example, two vestees, each with 15 years of service, who otherwise would have had to reach their superannuation dates, one at age 65 and one at age 70, would both be eligible to receive the same proportional benefit (15/25 x normal pension) at age 60. Although both vestees would receive the same benefit, the vestee who would have received retirement benefits at age 70 will receive a retirement benefit of greater value because of the fact that his benefit is commencing ten years earlier, while the other vestee's benefit is commencing only five years earlier. The inequity could be addressed by providing for the vested pension benefits paid to police officers with less than 25 years of service at age 60 to be actuarially equivalent to the vested pension benefits that would have been payable on the police officers' superannuation retirement dates. The provision of actuarially equivalent vested pension benefits would also function to eliminate the costs to be incurred under the current provisions of the bill, while permitting the intended early payment of vested pension benefits.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Commission estimates that the statewide increase in the aggregate actuarial accrued liabilities and the statewide increase in the aggregate normal costs that would result with passage of the bill to be less than one percent.

	<u>Amount</u>	
	<u>Amount</u>	<u>As a % of Class Payroll</u>
Maximum Potential Statewide Increase in Actuarial Accrued Liabilities	\$9,111,000	
Maximum Potential Statewide Increase in Employer Normal Costs	\$ 348,000	0.14%

In the aggregate, the increase in cost is not substantial due to the small percentage of individuals who would be affected by this change. For any individual municipal police pension plan, however, the cost increase incurred due to the bill's passage could be substantial if a large percentage of the plan participants were hired after age 35.

The increase in the value of the pension benefit payable to an individual member, or the total cost of the benefit increase, is a function of the period of time between attainment of age 60 and the member's

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

superannuation retirement age. Using a seven percent interest rate assumption and mortality based upon the GA1983 Mortality Table, the consulting actuary estimates that the increase in the present value of a member's benefit, if the member begins receiving payments upon attainment of age 60, would be as follows:

<u>Superannuation Retirement Age</u>	<u>Increase in Present Value of Benefit</u>
61	10%
62	22%
63	35%
64	50%
65	67%
66	86%
67	108%
68	134%
69	164%
70	199%
71	239%
72	287%
73	344%

The chart on the preceding page indicates that the present value of the benefit provided under the bill (the cost) increases as the superannuation retirement age increases beyond age 60. (For a member hired at age 48, the present value of the benefit (the cost) would be quadrupled, if the member works 12 years, retires, and begins receiving the vested pension benefit at age 60 rather than at his superannuation retirement age of 73.)

---

POLICY CONSIDERATIONS

---

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

Retirement Benefits for Vesteers at a Traditional Retirement Age. (+) The bill accommodates those vesteers with less than 25 years of service who enter the police pension plan in mid life and terminate police service and vest but whose 25 years of service will not be completed until after an age greater than 60 by permitting them to begin receiving their police pensions at age 60.

Reduction of Benefits. (-) The bill disadvantages vesteers who have 25 or more years of service, who, under the bill, would have to wait until they reach age 60 rather than receiving their pensions upon reaching age 55 (or 50) as they now may under the Law. A more equitable approach would be to remove the less than 25 years of service restriction and grant the proportionate retirement to any vestee upon attaining the age of 60 years or the date that would have been the vestee's superannuation retirement date, whichever is earlier. A proposed amendment to the bill to effect this more equitable approach is attached.

Inequitable Treatment of Vesteers. (-) The bill would provide progressively greater benefits to vesteers with later superannuation retirement dates. Providing for all vested pension benefits to be paid as actuarially equivalent benefits would address the inequity and eliminate the costs to be incurred in permitting commencement of the vested pension benefit at age 60. Draft language to effect the provision of actuarially equivalent vested pension benefits is attached.

---

COMMISSION RECOMMENDATION

---

On April 10, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified in the actuarial note transmittal and the remedial amendment proposed to make the bill more equitable.

---

FINAL LEGISLATIVE STATUS

---

Senate Bill 1193, Printer's Number 1390, was referred to the Senate Local Government Committee on August 16, 1995.

---

---

**Bill ID:** Senate Bill 1233, Printer's Number 1440

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

**Subject:** Requiring Individuals Considered to be School Employees by the IRS  
for Federal Withholding Tax Purposes to be Members of PSERS

---

SYNOPSIS

---

Senate Bill 1233, Printer's Number 1440, would amend section 8102 of the Public School Employees' Retirement Code to:

Expand the definition of salaried employee to include an individual who is compensated on an annual wage based upon performance; and

Require the Public School Employees' Retirement Board, in determining who is a school employee and, therefore, required to be a member of the Public School Employees' Retirement System, to adopt the determination of the Internal Revenue Service as to the status of the individual as an employee, independent contractor, or a person compensated on a fee basis.

---

DISCUSSION

---

By statute, the General Assembly and the Governor have specified who must be, who may be, and who cannot be members of many of the public employee retirement systems in Pennsylvania. For example, under the Public School Employees' Retirement Code (Code) almost all school employees are required to be members of the Public School Employees' Retirement System (PSERS) while individuals who are independent contractors for local education agencies or compensated on a fee basis by local education agencies cannot be members of PSERS. Whether an individual is a school employee, independent contractor, or compensated on a fee basis has been a matter of Pennsylvania law. The bill would amend the Code to require the Public School Employees' Retirement Board to ignore the Pennsylvania law and the public pension policy decisions of the General Assembly and the Governor and to compel any individual who is determined to be a school employee by the Internal Revenue Service (IRS) to become a member of PSERS regardless of their status under Pennsylvania law.

Membership in PSERS, and by implication, all other Pennsylvania public employee retirement systems, no longer would be restricted to those individuals specifically identified by the General Assembly and the Governor as required to be, permitted to be, or prohibited from being members. Instead any individual who is determined to be an employee for purposes of the federal income tax under the Internal Revenue Code or for purposes of Social Security under the Internal Revenue Code and the Social Security Act or both purposes, as enacted by Congress and interpreted by the IRS, automatically would have to be members of PSERS.

Neither PSERS nor the Public Employee Retirement Commission know who all would be included in the expanded definitions. The number is thought to be in the thousands and possibly could include elected tax collectors, the staffs of elected tax collectors, elected school district assessors, individuals compensated on a fee basis, independent contractors, and appointed solicitors of school districts

receiving an annual retainer. In each instance, an additional cost will be imposed upon the local education agency in return for no additional goods or services, and the individual will receive an increase in economic compensation in return for providing no additional goods or services.

In interpreting the Internal Revenue Code and the Social Security Act, the IRS imposes a different, more stringent test regarding who is an employee, independent contractor, or compensated on a fee basis than do the laws of many states, including Pennsylvania. One such situation involves elected tax collectors in Pennsylvania. Elected tax collectors have been considered to be compensated on a fee basis or as independent contractors responsible for their own retirement and other benefits. In cities, the treasurer also is the tax collector and is a member of the city nonuniformed employees' retirement system. In boroughs and townships, elected tax collectors cannot be members of the municipal nonuniformed employees' retirement system because they are independent officials compensated on a fee basis. In certain municipalities who are members of the Pennsylvania Municipal Retirement System (PMRS), an elected tax collector could be a member of the nonuniformed employees' retirement system. Under Pennsylvania law elected tax collectors should remit the gross tax collections to the taxing jurisdiction and then be paid their compensation by the taxing jurisdiction. Apparently, in some situations, only the net of taxes collected was being remitted and, in others, the tax collectors were failing to remit quarterly estimated taxes to the IRS. In any event, the IRS has ruled that, generally speaking, elected tax collectors in Pennsylvania are school employees for purposes of withholding taxes for the federal income tax and Social Security. If nothing else, this insures the IRS of timely withholding and remitting of federal income and Social Security taxes and insures the federal government of more revenue for Social Security than if these individuals were treated as independent contractors. Not all school districts agree or comply with this ruling, and at least some municipalities have received IRS rulings to the contrary regarding their elected tax collectors when collecting municipal taxes.

As drafted, the bill leaves unanswered some important Public School Employees' Retirement Code issues. Are elected tax collectors automatically to be considered full-time employees or are the usual criteria in the Code to be followed? If the usual criteria are followed, how can a school district determine what hours its elected tax collector actually works? The IRS and the Code use different definitions of compensation to calculate total compensation upon which the pension is based and total compensation subject to federal income and Social Security taxes. School districts, counties, and municipalities use a number of methods to compensate their elected tax collectors. These include commission, salary, per bill, salary and commission, salary and per bill, and per bill and commission. Under the bill, what is the elected tax collector's compensation?

As drafted, the bill leaves unanswered a number of important public employee retirement issues. If an elected tax collector is an employee of the school district when collecting school district taxes, is the elected tax collector a county employee when collecting county taxes, and a borough or township employee when collecting municipal taxes? If so, must the elected tax collector be a member of the county and the municipal nonuniformed employees' retirement system or must the county and municipality make employer contributions to PSERS? If elected tax collectors are municipal employees when collecting municipal taxes and required to be members of the municipal employees' retirement system, what happens when there is no municipal nonuniformed employees' retirement system? Will city treasurers serving as tax collectors in cities and individuals collecting taxes in home rule municipalities that have abolished the office of elected tax collectors, who are employees of the cities or municipalities and members of the city of municipal nonuniformed employees' retirement systems, be covered by the changed definition? If so, what happens to their property and contract rights in their city or municipal nonuniformed employees' retirement system? What happens to the property and contract rights that an elected tax collector may have in a municipal nonuniformed employees' retirement system administered by PMRS? What is the status of an elected tax collector who has "resigned" from collecting school taxes but continues to collect county and municipal taxes?

---

SUMMARY OF ACTUARIAL COST IMPACT

---

Because the number individuals covered by the bill and their compensation is not known, the Commission cannot provide an actuarial cost estimate for the entire bill.

The consulting actuary of the Commission was able to provide an estimate for elected tax collectors, based upon 1991 data on 482 tax collectors serving 93 school districts in ten counties in central and eastern Pennsylvania provided by the Central Division of the Pennsylvania Economy League, on selected revenue data for 1993-94 provided by the Department of Education, and the assumption that individuals collecting taxes in home rule municipalities which have abolished the office of elected tax collector and in cities were not covered by the bill. The consulting actuary has provided the following estimate of the actuarial cost of the bill for coverage of elected school tax collectors, assuming the coverage is prospective only.

**Estimated Actuarial Cost for Elected School Tax Collectors Only**

	<u>Range of Increase</u>	
Increase in Unfunded Actuarial Accrued Liability	\$ 0	- \$ 0

	<u>Range of Costs</u>	<u>Range As a % of Class Payroll</u>
Employer Cost *		
Normal Cost	\$450,000 - \$750,000	3.0% - 5.0%
Amortization Payment	<u>0</u> - <u>0</u>	<u>0.0%</u> - <u>0.0%</u>
Total Employer Cost	\$450,000 - \$750,000	3.0% - 5.0%

\* Paid in part by the Commonwealth and in part by the school districts and other educational employers.

---

POLICY CONSIDERATIONS

---

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

**Abandonment of Public Employee Pension Policy Making.** (-) Under the bill, the General Assembly and the Governor would abandon their right to determine who must be, may be, and cannot be members of PSERS and instead allow this public employee pension policy determination to be made by an agency of the federal government.

**Vague Definition.** (-) The definition of school employee provided by the bill is vague and would force the Public School Employees' Retirement Board to consider thousands of affected individuals on a case by case basis depending upon one or more specific IRS rulings for each individual. This will add administrative complexity to PSERS administration of the Code. If only elected tax collectors and their employees are intended to be required to be members of PSERS, the bill should be so amended.

---

POLICY CONSIDERATIONS (CONT'D)

---

Unequal Treatment of Similarly Situated Individuals. (-) Individuals holding the same elected or appointed position under Pennsylvania law will be treated differently depending upon IRS rulings. For example, certain elected tax collectors have been held to be school employees when collecting school district taxes while others are not so considered or have been held not to be municipal employees when collecting municipal taxes.

Unfunded Mandate. (-) The bill mandates local education agencies to contribute to PSERS for affected individuals without providing the local education agencies with any additional goods or services from the individuals and with the Commonwealth only reimbursing school districts about one-half of the additional cost. If the bill also means that elected tax collectors, for example, also are county and municipal employees and must be members of county and municipal nonuniformed employees' retirement systems, the additional employer costs will be borne entirely by the counties and the municipalities.

Complications in Obtaining Goods and Services. (-) If local education agencies obtain goods and services from independent contractors and individuals compensated on a fee basis and if the IRS holds these individuals to be employees for purposes of federal tax withholding, the local education agency now only must remit certain employer taxes, any unremitted employee taxes, and perhaps pay a penalty to the IRS. Under the bill, an additional problem is created because local education agencies also would have to make retroactive and future employer contributions to PSERS.

Eligibility for Other Employee Benefits. (-) Membership in PSERS confers the right to certain postretirement medical insurance assistance in addition to the PSERS pension. By making these individuals school employees under the Code, a precedent is set for making these individuals eligible for all other employee benefits provided by the local education agency.

Drafting Ambiguities. (-) The bill creates numerous unresolved problems under the Code and for Pennsylvania public employee retirement systems in general that should be resolved before the bill receives further legislative consideration.

Imprecision of Actuarial Cost Estimate. (-) The actuarial cost estimate is limited by the fact that data were not available on the elected tax collectors or the potentially large group of individuals, other than elected tax collectors, that could be covered by the proposal and by the fact that the method employed relied on statewide averages, which may distort the conclusions reached.

---

COMMISSION RECOMMENDATION

---

On March 13, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider both the numerous and complex administrative problems that the bill would create and the other policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

Senate Bill 1233, Printer's Number 1440, was re-referred to the Senate Appropriations Committee on December 4, 1995.

---

---

**Bill ID:** Senate Bill 1304, Printer's Number 1579

**System:** State Employees' Retirement System

**Subject:** Purchase of Service Credit for Service with Any Other State

---

SYNOPSIS

---

Senate Bill 1304, Printer's Number 1579, would amend section 5304(c) of the State Employees' Retirement Code to permit active and multiple service members to purchase service credit in the State Employees' Retirement System for nonstate service as an employee of state government in any state other than the Commonwealth.

---

DISCUSSION

---

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

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

The bill would expand the list of purchasable nonstate service to include service as an employee of state government in any state other than the Commonwealth. A member cannot purchase more nonstate service than the member has credited State service. The effect of the additional service credit would be to increase a member's SERS annuity by an amount equal to two percent of the member's final average salary for every year of service credit purchased. (For example, a purchase of 15 years of service credit would increase the annuity by 30 percent of the member's final average salary.)

Under section 5505(d) of the State Employees' Retirement Code (Code), the method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed is the member contribution rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service subsequent to the nonstate service applied to the salary of the first year of subsequent Commonwealth service plus interest at the statutory interest rate of four

---

DISCUSSION (CONT'D)

---

percent. The residual unfunded actuarial accrued liability is funded by the employer through amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period.

In addition to the direct actuarial cost to the Commonwealth for the increased SERS benefits under the bill, there may be other retirement benefit costs incurred by the Commonwealth. By purchasing service credit in SERS for nonstate service, a member either may become eligible for other postretirement benefits sooner than otherwise or may achieve eligibility when the member could not otherwise do so.

Under the Code, a member under age 60 must have 35 years of service credit to retire and receive a full pension. Until July 1, 1997, when the current early retirement window terminates, a member with 30 years of service credit may retire and receive a full pension regardless of age. The bill, therefore, would permit a 52 year old member with 15 years of Commonwealth service to purchase 15 years of service credit for nonstate service in another state government and immediately retire with a full pension, although the member would not be eligible for full retirement under standard Code provisions.

Under certain current Executive Board actions and collective bargaining agreements, total years of service credit in SERS are used to determine eligibility for some retirement benefits that are not provided for in the Code. (Examples include payment by the Commonwealth to the employee at retirement for a portion of earned, unused sick leave and full payment by the Commonwealth throughout retirement for the retiree's medical insurance.) For example, a 46 year old member with 12½ years of Commonwealth service could purchase 12½ years of service credit for nonstate service in another state government and immediately terminate service and receive Commonwealth fully paid medical insurance for life.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

Because there is no information available on how many members will be eligible to purchase this service credit, how much service credit they will be eligible to purchase, or the extent to which they would utilize this opportunity, the actuarial cost cannot be estimated.

The statutory method for calculating the member contributions to purchase the service credit for nonstate service will result in the members paying only about 20 percent to 65 percent of the full actuarial cost of the increased benefit acquired through the purchase of service credit. The age and normal contribution at the time of employment determine the percentage of the cost paid by the members. The following chart provides the estimated percentages of the cost paid by members at various entry ages and normal cost rates.

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

**Estimated Percentage of Full Actuarial Cost Paid by Member**

<u>Age at Entry into Service</u>	<u>Normal Contribution Rate = 3.60%</u>	<u>Normal Contribution Rate = 7.00%</u>	<u>Normal Contribution Rate = 10.73%</u>
25	23%	31%	40%
30	25%	34%	43%
35	27%	37%	47%
40	30%	40%	51%
45	32%	44%	55%
50	35%	47%	60%
55	38%	52%	65%

One example would be a 45 year old member whose current compensation is about \$33,000 a year and who was employed 20 years ago at a compensation of about \$10,290 a year when the employee contribution rate was five percent and the employer normal cost contribution rate was seven percent. The member would be charged about \$2,700 for every year of service credit for nonstate service with another state while the real cost of the increased benefit will be about \$8,700.

Another example would be a 43 year old member whose current compensation is about \$32,000 a year and who was employed 13 years ago at a compensation of about \$15,000 a year when the employee contribution rate was five percent and the employer normal cost contribution rate was about eight percent. The member would be charged about \$3,200 for every year of service credit for nonstate service with another state while the real cost of the increased benefit will be about \$8,900.

If the contribution provisions were to require payment of the full actuarial cost of the increased benefit obtained by virtue of the purchase, as was done with members who had been temporary federal employees assigned to an air quality control complement of the Department of Environmental Resources, there will be no material actuarial cost to the Commonwealth, although there might be other retirement related costs.

---

POLICY CONSIDERATIONS

---

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

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

Inequity of Certain Service Purchase Authorizations. The Commission recommended that service purchase authorizations not be employed as a means of recognizing 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 conventional role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to

service for the public employer. 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 Credit of Service with Another State.* 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. The bill would permit certain SERS members to purchase credit only for nonstate service as an employee of state government in any state other than the Commonwealth. Other SERS members could not purchase service credit for other public employment in other states. For the Commonwealth, the service credit authorization would represent permission to purchase credit for service with another state, a state that enjoyed an actuarial gain when the member terminated service or will enjoy an actuarial gain when the employee surrenders retirement system rights in order to purchase this service credit in SERS, while the Commonwealth will suffer an actuarial loss in permitting the purchase unless the bill is amended to require an employee to pay the full actuarial cost.

*Adequacy of Purchase Payments.* The statutory method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed will result in a member paying less than the full actuarial cost of the increased benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of SERS and increased amortization payments by the Commonwealth calculated as a level percentage of payroll increasing five percent a year over a 20-year period. A service purchase transaction that favors a member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity. If the bill were to be amended to require payment by a member of the full actuarial cost of the increased benefit obtained by virtue of the purchase, as was done with members who had been temporary federal employees assigned to an air quality control complement of the Department of Environmental Resources, there would be no actuarial cost to the Commonwealth.

*Cost Effective Technical Provisions.* For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that, in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee costs attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. Unless the bill is amended to limit the time within which a member must exercise the purchase option and to exclude the purchase payment from Option 4 lump sum withdrawal, it will enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal. The absence of both a limitation on the time that the purchase option is available and a restriction on withdrawal of the purchase amount under Option 4 will increase the cost to SERS associated with the authorization to purchase credit for this nonstate service.

---

POLICY CONSIDERATIONS (CONT'D)

---

Unequal Treatment of SERS Members. (-) The bill does not treat all similarly situated SERS members equally. The purchase option is restricted just to service in another state government rather than including other public employment in other states.

Precedent for Similar Requests. (-) The bill would initiate a public pension policy in the Commonwealth by allowing service credits for service in another state government to be purchased. The bill may serve as a precedent for other SERS members with previous public employment service in other states, or within Pennsylvania, to request the option to purchase service credit for that nonstate service. There is no apparent policy rationale for the Commonwealth to permit service credit purchases for service rendered to other states.

Documentation Problems. (-) In the case of state service taking place many years prior to the purchase, a member applying to purchase the state service credit, the other state, and SERS may encounter difficulty in demonstrating that the service was rendered.

Exclusion from Early Retirement Provisions. () In order to prevent an increase in the unfunded actuarial accrued liability of SERS caused by the use of the service credit purchased under this bill to qualify for an early retirement program, the General Assembly may wish to add an additional restriction to proposed section 5304(c)(9) prohibiting the use of the service credit purchased under this bill to qualify for a temporary early retirement window or incentive.

---

COMMISSION RECOMMENDATION

---

On February 14, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor give the bill no further consideration, in view of the very serious concerns raised by the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

Senate Bill 1304, Printer's Number 1579, was referred to the Senate Finance Committee on November 15, 1995.

---

---

**Bill ID:** Senate Bill 1307, Printer's Number 1587, and  
Amendment 6527 to House Bill 168, Printer's Number 3374

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

**Subject:** Purchase of Service Credit for Service with the  
State System of Higher Education, the Pennsylvania State University,  
Temple University, Lincoln University, or the University of Pittsburgh

---

SYNOPSIS

---

Senate Bill 1307, Printer's Number 1587, and Amendment 6527 to House Bill 168, Printer's Number 3374, would amend the Public School Employees' Retirement Code to permit an active or multiple service member to purchase service credit for up to 12 years of "nonschool service" as an academic administrator, teacher, or instructor employed by the State System of Higher Education, The Pennsylvania State University, Lincoln University, the University of Pittsburgh, or Temple University.

---

DISCUSSION

---

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

Active and multiple service members of the Public School Employees' 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; service as a county nurse; time spent on a mandatory maternity leave of absence; and service in the Cadet Nurse Corps during World War II.

The bill and the amendment would expand the list of purchasable nonschool service to include nonschool service as an academic administrator, teacher, or instructor employed by the State System of Higher Education, The Pennsylvania State University, Lincoln University, the University of Pittsburgh, or Temple University. The amount of nonschool service for which service credit could be purchased would be at least one year and could not exceed the lesser of 12 years or the member's number of years of school service in PSERS. The member could not withdraw the member's purchase contribution under Option 4. The effect of the additional service credit would be to increase a member's PSERS annuity by an amount equal to two percent of the member's final average salary for every year of service credit purchased. (For example, a purchase of 12 years of service credit would increase the annuity by 24 percent of the member's final average salary.)

---

DISCUSSION (CONT'D)

---

Under section 8324(d) of the Public School Employees' Retirement Code (Code), the method for calculating the member contributions to purchase each year of service credit for nonschool service when no other method is prescribed is the member contribution rate plus the employer normal contribution rate at the time of entry into school service subsequent to the nonschool service applied to the salary of the first year of subsequent school service plus interest at the statutory interest rate of four percent. The residual unfunded actuarial accrued liability is funded by the employer through amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period.

In addition to the direct actuarial cost to the employers and the Commonwealth for the increased PSERS benefits under the bill and the amendment, there may be other ancillary retirement benefit costs incurred by the employers or the Commonwealth or both. By purchasing service credit in PSERS for nonschool service, a member either may become eligible for other ancillary postretirement benefits sooner than otherwise or may achieve retirement eligibility when the member could not otherwise do so.

Under section 8304(a) of the Code, a member may not purchase credit for nonschool service if the member is entitled to receive, eligible to receive now or in the future, or is receiving retirement benefits for the service under a retirement system administered and wholly or partially paid for by any other governmental agency, any private employer, or an independent retirement system approved by the employer. A multiple service member is an individual who has elected to combine credited service in both PSERS and SERS. Almost all employees of the State System of Higher Education and of The Pennsylvania State University must be members of PSERS, SERS, or an independent retirement program approved by the employer. Most members of PSERS who were employed as public educators by either the State System of Higher Education or The Pennsylvania State University, therefore, either already have credit for this service in PSERS or will be precluded from purchasing credit for this service because of their vested status in SERS or in the independent retirement program. The only service purchase being authorized under the bill and the amendment for previous service with the State System of Higher Education or The Pennsylvania State University is for PSERS members who previously were employed in either institution, who terminated employment without vesting, and who did not elect to become multiple service members of PSERS.

Since 1965, 1966, and 1972, under the Temple University—Commonwealth Act, the University of Pittsburgh—Commonwealth Act, and the Lincoln University—Commonwealth Act, Temple University, the University of Pittsburgh, and Lincoln University have been considered to be instrumentalities of the Commonwealth serving as state-related institutions in the Commonwealth system of higher education. When a member of the State Employees' Retirement System (SERS) attempted to purchase service credit in PSERS and in SERS for her service at the University of Pittsburgh prior to the adoption of the University of Pittsburgh—Commonwealth Act, both systems denied her request. In upholding the systems on appeal, the Commonwealth Court of Pennsylvania found that the University "is neither a State-owned educational institution nor a community college," that the University was a private institution prior to the adoption of the University of Pittsburgh—Commonwealth Act, that "employees of the University prior to the passage of the University of Pittsburgh—Commonwealth Act are clearly not entitled to purchase PSERS retirement credits for such employment," and held that "employees of the University are not State employees for purposes of the SERS Code" and that the member "was properly denied the opportunity to purchase retirement credits pursuant to the PSERS Code. [*Troz v. State Employees' Retirement Board*, 90 Pa. Commw. Ct. 388, 495 A.2d 650 (1985).] The bill and the amendment would permit purchase of service credit for such service as nonschool service, without regard to the points in time when the institutions became state-related.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The statutory method for calculating the member contributions to purchase the service credit for nonschool service will result in the members paying from about 21 percent to about 81 percent of the full actuarial cost of the increased benefit acquired through the purchase of service credit. The age and normal contribution at the time of employment determine the percentage of the cost paid by the members.

Because there is no information on the exact number of members eligible, the consulting actuary of the Commission estimated the increases in unfunded actuarial accrued liability for a range of possible eligible employees due to these possible purchases based on an average of three years of credit being purchased, an average salary of \$46,700, average past salary growth of six percent, and an employer normal contribution rate of 7.80 percent at the time of entry.

<b>Number of Eligible Members who Purchase Service</b>	<b>Estimated Increase in Unfunded Actuarial Accrued Liability</b>
25	\$ 300,000
50	\$ 700,000
100	\$1,400,000

In subsequent years after the bill or the amendment is passed and effective, the consulting actuary estimates that, if ten members become eligible and elect the option each year, the unfunded actuarial accrued liability will increase about \$100,000 a year.

---

POLICY CONSIDERATIONS

---

In reviewing the bill and 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 service purchases. In part, the bill and the amendment conform to and, in part, they do not conform to the recommendations in this report concerned with authorizing, funding, and structuring service purchases.

*Inequity of Certain Service Purchase Authorizations.* The Commission recommended that service purchase authorizations not be employed as a means of recognizing 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 conventional role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to service for the public employer. 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 Credit for Service with a State Owned or State-related Institutions and with a Formerly Private and Now State-related Institution.* 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. The bill and the amendment would permit PSERS members to purchase credit both for nonschool service as an employee of a state owned or state-related institution and a formerly private and now state-related institution. For the employers and Commonwealth, the service credit authorization would represent permission to purchase credit for service with a formerly private and now state-related institution, an institution that enjoyed an actuarial gain when the member terminated service or will enjoy an actuarial gain when the employee surrenders retirement system rights in order to purchase this service credit in PSERS, while the employers and the Commonwealth will suffer an actuarial loss in permitting the purchase.

*Adequacy of Purchase Payments.* The statutory method for calculating the member contributions to purchase service credit for nonschool service when no other method is prescribed will result in many members paying less than the full actuarial cost of the increased benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of PSERS and increased amortization payments by the employers calculated as a level percentage of payroll increasing five percent a year over a 20-year period. A service purchase transaction that favors a member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity. If the bill or the amendment were to be amended to require payment by a member of the full actuarial cost of the increased benefit obtained by virtue of the purchase, there would be no actuarial cost to the Commonwealth.

*Cost Effective Technical Provisions.* For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that, in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee costs attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. Neither the bill nor the amendment conforms to one of these recommendations because an eligible member may defer making the purchase until retirement. They do conform to one of these recommendations by prohibiting withdrawal of the purchase contribution under Option 4.

Equal Treatment of Out-of-State and In-state Public Educator Service. (+) Members of PSERS currently are able to purchase credit for service as public educator in another state or with the federal government. The bill and the amendment would authorize the purchase of service credit either with a State owned or a state-related or with a formerly private and now state-related institution and, thereby, provide the same treatment of public educator service without respect to where it was rendered.

---

POLICY CONSIDERATIONS (CONT'D)

---

Precedent for Similar Requests. (-) The bill and the amendment do not distinguish between previous service at Lincoln University, the University of Pittsburgh, and Temple University when they were private institutions and after they became state-related institutions. The authorization to purchase credit for service rendered to these institutions when they were private may serve as a precedent for requests for the option to purchase credit for service in private educational institutions.

---

COMMISSION RECOMMENDATION

---

On November 13, 1996, the Commission voted to attach the actuarial note to the bill and the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

Senate Bill 1307, Printer's Number 1587, was referred to the Senate Finance Committee on November 21, 1995.

---

---

**Bill ID:** Senate Bill 1519, Printer's Number 1958

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

**Subject:** Granting Public Safety Employee Retirement Benefits  
to Probation Officers

---

SYNOPSIS

---

Senate Bill 1519, Printer's Number 1958, would amend section 1710(b) of the Second Class County Code to permit an Allegheny County employee who is a probation officer to retire and receive a full retirement allowance at age 55 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 retire voluntarily 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 sheriffs, or prison guards is to retire voluntarily 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 retire voluntarily and receive a normal retirement benefit if the employee has attained age 65 and has at least 20 years of service (or age 60 with at least 20 years of service for those employed before April 14, 1984).

In public employee pension plans, it is common practice 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 a sheriff, deputy sheriff, or prison guard. The Allegheny County employees to be newly included in the special public safety employee benefit are probation officers. The special coverage to be provided would permit a probation officer to retire voluntarily and receive a normal retirement benefit after attaining age 55 with at least 20 years of service, which is five or ten years earlier than under the current provisions depending upon the member's date of employment.

---

**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 Employees' Retirement System, and the State Employees' 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.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$1,074,000	
		<b>As a % of</b>
	<u>Amount</u>	<u>Affected Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 56,000	2.2%
Amortization Payment	98,000	3.8%
Total Increase in Employer Annual Costs	154,000	6.0%

---

**POLICY CONSIDERATIONS**

---

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

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 extend this public safety employee retirement benefit coverage to the probation officers of Allegheny County.

---

**COMMISSION RECOMMENDATION**

---

On November 13, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issue identified above.

---

**FINAL LEGISLATIVE STATUS**

---

Senate Bill 1519, Printer's Number 1958, was referred to the Senate Local Government Committee on May 2, 1996. House Bill 168, Printer's Number 3374, was signed into law by the Governor as Act 1996—167 on December 18, 1996.

---

---

**Bill ID:** House Bill 168, Printer's Number 3374

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

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

---

SYNOPSIS

---

House Bill 168, Printer's Number 3374, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to provide for the payment of a special postretirement adjustment to certain annuitants who have military service that was not considered to be purchasable nonschool or nonstate service at the time of their active service but subsequently was determined to be eligible for purchase based on federal court decisions.

---

DISCUSSION

---

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

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

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

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the unfunded actuarial accrued liability resulting from a special postretirement adjustment such as the one proposed in the bill is funded by amortization payments calculated as a level percentage of

DISCUSSION (CONT'D)

payroll increasing five percent a year over a 20-year period beginning with the July 1 coincident with or next following the effective date of such legislation. A 20-year period is longer than the remaining average retired lifetime of the benefit recipients involved, meaning that a portion of the funding for benefits will be provided after the death of a significant number of the benefit recipients. More prudent pension funding policy would provide for the liabilities of the postretirement adjustment to be amortized over a shorter period, typically ten years, and for the amortization payments to be calculated on a level dollar basis. This funding policy is evident in section 202(b)(4)(iv) of the Municipal Pension Plan Funding Standard and Recovery Act and in Part Two of the March 1984 *Report of the Public Employee Retirement Commission on Postretirement Adjustments*.

SUMMARY OF ACTUARIAL COST IMPACT

	PSERS	SERS	Total
Estimated Number Electing Benefit	200 to 600	100 to 300	300 to 900
	PSERS <sup>1</sup>	SERS	Total
Annual Benefit Payment Increase	\$ 165,000 to \$ 495,000	\$120,000 to \$ 360,000	\$ 285,000 to \$ 855,000
Increase in Unfunded Actuarial Accrued Liability	\$1,100,000 to \$3,300,000	\$685,000 to \$2,055,000	\$1,785,000 to \$5,355,000
Increase in Employer Annual Costs			
Normal Cost	\$ 0 to \$ 0	\$ 0 to \$ 0	\$ 0 to \$ 0
Amortization Payment <sup>2</sup> (First Year)	85,000 to 255,000	55,000 to 165,000	140,000 to 420,000
Total <sup>2</sup>	\$ 85,000 to \$ 255,000	\$ 55,000 to \$165,000	\$ 140,000 to \$ 420,000
First Year Increase in Employer Annual Cost As a Percentage of Payroll	0.0010% to 0.0030%	0.0013% to 0.0039%	0.0011% to 0.0033%
Total Amortization Payments	\$2,810,606 to \$8,431,818	\$1,818,627 to \$5,455,882	\$4,629,233 to \$13,887,700

1. Paid in part by the Commonwealth and in part by the school district or other educational employer.
2. Amortization payments increase five percent a year for 20 years.

---

POLICY CONSIDERATIONS

---

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

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

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

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

Funding Policy. (-) Under both codes, the unfunded actuarial accrued liability resulting from the special postretirement adjustment will be funded by amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period. More prudent pension funding policy would provide for the liabilities to be amortized over a ten year period on a level dollar basis.

---

COMMISSION RECOMMENDATION

---

On May 8, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 168, Printer's Number 3374, was signed into law by the Governor as Act 1996—167 on December 18, 1996.

---

---

**Bill ID:** Amendment 0691 to House Bill 168, Printer's Number 2468

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

**Subject:** Various Amendments

---

**SYNOPSIS**

---

Amendment 0691 to House Bill 168, Printer's Number 2468, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code.

**Both Retirement Codes**

The amendment would amend both retirement codes to:

Permit certain active members who have attained age 55, have completed ten years of service, and retire between December 1, 1996, and July 1, 1997, to receive credit for an additional ten percent of their service without paying any additional member contributions with the resulting increases in unfunded actuarial accrued liabilities funded on a level dollar basis over ten years. The Commission provided a discussion and identified policy considerations of similar proposals in its actuarial note transmittals for Senate Bills 614, and 615, Printer's Numbers 638 and 639, of April 18, 1995.

Permit active and multiple service members to purchase service credit for at least one but not more than five years of previous nonschool and nonstate service as an employee of a Pennsylvania borough, incorporated town, city, county, or township if the member has at least ten years of service in the system, exercises the purchase option within three years of eligibility, makes a purchase contribution to the system of the full actuarial cost of the purchase, and cannot withdraw the purchase contribution under Option 4.

Extend from July 1, 1997, to December 31, 2002, the permission for members who have credit for at least thirty eligibility points, upon termination of service and filing of a proper application, to receive a maximum single life annuity without any reduction by virtue of an effective date of retirement that is under the superannuation age ("30 and Out"). The Commission provided a discussion and identified policy considerations of a similar proposal that made the last extension in the period in its actuarial note transmittal for Amendment 741 to Senate Bill 974, Printer's Number 1779, of March 10, 1994.

Remove the effect of frozen present values upon the pensions of annuitants whose pensions are affected because they were once members of a system, retired and began drawing an annuity, were reemployed for three or more years (becoming active members again resulting in a stopping of their pensions and the freezing of the value of their pensions), and retired and began drawing their pensions again. The Commission provided a discussion and identified policy considerations of a similar proposal for active members in its actuarial note transmittal for Senate Bill 974, Printer's Number 1733, of December 7, 1993.

---

SYNOPSIS (CONT'D)

---

Provide for the payment of a special supplemental postretirement adjustment to certain annuitants who have military service that was not considered to be purchasable nonschool or nonstate service at the time of their active service but subsequently was determined to be eligible for purchase based on federal court decisions. The Commission provided a discussion and identified policy considerations of a similar proposal in its actuarial note transmittal for Amendment 2270 to House Bill 2106, Printer's Number 3220, of June 21, 1994.

Provide for an annual, automatic cost-of-living adjustment indexed to 100 percent of the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware, and Maryland area for the calendar year prior to the effective date of that annual, indexed COLA.

Lengthen the time period available for members to elect multiple service after beginning school or State service from 30 to 365 days, provide that members electing multiple service may pay for any credit to be reinstated or purchased through installment payments, and open a 365-day window for current active members, who have not elected multiple service but have service in both systems, to elect multiple service. The Commission provided a discussion and identified policy considerations of a similar proposal in its actuarial note transmittal for Senate Bill 866, Printer's Number 916, of September 14, 1995.

Prohibit employers who are covered under the Local Government Unit Debt Act and who issue debt to fund their unfunded actuarial accrued liabilities from pledging the proceeds of the debt or the investment income on such proceeds as security for the repayment of the debt or in any way obligating either retirement board to use the assets of either pension trust fund for the repayment of the debt.

### **Public School Employees' Retirement Code**

The amendment would amend the Public School Employees' Retirement Code to:

Permit annuitants 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 stoppage of the annuitant's PSERS annuity and without being subject to either the frozen present value provisions or the forfeiture of any additional service credit early retirement incentive. The Commission provided a discussion and identified policy considerations of a similar proposal in its actuarial note transmittal for House Bill 410, Printer's Number 430, of November 15, 1995.

Permit active and multiple service members to purchase service credit for at least one but not more than five years of previous nonschool service in an accredited nonpublic school or institution of higher education in Pennsylvania at the rate of one year of service credit for every three years of nonschool service if the member was entitled to a Pennsylvania provisional or permanent teaching certificate at the time of the nonpublic service and if the member has at least ten years of service in the system, exercises the purchase option within three years of eligibility, makes a purchase contribution to the system of the full actuarial cost of the purchase, and cannot withdraw the purchase contribution under Option 4. The Commission provided a discussion and identified policy considerations of a somewhat similar proposal in its actuarial note transmittal for Amendment 2965 to House Bill 1238, Printer's Number 1398, of September 14, 1995.

Permit active and multiple service members to purchase service credit for at least one but not more than five years of previous nonschool work experience of the type required for permanent certification as a vocational teacher at the rate of one year of service credit for every three years of nonschool service if the member has at least ten years of service in the system, exercises the purchase option within three years of eligibility, makes a purchase contribution to the system of the full actuarial cost of the purchase, and cannot withdraw the purchase contribution under Option 4. The Commission provided a discussion and identified policy considerations of a somewhat similar proposal in its actuarial note transmittal for House Bill 1500, Printer's Number 1753, of September 14, 1995.

Permit active and multiple service members to purchase service credit for at least one but not more than five years of previous nonschool service as an administrator, teacher, or instructor in any public, American or international school, or any public, American, or international educational institution in any territory or area not under the jurisdiction of the federal government, if the member has at least ten years of service in the system, exercises the purchase option within three years of eligibility, makes a purchase contribution to the system of the full actuarial cost of the purchase, and cannot withdraw the purchase contribution under Option 4.

#### **State Employees' Retirement Code**

The amendment would amend the State Employees' Retirement Code to:

Permit active and multiple service members to purchase service credit for at least one but not more than five years of previous nonstate service as an employee of a governmental agency of any state other than this Commonwealth, if the member has at least ten years of service in the system, exercises the purchase option within three years of eligibility, makes a purchase contribution to the system of the full actuarial cost of the purchase, and cannot withdraw the purchase contribution under Option 4. The Commission provided a discussion and identified policy considerations of a somewhat similar proposal in its actuarial note transmittal for Senate Bill 1304, Printer's Number 1579, of February 14, 1996.

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. The Commission provided a discussion and identified policy considerations of a similar proposal in its actuarial note transmittal for House Bill 1302, Printer's Number 1487, of June 14, 1995.

Expand the definition of enforcement officer to include waterways conservation officers and other commissioned law enforcement personnel empowered 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 Commission provided a discussion and identified policy considerations of a similar proposal in its actuarial note transmittal for House Bill 1302, Printer's Number 1487, of June 14, 1995.

Permit campus police officers to retire at age 50 with their pensions unreduced because of retirement before age 60.

SYNOPSIS (CONT'D)

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 one. The Commission provided a discussion and identified policy considerations of a similar proposal in its actuarial note transmittal for House Bill 483, Printer's Number 503, of June 14, 1995.

SUMMARY OF ACTUARIAL COST IMPACT

**AMENDMENT 0691**

	<b><u>PSERS Amount</u></b>	<b><u>SERS Amount</u></b>	<b><u>Total Amount for Amendment</u></b>
Increase in Unfunded Actuarial Accrued Liability	\$11,656,275,000	\$5,161,069,180	\$16,817,344,180
Increase in Employer Annual Costs			
Normal Cost	\$ 310,340,000	\$ 233,764,526	\$ 544,104,526
Amortization Payment	<u>929,917,500</u>	<u>409,237,731</u>	<u>1,339,155,231</u>
Total	\$ 1,240,257,500	\$ 643,002,257	\$ 1,883,259,757

**Public School Employees' Retirement System**

Ten Percent Service Credit Early Retirement Incentive

	<b><u>Low Utilization</u></b>	<b><u>Moderate Utilization</u></b>	<b><u>High Utilization</u></b>
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	<u>48,000,000</u>	<u>60,200,000</u>	<u>72,400,000</u>
Total Increase in Employer Costs	\$ 48,000,000	\$ 60,200,000	\$ 72,400,000
Total First Year Employer Costs as a Percent of Payroll	0.65%	0.82%	0.98%
Total Amortization Payments	\$480,000,000	\$602,000,000	\$724,000,000

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

Purchase of Credit for Nonschool Local Government Service

Amendment 0691 requires the payment of full actuarial cost and the exercise of the option within three years of eligibility and prohibits withdrawal of the purchase contribution under Option 4. There should be no material actuarial cost to this proposal, but there will be other retirement related costs incurred.

Purchase of Credit for Nonschool Pennsylvania Nonpublic School Service

Amendment 0691 requires the payment of full actuarial cost and the exercise of the option within three years of eligibility and prohibits withdrawal of the purchase contribution under Option 4. There should be no material actuarial cost to this proposal, but there will be other retirement related costs incurred.

Purchase of Credit for Nonschool Vocational Experience

Amendment 0691 requires the payment of full actuarial cost and the exercise of the option within three years of eligibility and prohibits withdrawal of the purchase contribution under Option 4. There should be no material actuarial cost to this proposal, but there will be other retirement related costs incurred.

Purchase of Credit for Nonschool Out-of-State Public Education Service

Amendment 0691 requires the payment of full actuarial cost and the exercise of the option within three years of eligibility and prohibits withdrawal of the purchase contribution under Option 4. There should be no material actuarial cost to this proposal, but there will be other retirement related costs incurred.

Extension of Early ("30 and Out") Retirement Window

	<u>Range of Amounts</u>	
Increase in Unfunded Actuarial Accrued Liability	\$160,000,000 - \$320,000,000	
	<u>Range of Amounts</u>	<u>Range as a % of Payroll</u>
Increase in Employer Annual Costs *		
Normal Cost	\$ 0 - \$ 0	0.00% - 0.00%
Amortization Payment (First year) **	<u>12,000,000</u> - <u>24,000,000</u>	<u>0.16%</u> - <u>0.32%</u>
Total Increase in Employer Costs (First year)	\$12,000,000 - \$24,000,000	0.16% - 0.32%

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

Elimination of the Effect of the Frozen Present Value for Annuitants

Estimate was calculated based on the estimated cost of eliminating the effect of the frozen present value for active members taking into account the number of annuitants and their ages.

	<u>Amount</u>	
Increase in Actuarial Accrued Liability	\$2,475,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 340,000	0.004%
Amortization Payment (First year) **	<u>200,000</u>	<u>0.003%</u>
Total Increase in Employer Annual Costs (First year)	\$ 540,000	0.007%

Special Postretirement Adjustment for Annuitants with  
Certain Unpurchased Military Service

	<u>Range of Amounts</u>	
Increase in Unfunded Actuarial Accrued Liability	\$1,400,000 - \$4,200,000	
	<u>Range of Amounts</u>	
Increase in Employer Annual Costs *		
Normal Cost	\$ 0	- \$ 0
Amortization Payment (First year) **	<u>\$ 109,000</u>	<u>- \$ 326,000</u>
Total Increase in Employer Costs	\$ 109,000	- \$ 326,000
Total Amortization Payments	\$3,604,000	- \$10,780,000

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

COLA Assumption	<u>Annual, Automatic COLA of 100 Percent of CPI-U</u> (Percent of Payroll)					
	3.0%		4.0%		5.0%	
	\$	%	\$	%	\$	%
Increase in Unfunded Actuarial Accrued Liability	\$7,500,000,000		\$11,000,000,000		\$15,000,000,000	
Increase in Employer Costs * Normal Cost	\$ 220,000,000	2.7%	\$ 310,000,000	3.8%	\$ 420,000,000	5.2%
Amortization Payments (First Year) **	590,000,000	7.3%	850,000,000	10.5%	1,150,000,000	14.2%
Total Increase in Employer Costs (First Year) **	\$ 810,000,000	10.0%	\$ 1,160,000,000	14.3%	\$ 1,570,000,000	19.4%

Election and Purchase of Multiple Service Status

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$16,000,000	
	<u>Amount</u>	<u>As a % of Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment (First year) **	<u>1,300,000</u>	<u>0.02%</u>
Total Increase in Employer Annual Costs (First year)	\$1,300,000	0.02%
	<u>Amount</u>	
Total Amortization Payments	\$42,985,740	

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

\*\* Except for the special ten percent service credit early retirement incentive for which amortization payments are assumed to be made on a level dollar basis over a ten year period, amortization payments are assumed to be made on the basis of a level percentage of payroll increasing five percent a year over a 20 year period.

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

**State Employees' Retirement System**

Ten Percent Service Credit Early Retirement Incentive

	<u>Low Utilization</u>	<u>Moderate Utilization</u>	<u>High Utilization</u>
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	<u>14,600,000</u>	<u>18,300,000</u>	<u>21,700,000</u>
Total Increase in Employer Costs	\$ 14,600,000	\$ 18,300,000	\$ 21,700,000
First Year Employer Costs as a Percent of Payroll	0.39%	0.49%	0.58%
Total Amortization Payments	\$146,000,000	\$183,000,000	\$217,000,000

Purchase of Credit for Nonstate Local Government Service

Amendment 0691 requires the payment of full actuarial cost and the exercise of the option within three years of eligibility and prohibits withdrawal of the purchase contribution under Option 4. There should be no material actuarial cost to this proposal, but there will be other retirement related costs incurred.

Purchase of Credit for Nonstate  
Extension of Early ("30 and Out") Retirement Window

	<u>Range of Amounts</u>		
	<u>Range of Amounts</u>		<u>Range as a % of Payroll</u>
Increase in Unfunded Actuarial Accrued Liability	\$ 55,000,000 - \$ 110,000,000		
Increase in Employer Annual Costs *			
Normal Cost	\$ 0 - \$ 0		0.00% - 0.00%
Amortization Payment (First year) **	<u>4,100,000</u> - <u>8,300,000</u>		<u>0.11%</u> - <u>0.22%</u>
Total Increase in Employer Costs	\$4,100,000 - \$8,300,000		0.11% - 0.22%

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

Elimination of the Effect  
of the Frozen Present Value for Annuitants

Estimate was calculated based on the estimated cost of eliminating the effect of the frozen present value for active members taking into account the number of annuitants and their ages.

	<b>Amount</b>	
Increase in Unfunded Actuarial Accrued Liability	\$30,600,000	
	<b>Amount</b>	<b>As a % of Payroll</b>
Increase in Employer Annual Costs		
Normal Cost	\$1,600,000	0.05%
Amortization Payment (First year) **	2,400,000	0.07%
Total Increase in Employer Annual Costs (First year)	\$4,000,000	0.12%

Special Postretirement Adjustment for Annuitants with  
Certain Unpurchased Military Service

	<b>Range of Amounts</b>	
Increase in Unfunded Actuarial Accrued Liability	\$1,100,000 - \$3,300,000	

	<b>Range of Amounts</b>	
Increase in Employer Annual Costs *		
Normal Cost	\$ 0 -	\$ 0
Amortization Payment (First year) **	85,000 -	256,000
Total Increase in Employer Costs	\$85,000 -	\$256,000

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

Annual, Automatic COLA of 100 Percent of CPI-U  
(Percent of Payroll)

COLA Assumption	3.0%		4.0%		5.0%	
	\$	%	\$	%	\$	%
Increase in Unfunded Actuarial Accrued Liability	\$ 3,400,000,000		\$ 4,900,000,000		\$ 6,600,000,000	
Increase in Employer Costs * Normal Cost	\$ 160,000,000	4.0%	\$ 230,000,000	5.8%	\$ 320,000,000	8.0%
Amortization Payments (First Year) **	260,000,000	6.6%	380,000,000	9.5%	520,000,000	12.9%
Total Increase in Employer Costs (First Year) **	\$ 420,000,000	10.6%	\$ 610,000,000	15.3%	\$ 840,000,000	20.9%

Election and Purchase of Multiple Service Status

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$25,000,000	
	<u>Amount</u>	<u>As a % of Class Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 1,900,000	0.045%
Amortization Payment (First year) **	<u>1,900,000</u>	<u>0.045%</u>
Total Increase in Employer Annual Costs (First year)	\$ 3,800,000	0.090%
	<u>Amount</u>	
Total Amortization Payments	\$62,825,312	

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

Game Commission Officers  
of the Pennsylvania Game Commission

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$1,938,182	
	<u>Amount</u>	<u>As a % of Class Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 182,763	2.12%
Amortization Payment (First year) **	<u>156,900</u>	<u>1.82%</u>
Total Increase in Employer Annual Costs (First year)	\$ 339,663	3.94%
	<u>Amount</u>	
Total Amortization Payments	\$5,188,048	

Waterways Conservation Officers  
of the Pennsylvania Fish and Boat Commission

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$1,348,498	
	<u>Amount</u>	<u>As a % of Class Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$ 82,363	2.12%
Amortization Payment (First year) **	<u>103,731</u>	<u>2.67%</u>
Total Increase in Employer Annual Costs (First year)	\$ 186,094	4.79%
	<u>Amount</u>	
Total Amortization Payments	\$3,429,964	

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

Superannuation Retirement at Age 50 for Campus Police

The Public Employee Retirement Commission has been unable to complete its actuarial cost analysis at this time.

Improved Benefit for Philadelphia Municipal Court Bail Commissioners

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$82,500	
		<u>Amount</u> <u>As a % of Class Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	(\$ 600)	(0.20%)
Amortization Payment (First year) **	<u>6,600</u>	<u>2.17%</u>
Total Increase in Employer Annual Costs (First year)	\$ 6,000	1.97%
		<u>Amount</u>
Total Amortization Payments	\$218,235	

\*\* Except for the special ten percent service credit early retirement incentive for which amortization payments are assumed to be made on a level dollar basis over a ten year period, amortization payments are assumed to be made on the basis of a level percentage of payroll increasing five percent a year over a 20 year period.

---

POLICY CONSIDERATIONS

---

Because of the complexity of the amendment, Commission identified policy considerations are not presented in this actuarial note transmittal. As disclosed in the above synopsis, policy considerations associated with the individual proposals are contained in the referenced actuarial notes previously prepared and transmitted. Copies may be obtained from the office of the Commission.

---

COMMISSION RECOMMENDATION

---

On March 13, 1996, the Commission voted to attach the actuarial notes to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 3374, House Bill 168, was signed into law by the Governor as Act 1996—167 on December 18, 1996.

---

---

**Bill ID:** Amendment 6389 to House Bill 168, Printer's Number 3374  
**System:** State Employees' Retirement System  
**Subject:** Expanding Eligibility to Purchase Credit for Nonstate Service  
as a Public Educator

---

SYNOPSIS

---

Amendment 6389 to House Bill 168, Printer's Number 3374, would amend section 5304(c)(3) of the State Employees' Retirement Code:

For multiple service members only, by removing the requirement that the member currently must be a public educator in order to be eligible to purchase credit for nonstate service as a public educator in another state or with the federal government; and

For all members eligible to purchase credit for nonstate service as a public educator in another state or with the federal government, by liberalizing the restriction on the credit purchased:

From an amount that cannot exceed the lesser of ten years or years of service as a public educator employed in the Department of Education, the State System of Higher Education, a State-owned educational institution, or The Pennsylvania State University

To an amount that cannot exceed the lesser of ten years or years *as a Commonwealth employee* or as a public educator employed in the Department of Education, the State System of Higher Education, a State-owned educational institution, or The Pennsylvania State University.

---

DISCUSSION

---

The Commonwealth's defined benefit pension plan has a retirement benefit 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 plan are based on the attainment of a specified age and the crediting of a specified number of years of service. The number of years of credited service has a direct impact on the benefit amount for both regular and early retirement. Public employee defined benefit pension plan provisions that permit members to receive credit for service with another employer are of value to members because they enhance the retirement benefit and also may accelerate retirement eligibility.

Active and multiple service members of the State Employees' Retirement System (SERS) currently are able to purchase credit for the following types of service: approved leaves of absence without pay, intervening and nonintervening military service, service as public educators in another state or with the federal government, service as a temporary federal employee assigned to a Commonwealth agency, service in a community college under the Community College Act, service in the Cadet Nurse Corps during World War II, service with a government agency other than the

---

DISCUSSION (CONT'D)

---

Commonwealth where employment was terminated because of the transfer by law of the administration or the service or the entire agency to the Commonwealth.

The current provisions permitting the purchase of credit for nonstate service as public educators in another state or with the federal government provides limited nationwide portability of retirement benefits to those who are making a career of public education. The amendment would liberalize in two ways the conditions under which an active or multiple service member may purchase credit for nonstate service as a public educator in another state or with the federal government.

Currently, an active member or a multiple service member must be an academic administrator, teacher or instructor employed in the Department of Education, the State System of Higher Education, a State-owned educational institution, or The Pennsylvania State University in order to be eligible to purchase the service credit. The amendment would permit a member who has credited service in the Public School Employees' Retirement System (PSERS) and who has elected to combine that service with SERS credited service (that is, a multiple service member) to purchase the service credit even though the multiple service member currently is not employed as a public educator.

Currently, an eligible active member or multiple service member purchasing credit for nonschool service as a public educator in another state or with the federal government may not purchase credit in an amount that exceeds the lesser of ten years or the number of years of active SERS membership as an academic administrator, teacher, or instructor in the Department of Education, State System of Higher Education, a State-owned educational institution or The Pennsylvania State University. Under the amendment, the restriction is liberalized to the lesser of ten years or the number of years of SERS service *as a Commonwealth employee* or as a public educator under SERS, thus allowing non public educator service in SERS to be counted towards the purchase limitation.

For each year of service credit being purchased, under section 5505(d) of the State Employees' Retirement Code (Code), the method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed is the member contribution rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service subsequent to the nonstate service applied to the salary of the first year of subsequent Commonwealth service plus interest at the statutory interest rate of four percent. The residual unfunded actuarial accrued liability is funded by the employer through amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period.

In addition to the direct actuarial cost to the Commonwealth for the increased SERS benefits under the amendment, there may be other retirement benefit costs incurred by the Commonwealth. By purchasing service credit in SERS for nonstate service, a member either may become eligible for other postretirement benefits sooner than otherwise or may achieve eligibility when the member could not otherwise do so.

Under the Code, a member under age 60 must have 35 years of service credit to retire and receive a full pension. Until July 1, 1997, when the current early retirement window terminates, a member with 30 years of service credit may retire and receive a full pension regardless of age. The amendment, therefore, would permit a 52 year old public educator or multiple service member with 20 years of Commonwealth service to purchase ten years of service credit for nonstate service as a public educator in another state or with the federal

---

DISCUSSION (CONT'D)

---

government and immediately retire with a full pension, although the member would not be eligible for full retirement under standard Code provisions.

Under certain current Executive Board actions and collective bargaining agreements, total years of service credit in SERS are used to determine eligibility for some ancillary retirement benefits that are not provided for in the Code. Examples of the ancillary retirement benefits include payment by the Commonwealth to the employee at retirement for a portion of earned, unused sick leave and full payment by the Commonwealth throughout retirement for the retiree's medical insurance. The amendment, therefore, would permit a 46 year old public educator or multiple service member with 15 years of Commonwealth service to purchase ten years of service credit for nonstate service as a public educator in another state or with the federal government and immediately terminate service and receive Commonwealth fully paid medical insurance for life.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The statutory method for calculating the member contributions to purchase the service credit for nonschool service will result in the members paying from about 17 percent to about 64 percent of the full actuarial cost of the increased benefit acquired through the purchase of service credit. The age and normal contribution at the time of employment determine the percentage of the cost paid by the members.

Because there is no information on the exact number of members eligible, the consulting actuary of the Commission estimated the increases in unfunded actuarial accrued liability for a range of possible eligible employees due to these possible purchases based on an average of three years of credit being purchased, an average salary of \$33,300, average past salary growth of six percent, and an employer normal contribution rate of seven percent at the time of entry.

<u>Number of Eligible Members who Purchase Service</u>	<u>Estimated Increase in Unfunded Actuarial Accrued Liability</u>
50	\$ 800,000
100	1,600,000
200	3,100,000

In subsequent years after the bill is passed and effective, the consulting actuary estimates that, if 15 members become eligible and elect the option each year, the unfunded actuarial accrued liability will increase about \$200,000 a year.

---

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 service purchases. In part, the amendment conforms to and, in part, the bill does not conform to the recommendations in this report concerned with authorizing, funding, and structuring service purchases.

*Inequity of Certain Service Purchase Authorizations.* The Commission recommended that service purchase authorizations not be employed as a means of recognizing 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 conventional role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to service for the public employer. 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 Credit for Nonstate Service as a Public Educator.* Career public educators already are eligible to purchase credit for nonstate service as public educators in another state or with the federal government. The amendment would liberalize the existing provision to permit multiple service members without credit for such service in PSERS to purchase it in SERS regardless of whether they currently are serving as public educators and to liberalize the purchase restriction from matching just public educator service under SERS to matching both Commonwealth and public educator service under SERS.

*Adequacy of Purchase Payments.* The statutory method for calculating the member contributions to purchase service credit for nonschool service when no other method is prescribed will result in many members paying less than the full actuarial cost of the increased benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of PSERS and increased amortization payments by the employers calculated as a level percentage of payroll increasing five percent a year over a 20-year period. A service purchase transaction that favors a member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity. If the bill were to be amended to require payment by a member of the full actuarial cost of the increased benefit obtained by virtue of the purchase, there would be no actuarial cost to the Commonwealth.

*Cost Effective Technical Provisions.* For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that, in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee costs attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. The bill does not conform to either of these recommendations.

---

COMMISSION RECOMMENDATION

---

On November 13, 1996, the Commission voted to attach the actuarial note to the amendment, expressing concern that the amendment does not conform with the Commission's policy guidelines for service purchase authorizations and recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 168, Printer's Number 3374, was signed into law by the Governor as Act 1996—167 on December 18, 1996.

---

---

**Bill ID:** Amendment 6788 to House Bill 168, Printer's Number 3374

**System:** State Employees' Retirement System

**Subject:** Purchase of Service Credit for Service with Any Other State

---

SYNOPSIS

---

Amendment 6788 to House Bill 168, Printer's Number 3374, would amend section 5304(c) of the State Employees' Retirement Code to permit active and multiple service members to purchase up to ten years of service credit in the State Employees' Retirement System for nonstate service as an employee of state government in any state other than the Commonwealth.

---

DISCUSSION

---

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

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

The amendment would expand the list of purchasable nonstate service to include service as an employee of state government in any state other than the Commonwealth. A member could not purchase more nonstate service than the member has credited State service and, in no event, more than ten years. The effect of the additional service credit would be to increase a member's SERS annuity by an amount equal to two percent of the member's final average salary for every year of service credit purchased. (For example, a purchase of ten years of service credit would increase the annuity by 20 percent of the member's final average salary.)

For each year of service credit being purchased, under section 5505(d) of the State Employees' Retirement Code (Code), the method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed is the member contribution rate plus the Commonwealth normal contribution rate at the time of entry into Commonwealth service subsequent to the nonstate service applied to the salary of the first year of subsequent

---

DISCUSSION (CONT'D)

---

Commonwealth service plus interest at the statutory interest rate of four percent. The residual unfunded actuarial accrued liability is funded by the employer through amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period.

In addition to the direct actuarial cost to the Commonwealth for the increased SERS benefits under the amendment, there may be other retirement benefit costs incurred by the Commonwealth. By purchasing service credit in SERS for nonstate service, a member either may become eligible for other postretirement benefits sooner than otherwise or may achieve eligibility when the member could not otherwise do so.

Under the Code, a member under age 60 must have 35 years of service credit to retire and receive a full pension. Until July 1, 1997, when the current early retirement window terminates, a member with 30 years of service credit may retire and receive a full pension regardless of age. The amendment, therefore, would permit a 52 year old member with 20 years of Commonwealth service to purchase ten years of service credit for nonstate service in another state government and immediately retire with a full pension, although the member would not be eligible for full retirement under standard Code provisions.

Under certain current Executive Board actions and collective bargaining agreements, total years of service credit in SERS are used to determine eligibility for some ancillary retirement benefits that are not provided for in the Code. Examples of the ancillary retirement benefits include payment by the Commonwealth to the employee at retirement for a portion of earned, unused sick leave and full payment by the Commonwealth throughout retirement for the retiree's medical insurance. The amendment, therefore, would permit a 46 year old member with 15 years of Commonwealth service to purchase ten years of service credit for nonstate service in another state government and immediately terminate service and receive Commonwealth fully paid medical insurance for life.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

Because there is no information available on how many members will be eligible to purchase this service credit, how much service credit they will be eligible to purchase, or the extent to which they would utilize this opportunity, the actuarial cost cannot be estimated.

The statutory method for calculating the member contributions to purchase the service credit for nonstate service will result in the members paying only about 17 percent to 65 percent of the full actuarial cost of the increased benefit acquired through the purchase of service credit. The age and normal contribution at the time of employment determine the percentage of the cost paid by the members. The following chart provides the estimated percentages of the cost paid by members at various entry ages and normal cost rates.

**Estimated Percentage of Full Actuarial Cost Paid by Member**

<b>Age at Entry into Service</b>	<b>Normal Contribution Rate = 3.60%</b>	<b>Normal Contribution Rate = 7.00%</b>	<b>Normal Contribution Rate = 10.73%</b>
25	23%	31%	40%
30	25%	34%	43%
35	27%	37%	47%
40	30%	40%	51%
45	32%	44%	55%
50	35%	47%	60%
55	38%	52%	65%

One example would be a 45 year old member whose current compensation is about \$33,000 a year and who was employed 20 years ago at a compensation of about \$10,290 a year when the employee contribution rate was five percent and the employer normal cost contribution rate was seven percent. The member would be charged about \$2,700 for every year of service credit for nonstate service with another state while the real cost of the increased benefit will be about \$8,700.

Another example would be a 43 year old member whose current compensation is about \$32,000 a year and who was employed 13 years ago at a compensation of about \$15,000 a year when the employee contribution rate was five percent and the employer normal cost contribution rate was about eight percent. The member would be charged about \$3,200 for every year of service credit for nonstate service with another state while the real cost of the increased benefit will be about \$8,900.

If the contribution provisions were to require payment of the full actuarial cost of the increased benefit obtained by virtue of the purchase, as was done with members who had been temporary federal employees assigned to an air quality control complement of the Department of Environmental Resources, there will be no material actuarial cost to the Commonwealth, although other retirement benefit costs may be incurred.

**POLICY CONSIDERATIONS**

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

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

**Inequity of Certain Service Purchase Authorizations.** The Commission recommended that service purchase authorizations not be employed as a means of recognizing 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

conventional role of a public employee retirement system as an employment-related benefit maintained principally in the interest of those devoting a substantial career to service for the public employer. 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 Credit of Service with Another State.* The specific situations for which the Commission considered the use of service purchase authorizations to be appropriate were limited to 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. The amendment would permit certain SERS members to purchase credit only for "nonstate service" as an employee of state government in any state other than the Commonwealth. SERS members with previous service in other types of public employment in other states could not purchase service credit for that service. For the Commonwealth, the service credit authorization would represent permission to purchase credit for service with another state, a state that enjoyed an actuarial gain when the member terminated service or will enjoy an actuarial gain when the employee surrenders retirement system rights in order to purchase this service credit in SERS, while the Commonwealth will suffer an actuarial loss in permitting the purchase unless the amendment is amended to require an employee to pay the full actuarial cost.

*Adequacy of Purchase Payments.* The statutory method for calculating the member contributions to purchase service credit for nonstate service when no other method is prescribed will result in a member paying less than the full actuarial cost of the increased benefit acquired through the service credit purchase. This service credit purchase price will result in an increase in the unfunded actuarial accrued liability of SERS and increased amortization payments by the Commonwealth calculated as a level percentage of payroll increasing five percent a year over a 20-year period. A service purchase transaction that favors a member at the expense of the retirement system is viewed by the Commission as being appropriate only where necessary for the purpose of equity. If the amendment were to be amended to require payment by a member of the full actuarial cost of the increased benefit obtained by virtue of the service credit purchase, there would be no actuarial cost to the Commonwealth.

*Cost Effective Technical Provisions.* For service purchase authorizations of this type, the Commission recommended that employees be required to exercise the purchase option within three years of becoming eligible to do so. The Commission also recommended that, in cases where the service purchase amount required to be paid by an employee includes amounts representing both employer and employee costs attributable to the purchased service, the portion of the payment representing employer cost be precluded from withdrawal by a member upon retirement or upon leaving employment with entitlement to a vested deferred benefit. Unless the amendment is amended to limit the time within which a member must exercise the purchase option and to exclude the purchase payment from Option 4 lump sum withdrawal, it will enable an eligible member to purchase this service credit very close to the time of retirement, become entitled to an increased retirement benefit, and receive an almost immediate return of the purchase amount as part of the Option 4 withdrawal. The absence of both a limitation on the time that the purchase option is available and

---

POLICY CONSIDERATIONS (CONT'D)

---

a restriction on withdrawal of the purchase amount under Option 4 will increase the cost to SERS associated with the authorization to purchase credit for this nonstate service.

Unequal Treatment of SERS Members. (-) The amendment does not treat all similarly situated SERS members equally. The purchase option is restricted just to service in another state government rather than including other public employment in other states.

Precedent for Similar Requests. (-) The amendment would initiate a public pension policy in the Commonwealth by allowing service credits for service in another state government to be purchased. The amendment may serve as a precedent for other SERS members with previous public employment service in other states, or within Pennsylvania, to request the option to purchase service credit for that nonstate service. There is no apparent public pension policy rationale for the Commonwealth to permit service credit purchases for service rendered to other states.

Documentation Problems. (-) In the case of state service taking place many years prior to the purchase, a member applying to purchase the state service credit, the other state, and SERS may encounter difficulty in demonstrating that the service was rendered.

Exclusion from Early Retirement Provisions. ( ) In order to prevent an increase in the unfunded actuarial accrued liability of SERS caused by the use of the service credit purchased under this amendment to qualify for an early retirement program, the General Assembly may wish to add an additional restriction to proposed section 5304(c)(9) prohibiting the use of the service credit purchased under this amendment to qualify for any type of retirement except superannuation, disability, or nonsuperannuation.

Lack of Data. (-) The complete lack of data on the number of members eligible to purchase service credit under the amendment makes it impossible for the Commission to quantify the actuarial cost impact upon the Commonwealth and other public employers.

Drafting Ambiguity. (-) The amendment limits the amount of credit for nonstate service that may be purchased to the lesser of ten years or years of service as an active SERS member as an employee of the Commonwealth. Section 5304(d) of the Code limits purchases of credit for nonstate service to the number of years of State service credited in SERS plus, in the case of multiple service members, any additional years of school service credited in the Public School Employees' Retirement System. To prevent problems of statutory interpretation, either the amendment should be changed to contain the same restriction or section 5304(d) should be amended to exclude purchases under proposed section 5304(c)(9).

---

COMMISSION RECOMMENDATION

---

On November 13, 1996, the Commission voted to attach the actuarial note to the amendment, expressing concern that the amendment does not conform with the Commission's policy guidelines for service purchase authorizations and recommending that the General Assembly and the governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 168, Printer's Number 3374, was signed into law by the Governor as Act 1996—167 on December 18, 1996.

---

---

**Bill ID:** House Bill 225, Printer's Number 207

**System:** State Employees' Retirement System

**Subject:** Mandatory Retirement Age for Judiciary

---

SYNOPSIS

---

House Bill 225, Printer's Number 207, would amend section 16(b) of article 5 of the Constitution of Pennsylvania 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 as the Constitution now requires.

---

DISCUSSION

---

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

Although the dates upon which justices, judges, and district justices will attain the age of 70 years are known in advance, these dates fall randomly throughout the year and can cause certain administrative problems with the replacement of judges, and sometimes some of their personal staff, in the midst of terms of court. Mandatory retirement at the end of a calendar year moves the retirement and replacement events to a date between terms of court and to a date when many other changes already occur related to the ending of the calendar year.

The December 31, 1995, actuarial valuation report of the State Employees' Retirement System indicated that this change in mandatory retirement age would affect 909 individuals with an average age of 52 years, average service of 13 years, and average salary of \$71,506.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Commission indicates that, on average, there will be no advantage to the judicial employee or disadvantage to the Commonwealth by delaying retirement.

---

COMMISSION RECOMMENDATION

---

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

Facilitated Administration. (+) The new mandatory retirement date would reduce the administrative problems with the replacement of judges, and sometimes some of their

---

POLICY CONSIDERATIONS (CONT'D)

---

personal staff, by moving these events to a date between terms of court and to a date when many other changes already occur related to the ending of the calendar year.

Delayed Mandatory Retirement. ( ) The new mandatory retirement date could delay mandatory retirement for justices, judges, and district judges until age 71; but, on average, they will remain in office only five and one-half additional months.

---

COMMISSION RECOMMENDATION

---

On October 9, 1996, the Commission voted to attach the actuarial note to the bill recommending that the General Assembly and the Governor consider the policy issue identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 225, Printer's Number 207, passed the House and was re-referred to the Senate Rules and Executive Nomination Committee on June 28, 1996.

---

---

**Bill ID:** House Bill 1130, Printer's Number 2805

**System:** Nonuniformed Employee Retirement Systems in Cities of the Third Class

**Subject:** Twelve-Year Vesting

---

SYNOPSIS

---

House Bill 1130, Printer's Number 2805, would amend The Third Class City Code by amending article 43(c) to permit nonuniformed employees to vest a proportional retirement benefit amount after 12 years of service.

---

DISCUSSION

---

The Third Class City Code provisions applicable to nonuniformed employees' pension plans currently permit cities of the third class to create retirement systems for their nonuniformed employees with a minimum period of required service of not less than 20 years. The code applies to every city of the third class, which includes all cities except Philadelphia, Pittsburgh, and Scranton.

Under the code, if a city has created a nonuniformed employees' retirement system, an employee may retire at age 60 after 20 years of service. The annual retirement pay is computed as 50 percent of the highest average annual salary or wages during any five years of employment with the city and is paid semimonthly. An employee with at least 20 years of service, but younger than 60, who is dismissed, voluntarily retires, or is in any manner deprived of city employment may continue to make monthly payments into the pension trust fund and be entitled to receive retirement pay upon reaching the age of 60.

The trend in pension plans, both private and public, is towards shorter vesting periods as proposed in the bill. In fact, by similar amendments, the vesting requirement for police officers in cities of the third class was reduced to 12 years from 20 years by Act 178 of 1990, the vesting requirement for members of the optional retirement systems for nonuniformed employees in cities of the third class was reduced to 12 years by Act 49 of 1992, and the vesting requirement for paid firefighters in cities of the third class was reduced to 12 years by Act 21 of 1993.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Commission indicates that there is a relatively negligible cost implication to providing for 12-year vesting compared to 20-year vesting. The consulting actuary indicates that the adoption of 12-year vesting by a city of the third class as proposed to be authorized in the bill would increase the total of both the city's normal cost and amortization payments by one percent of payroll or less.

---

POLICY CONSIDERATIONS

---

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

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

Policy Conformity. (+) The trend in retirement systems, both private and public, is towards shorter vesting periods as proposed in the bill. Under Act 178 of 1990, Act 49 of 1992, and Act 21 of 1993, cities of the third class now have the option to permit 12-year vesting for their police officers, their employees who are members of the optional retirement systems for nonuniformed employees, and their paid firefighters.

Uniformity and Equity of Pension Benefits. (+) As similar provisions are provided for police officers, members of the optional retirement systems for nonuniformed employees, and paid firefighters in cities of the third class, the proposed change establishes equity among all employees in cities of the third class with regard to the authorization for vesting.

Possible Statutory Conflict. (-) If a member who is younger than age 60 terminates service with 20 or more years of service, there is an apparent conflict between the vesting of a proportional retirement benefit provisions in section 4343.2 as proposed in the bill and the continued member contribution until age 60 to receive a full retirement benefit provisions of the second sentence of the first paragraph of section 4343 as it now exists. To provide clarity and prevent administrative problems, consideration should be given to repealing the conflicting sentence of section 4343. Language making this change is attached.

---

COMMISSION RECOMMENDATION

---

On February 14, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 3932, House Bill 1130, was signed into law by the Governor as Act 1996—109 on July 11, 1996.

---

---

**Bill ID:** House Bill 1242, Printer's Number 1402

**System:** State Employees' Retirement System

**Subject:** Expansion of Special Public Safety Employee Benefit Coverage  
to Certain Campus Police Officers

---

SYNOPSIS

---

House Bill 1242, Printer's Number 1402, would amend the section 5102 of the State Employees' Retirement Code to permit a campus police officer to retire with full benefits at age 50. The affected employees would become eligible for increased retirement, early retirement, death, and other benefits. The increased benefits would not be applied retroactively for service prior to the effective date of the amendment.

---

DISCUSSION

---

The State Employees' Retirement System (SERS) is a cost-sharing multiple-employer retirement system established by the Commonwealth to provide pension benefits for employees of the Commonwealth and certain independent agencies. At December 31, 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, 1994, SERS membership consisted of 85,290 retirees, beneficiaries, and terminated employees entitled to benefits and 114,120 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 through SERS 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 section 2416 of The Administrative Code of 1929, on the grounds and in the buildings of state colleges and universities, state aided or related colleges and universities, and community colleges, campus police officers enforce good order, protect the property of the Commonwealth, exclude all disorderly persons, exercise the same powers as the police in municipalities in which the educational institutions are located, order off the grounds and out of the buildings all vagrants, loafers,

DISCUSSION (CONT'D)

trespassers, and persons under the influence of liquor, and, if necessary, remove them by force, and arrest any individual who damages, mutilates, or destroys the trees, plans, shrubbery, turf, grass-plots, benches, buildings, or structures or commits any other offense. Campus police officers at The Pennsylvania State University are subject to the provisions of the Municipal Police Education and Training Law (Act 120 of 1974), but campus police officers at community colleges and the State System of Higher Education are not.

In addition to campus police officers, there are campus security officers and community service officers who are not commissioned under section 2416 of The Administrative Code of 1929 but who are responsible for the routine security work of patrolling the buildings and grounds of educational institutions to protect and guard property or individuals from fire, theft, trespass, or other hazards. Their work may involve regulating the activities of individuals and may include performing limited police duties. Community service officers at The Pennsylvania State University are not armed and may or may not have arrest authority.

SUMMARY OF ACTUARIAL COST IMPACT

**Campus Police Officers**

State System of Higher Education

	<u>Amount</u>			
Increase in Unfunded Actuarial Accrued Liability	\$	0		
			<b>Amount</b>	<b>As a % of Affected Payroll</b>
Increase in Employer Annual Costs				
Normal Cost	\$331,000	- \$552,000	6.0%	- 10.0%
Amortization Payment	<u>0</u>	<u>0</u>	<u>0.0%</u>	<u>0.0%</u>
Total Increase in Employer Costs	\$331,000	- \$552,000	6.0%	- 10.0%

The Pennsylvania State University

	<u>Amount</u>			
Increase in Unfunded Actuarial Accrued Liability	\$	0		
			<b>Amount</b>	<b>As a % of Affected Payroll</b>
Increase in Employer Annual Costs				
Normal Cost	\$109,000	- \$182,000	6.0%	- 10.0%
Amortization Payment	<u>0</u>	<u>0</u>	<u>0.0%</u>	<u>0.0%</u>
Total Increase in Employer Costs	\$109,000	- \$182,000	6.0%	- 10.0%

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

**Campus Security Officers**

State System of Higher Education

	<u>Amount</u>			
Increase in Unfunded Actuarial Accrued Liability	\$	0		
			<b>As a % of</b>	
			<b>Affected</b>	
			<b>Payroll</b>	
Increase in Employer Annual Costs	<u>Amount</u>			
Normal Cost	\$32,000 -	\$53,000	6.0%	- 10.0%
Amortization Payment	<u>0</u> -	<u>0</u>	<u>0.0%</u>	- <u>0.0%</u>
Total Increase in Employer Costs	\$32,000 -	\$53,000	6.0%	- 10.0%

The Pennsylvania State University

	<u>Amount</u>			
Increase in Unfunded Actuarial Accrued Liability	\$	0		
			<b>As a % of</b>	
			<b>Affected</b>	
			<b>Payroll</b>	
Increase in Employer Annual Costs	<u>Amount</u>			
Normal Cost	\$49,000 -	\$82,000	6.0%	- 10.0%
Amortization Payment	<u>0</u> -	<u>0</u>	<u>0.0%</u>	- <u>0.0%</u>
Total Increase in Employer Costs	\$49,000 -	\$82,000	6.0%	- 10.0%

**Community Colleges**

The Commission has been unable to complete its actuarial cost analysis for community colleges. At December 31, 1995, the total SERS membership for all employees of all community colleges totaled only about 446. It is believed that campus police officers and campus security officers would constitute only a small fraction of this group.

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

---

POLICY CONSIDERATIONS (CONT'D)

---

of the employees is sufficiently hazardous and the need for an exceptionally able and vigorous work force is sufficiently great. The positions in the community colleges, State System of Higher Education, and The Pennsylvania State University proposed to be included under the special benefit coverage are employees who exercise the same powers as the police in the municipalities in which these educational institutions are located. In considering the proposed legislation, Commonwealth policy makers must determine whether the special benefit coverage is warranted for this group of employees based on the degree of hazard encountered by the 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 Ambiguities. (-) Presumably the intention of the bill is to include only campus police officers in community colleges, The Pennsylvania State University, and the State System of Higher Education who are members of SERS and commissioned under section 2416 of The Administrative Code of 1929 and not to include campus security officers at these educational institutions or "campus police officers" or "campus security officers" at other institutions, parks, or installations of the Commonwealth. Assuming that this interpretation is intended by the sponsors, a proposed amendment to the bill is attached that clarifies it.

---

COMMISSION RECOMMENDATION

---

On April 10, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified in the actuarial note transmittal and the remedial amendment proposed to provide needed clarification of the bill's intent.

---

FINAL LEGISLATIVE STATUS

---

House Bill 1242, Printer's Number 1402, was referred to the House State Government Committee on March 20, 1995.

---

---

**Bill ID:** Amendment 3144 to House Bill 1302, Printer's Number 3584

**System:** State Employees' Retirement System

**Subject:** Special Public Safety Benefit Coverage for Parole Agent Supervisors

---

SYNOPSIS

---

Amendment 3144 to House Bill 1302, Printer's Number 3584, would amend the State Employees' Retirement Code to expand the definition of enforcement officer to include parole agent supervisors employed by the Pennsylvania Board of Probation and Parole. The affected employees would become eligible for increased retirement, early retirement, death, and other benefits.

---

DISCUSSION

---

The State Employees' Retirement System (SERS) is a cost-sharing multiple-employer retirement system established by the Commonwealth to provide pension benefits for employees of the Commonwealth and certain independent agencies. At December 31, 1994, there were 110 participating state and independent agencies. Membership in SERS is mandatory for most state employees. Certain other employees are not required but are given the option to participate. At December 31, 1994, SERS membership consisted of about 85,290 retirees, beneficiaries, and terminated employees entitled to benefits and about 114,410 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 much public safety work.

Under the State Employees' Retirement Code, the special retirement coverage for Commonwealth public safety employees is the eligibility to retire at age 50 with full retirement benefits. Normal retirement for general employees is age 60 or any age with 35 years of service. Since the death benefit for any Commonwealth employee is dependent upon 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 agents, Department of Corrections correctional officers, Department of Public Welfare psychiatric security aides, Delaware River Port Authority policemen, and Pennsylvania State Police officers.

The Pennsylvania Board of Probation and Parole is an independent state correctional agency. The enabling statute establishes a uniform parole system and provides for assistance in improvement of adult probation services in the Commonwealth. The Board is authorized to grant parole and supervise all offenders sentenced by the courts to a maximum sentence of two years or more, revoke parole of technical parole violators and those convicted of new crimes, and release from parole, persons under supervision who have fulfilled their sentences in compliance with the conditions governing their

---

DISCUSSION (CONT'D)

---

parole. Among other things, the Board is responsible for the supervision of individuals paroled by the Board, parolees from other states residing in the Commonwealth, and, at the request of the court, individuals placed on probation. These functions are conducted by a staff located in ten district offices and 13 sub-offices that also makes investigations for and recommendations to the Board of Pardons. Under the enabling statute, parole officers appointed by the Board are peace officers with police power and authority throughout the Commonwealth to arrest without warrant, writ, rule, or process any parolee or probationer under the supervision of the Board for failing to report as required by the terms of the probationer's probation or parolee's parole or for any other violation of probation or parole. Among other things, Act 23 of 1991 expanded the definition of "enforcement officer" to include "parole agents, classified as such by the Executive Board and employed by the Pennsylvania Board of Probation and Parole." The amendment would expand the definition of parole agents to include parole agent supervisors.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The Division of Personnel of the Board of Probation and Parole provided the Commission with the date of birth, sex, date of employment, and current salary of the 59 affected employees. Based upon these data, the Commission's consulting actuary estimated that expanding special public safety employee benefit coverage to parole agent supervisors would result in the following costs.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$1,000,000	
		<b>As a % of</b>
	<u>Amount</u>	<b>Affected</b>
		<b>Payroll</b>
Increase in Employer Annual Costs		
Normal Cost	\$ 40,000	1.5%
Amortization Payment*	<u>80,000</u>	<u>2.9%</u>
Total*	\$120,000	4.4%
	<u>Amount</u>	
Total Amortization Payments	\$2,645,276	

\*First year cost only. Amortization payments increase five percent a year for 20 years.

---

POLICY CONSIDERATIONS

---

In reviewing the amendment, 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

---

POLICY CONSIDERATIONS (CONT'D)

---

of the employees is sufficiently hazardous and the need for an exceptionally able and vigorous workforce is sufficiently great. The positions under the Board of Probation and Parole proposed to be included under the special benefit coverage are parole agent supervisors. In considering the proposed legislation, Commonwealth policymakers must determine whether the special benefit coverage is warranted for these employees based on the degree of hazard encountered by these members in the performance of their duties and the need for an exceptionally vigorous workforce in this area.

Member Contributions. (-) The proposed legislation provides a benefit increase applicable to active State Employees' Retirement System (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.

---

COMMISSION RECOMMENDATION

---

On June 19, 1996, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 1302, Printer's Number 3584, was Laid on the Table in the House on June 3, 1996.

---

---

**Bill ID:** House Bill 1666, Printer's Number 1987

**System:** Police Officers in the City of Scranton

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

---

SYNOPSIS

---

House Bill 1666, Printer's Number 1987, would amend Act 351 of 1965, one of the statutes providing the police officers pension plan in cities of the second class A (that is, the City of Scranton), by providing that the surviving spouse shall continue to receive a survivor spouse pension even if the surviving spouse remarries.

---

DISCUSSION

---

Act 351 of 1965, is one of the statutes providing the police officers pension plan in cities of the second class A, that is, the City of Scranton. The statutes provide for the establishment of a defined benefit pension plan for police officers. Under the Act, a police officer may elect the survivor spouse provisions providing the police officer is married and contributes an additional one percent of the officer's earned compensation in addition to all other contributions to the police officers' pension trust fund. Under the Act, the surviving spouse of a retired police officer is entitled to a monthly pension of one-half of the pension the retired officer was receiving at the time of death, provided that:

The police officer and spouse had been married for not less than five years prior to the date of the officer's retirement;

The spouse is dependent upon the retired police officer at the time of the officer's death; and

The spouse does not remarry.

The bill would remove the requirement for the pension payment to a surviving spouse to stop if the surviving spouse remarries.

According to the actuarial valuation report filed with the Public Employee Retirement Commission, on January 1, 1993, there were 121 active members in this retirement system, and the system was paying retirement benefits to 100 retired members, disability benefits to 13 retired members, and surviving spouse benefits to 56 surviving spouses.

Similar provisions for pensions payable to the surviving spouse of an active or retired municipal employee to cease on remarriage also exist for nonuniformed employees under The Third Class City Code; for nonuniformed employees under the statute relating to the optional retirement systems for nonuniformed employees in cities of the third class; and police officers in boroughs, towns, and townships with three or more full time police officers under the Municipal Police Pension Law (Act 600). Similar provisions also used to exist for paid firefighters and police officers under The Third Class City Code, but they were repealed by Act 74 of 1992 and Act 140 of 1994. Under the pension plans for nonuniformed employees of the City of Scranton and the standard pension plans administered by the

---

DISCUSSION (CONT'D)

---

Pennsylvania Municipal Retirement System, at the time of retirement, a retiring municipal employee may elect to receive a single life annuity or, if the retiring employees wishes to provide financial assistance for dependents who may outlive the retiree and is willing to receive a smaller monthly retirement allowance during the rest of the retiree's life, a retiring municipal employee may elect to receive retirement pay in one of three optional ways provided. In neither plan do any of the three options terminate the retirement system benefit to a surviving spouse upon remarriage.

The police pension plan for the City of Scranton provides for a single life annuity or, if there is a surviving spouse and the officer has so elected, a joint and 50% survivor annuity that terminates when a surviving spouse remarries. A single life annuity for a retiring police officer with no spouse has a lower present value than a joint and survivor annuity for a retiring police officer with a surviving spouse.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Commission, who also is the consulting actuary of the City of Scranton, indicates that the current contribution rates are based on the assumption that all surviving spouses will receive their full benefits for their entire lives and ignores the probability of termination because of remarriage. There is, therefore, no material actuarial cost attributable to the proposed liberalization of the conditions under which surviving spouses may receive their retirement system benefits.

---

POLICY CONSIDERATIONS

---

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

Uniformity and Equity of Pension Benefits. (+) Similar termination of surviving spouses' annuities upon remarriage provisions for paid firefighters and police officers in cities of the third class were repealed by Act 74 of 1992 and Act 140 of 1994. No such termination provisions exist for nonuniformed employees in the City of Scranton. It is appropriate to extend the proposed modification in survivor benefit provisions to police officers in the City of Scranton.

Provision of Uniform Retirement Options. ( ) Because not all retiring local government employees have the same situation with dependents and finances, the availability of various retirement options of equal present value is appropriate. The General Assembly may wish to consider legislation providing a uniform set of equal present value optional retirement benefits for local government employees regardless of job or local government classification.

---

COMMISSION RECOMMENDATION

---

On February 14, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 1666, Printer's Number 1987, was re-referred to the House Appropriations Committee on October 25, 1995.

---

---

**Bill ID:** House Bill 1668, Printer's Number 1989

**System:** Pittsburgh City Police Pension Plan

**Subject:** Survivor Benefits

---

SYNOPSIS

---

House Bill 1668, Printer's Number 1989, would amend the Second Class City Policemen Relief Law, one of the statutes providing the police officers pension plan in the City of Pittsburgh by providing that the surviving spouse of a police officer who dies as a result of injuries received in the performance of the officer's duties shall be paid a pension for life rather than 500 weeks, that the surviving spouse of either a police officer who dies as a result of injuries received in the performance of the officer's duties or a retired police officer shall continue to receive a survivor spouse pension even if the surviving spouse remarries, and that a surviving child shall continue to receive a survivor child pension until age 18 even if the surviving child marries.

---

DISCUSSION

---

The Second Class City Policemen Relief Law is one of the statutes governing the police officers pension plan in the City of Pittsburgh. The statutes provide for the establishment of a defined benefit pension plan for police officers.

Service Connected Death. Under the Act, if a police officer dies as a result of injuries received in the performance of the officer's duties and

Is survived by a spouse, the surviving spouse receives a survivor spouse pension of 50 percent of the officer's salary at the time of death that continues for 500 weeks or until the surviving spouse remarries or dies, whichever first occurs; or

If there is no surviving spouse, or the survivor spouse pension is terminated due to the expiration of 500 weeks or the remarriage or death of the surviving spouse, and there is a surviving child, the surviving child receives a survivor child pension of 25 percent of survivor spouse pension until the child reaches age 18, marries, or dies, whichever first occurs, or if the surviving child is a dependent, incompetent individual, the survivor child pension is paid indefinitely.

Death of Retiree. Under the Act, if a retired police officer dies and

Is survived by a spouse to whom the retiree had been married at least two years and who was dependent upon the retiree, the surviving spouse receives a survivor spouse pension of 50 percent of the retired officer's pension that continues for life unless the surviving spouse remarries; or

---

DISCUSSION (CONT'D)

---

If there is no surviving spouse or the survivor spouse pension is terminated due to remarriage or death and there is a surviving child, the surviving child receives a survivor child pension of 25 percent of the retiree's pension until the child reaches age 18, marries, or dies, whichever first occurs, or if the surviving child is a dependent, incompetent individual, the survivor child pension is paid indefinitely.

The bill would remove the requirement for the pension payment to a surviving spouse of a police officer who dies as a result of injuries received in the performance of duties to stop after 500 weeks, the requirement for the pension payments to a surviving spouse to stop if the surviving spouse remarries, and the requirement for the pension payments to a surviving child to stop if the child marries before age 18.

According to the actuarial valuation report filed with the Public Employee Retirement Commission, on January 1, 1993, there were 1,084 active members in this retirement system, and the system was paying retirement benefits to 620 retired members, disability benefits to 239 retired members, surviving spouse benefits to 546 surviving spouses, and surviving child benefits to 4 surviving children.

Similar provisions for pensions payable to the surviving spouse of an active or retired municipal employee to cease on remarriage also exist for paid firefighters in the City of Pittsburgh, nonuniformed employees under The Third Class City Code; for nonuniformed employees under the statute relating to the optional retirement systems for nonuniformed employees in cities of the third class; and police officers in boroughs, towns, and townships with three or more full time police officers under the Municipal Police Pension Law (Act 600). Similar provisions also used to exist for paid firefighters and police officers under The Third Class City Code, but they were repealed by Act 74 of 1992 and Act 140 of 1994. Under the pension plans for nonuniformed employees of the City of Scranton and the standard pension plans administered by the Pennsylvania Municipal Retirement System, at the time of retirement, a retiring municipal employee may elect to receive a single life annuity or, if the retiring employees wishes to provide financial assistance for dependents who may outlive the retiree and is willing to receive a smaller monthly retirement allowance during the rest of the retiree's life, a retiring municipal employee may elect to receive retirement pay in one of three optional ways provided. In neither plan do any of the three options terminate the retirement system benefit to a surviving spouse upon remarriage.

The police pension plan for the City of Pittsburgh provides for a single life annuity or, if there is a surviving spouse and the officer has so elected, a joint and 50% survivor annuity that terminates when a surviving spouse remarries. A single life annuity for a retiring police officer with no spouse has a lower present value than a joint and survivor annuity for a retiring police officer with a surviving spouse.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Commission indicates that the total actuarial cost to the City of Pittsburgh of both increased normal costs and amortization payments attributable to the proposed liberalization of the conditions under which survivors may receive their retirement system benefits will not exceed one percent of payroll. Expressed in terms of the January 1, 1993, annual payroll, the maximum annual increase in the city's pension contributions that could result from the proposal is approximately \$448,000.

---

POLICY CONSIDERATIONS

---

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

Plan Design. (+) The 500 week limit on the survivor benefit payments in the event of service connected death of a member is arbitrary and not related to the potential need of the surviving spouse. Its removal will result in a plan design more consistent with the general practice in public employee pension plans.

Uniformity and Equity of Pension Benefits. (+) Similar termination of surviving spouses' pensions upon remarriage provisions for paid firefighters and police officers in cities of the third class were repealed by Act 74 of 1992 and Act 140 of 1994. Similar termination of surviving spouses' pensions continue in effect for paid firefighters in the City of Pittsburgh. If this proposal is determined to be appropriate, the modification of survivor benefit provisions should be extended to the paid firefighters of the City of Pittsburgh as well.

Provision of Uniform Retirement Options. ( ) Because not all retiring local government employees have the same situation with dependents and finances, the availability of various retirement options of equal present value is appropriate. The General Assembly may wish to consider legislation providing a uniform set of equal present value optional retirement benefits for local government employees regardless of job or local government classification.

---

COMMISSION RECOMMENDATION

---

On February 14, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 1668, Printer's Number 1989, was re-referred to the House Appropriations Committee on October 25, 1995.

---

---

**Bill ID:** House Bill 2109, Printer's Number 3600, with Amendment 4452

**Systems:** All Municipal Firefighter and Police Officer Retirement Systems

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

---

SYNOPSIS

---

House Bill 2109, Printer's Number 3600, as amended by Amendment 4452 that will be introduced by the prime sponsor to implement his intention, would amend the Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act (Act 147 of 1988) to grant special ad hoc postretirement adjustments beginning January 1, 1997, to certain survivor spouses of retired municipal firefighters and police officers, with the cost of reimbursing municipalities for making the survivor spouse adjustments being paid out of the General Fund of the Commonwealth in the first year and, in subsequent years, being paid in a decreasing amount out of the General Fund and in an increasing amount out of the proceeds of the foreign casualty insurance premium tax.

---

DISCUSSION

---

A postretirement adjustment is a special type of retirement benefit. It is an increase in the amount of the retirement benefit that initially was payable at retirement. Postretirement adjustments may be granted for a number of reasons, but the most common is to increase retirement pay to reflect some of the increase in the cost-of-living since an employee retired. The decision to pay a postretirement adjustment generally is made either by the governing body of the retirement system or by the governing body of the governmental entity that established and maintains the public employee retirement system.

In 1988, the Special Ad Hoc Municipal Police Officer and Firefighter Postretirement Adjustment Act mandated every Pennsylvania municipality that maintained a police officers' or paid firefighters' retirement system that had one or more retired or disabled members to provide a postretirement adjustment in the pension benefit for certain of these retirees. The Act specified that a portion of the proceeds of the premium tax on casualty insurance sold in Pennsylvania by out-of-state insurance companies was to be used to pay for this ongoing benefit increase, with the remainder of the proceeds continuing to be used for General Municipal Pension System State Aid. In effect, the funding for the special ad hoc postretirement adjustment program reduces the General Municipal Pension System State Aid available for allocation to municipalities to offset their employer pension costs.

House Bill 2109, Printer's Number 3600, as amended by Amendment 4452, would, beginning January 1, 1997, grant a special ad hoc postretirement adjustment to individuals who are survivor spouses of retired municipal firefighters or retired municipal police officers and who began receiving retirement benefits before January 1, 1985, as follows:

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

---

DISCUSSION (CONT'D)

---

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

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

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

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

Except for the 15-year Supplemental State Assistance Program to aid financially severely distressed municipal employee retirement systems participating in the Recovery Program for Financially Distressed Municipal Pension Systems, the General Fund of the Commonwealth has not been used to pay for retirement benefits for retired local government employees or their survivors. The Supplemental State Assistance Program was established as part of the public employee retirement system reforms contained in the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984). Supplemental State Assistance was \$6,361,927.31 in 1995.

From the adoption of the 1874 Constitution of Pennsylvania, the Constitution had prohibited enactment of legislation giving extra compensation to any public officer, servant, or employee after that individual's service have been rendered. The Supreme Court of Pennsylvania interpreted this section to hold unconstitutional legislation granting increases in retirement pay to already retired public employees. [*Koehnlein v. Allegheny County Employees' Retirement System*, 373 Pa. 535, 97 A.2d 88 (1953); *Jameson v. City of Pittsburgh*, 318 Pa. 386, 113 A.2d 454 (1955).] In a 1955 opinion relying, in part, upon *Koehnlein*, the Attorney General of Pennsylvania reached the same conclusion. [1955 & 56 Op. Atty Gen. of Pa. 20 (No. 656) (1955).] In response to these readings, the Constitution was amended in 1955 specifically to permit increases in retirement allowances or pensions for members of Pennsylvania public employee retirement or pension systems after the termination of the services of these members.

Since the 1955 amendment became effective, the General Assembly has enacted and the Governor has signed into law a number of statutes requiring or permitting ad hoc postretirement adjustments in the retirement pay of retired public employees. None of these statutes, however, have granted an increase in the benefits paid to the survivors of deceased, retired public employees. In most instances, the benefits initially paid to survivors reflect the postretirement adjustments provided to the retired public employee prior to the retiree's death.

A proposal to amend section 26 of article 3 "to permit the General Assembly to legislate that increases in retirement benefits or pensions payable to members of a retirement or pension system of the Commonwealth, its political subdivisions, agencies or instrumentalities, be extended to beneficiaries who are spouses of members of such system" was submitted to the electors at the municipal election on November 3, 1981, and was rejected. [618,857 voted yes and 928,699 voted no.] On July 8, 1993, in holding that the widow of a retired police officer of a city of the third class who would have been

DISCUSSION (CONT'D)

eligible for a special ad hoc postretirement adjustment under the Act was entitled to one-half of the adjustment as part of her survivor spouse's pension under The Third Class City Code, the Commonwealth Court of Pennsylvania came to the conclusion that, at least under The Third Class City Code, a surviving spouse is a member of the pension plan within the meaning of section 26 of article 3 of the constitution of Pennsylvania. [*Hutskow v. Wasowich*, 156 Pa. Commw. Ct. 655, 628 A.2d 1202, *appeal denied* 536 Pa. 633, 637 A.2d 292 (1993).] Therefore, the surviving spouse of a retiree of a city of the third class who was receiving a special ad hoc postretirement adjustment at the time of the member's death is entitled to the survivor's portion of the adjustment. The amended bill would grant the entire adjustment to individuals who were receiving surviving spouse benefits before January 1, 1985.

SUMMARY OF ACTUARIAL COST IMPACT

	<u>Amount</u>	
Statewide Increase in Unfunded Actuarial Accrued Liability	\$13,000,000	
	<u>Amount</u>	<u>Covered Payrolls</u>
Statewide Increase in Employer Annual Costs		
Normal Cost	\$ 0	0.00%
Amortization Payment *	<u>1,800,000</u>	<u>0.23%</u>
Total *	\$1,800,000	0.23%

\* Amortized on a level dollar basis over a ten-year period.

	<u>Amount</u>		
Total Amortization Payments	\$18,000,000		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Statewide Reimbursements			
General Fund	\$1,600,000	\$1,440,000	\$1,280,000
Foreign Casualty Insurance			
Tax Proceeds	<u>0</u>	<u>80,000</u>	<u>160,000</u>
Total	\$1,600,000	\$1,520,000	\$1,440,000

---

POLICY CONSIDERATIONS

---

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

Benefit Design Objective. (+) The design of the benefit increase proposed in the amended bill targets the most assistance to those survivor spouses who have experienced the greatest erosion in benefit adequacy.

Commonwealth Mandates to Municipalities. (-) The amended bill mandates benefit increases for all municipal retirement systems for public safety employees. The appropriateness of the Commonwealth mandating local governments to provide specific pension benefits is questionable from a public policy standpoint due to the wide variation in local conditions.

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

Survivor Spouse Benefit Amount. (-) Most public employee pension plans either provide a standard benefit to retirees and a reduced benefit to survivors or provide a uniform reduced benefit to both retirees and survivors. The amended bill would provide the same full ad hoc postretirement adjustment to survivor spouses as provided to retirees.

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

State Pension Aid. (-) The amended bill would result in reducing the foreign casualty insurance premium tax receipts that would be available through the General Municipal Pension System State Aid Program to municipalities to offset their employee pension costs.

---

COMMISSION RECOMMENDATION

---

On June 19, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 2109, Printer's Number 3600, was re-referred to the House Appropriations Committee on June 25, 1996.

---

---

**Bill ID:** House Bill 2399, Printer's Number 3773

**System:** All County Employees' Retirement Systems

**Subject:** Actuarial Valuation Reporting

---

SYNOPSIS

---

House Bill 2399, Printer's Number 3773, would amend Act 293 of 1972 by changing references to the Department of Community Affairs to references to the Public Employee Retirement Commission, defining actuarial valuation report to be one that complies with or is substantially equal to the requirements of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), granting a three-year transition period to the new reporting standard, and modifying the reporting cycle by providing for reports to be filed for plan years beginning in odd-numbered years rather than even-numbered years.

---

DISCUSSION

---

In adopting the Public Employee Retirement Commission Act (Act 66 of 1981), the General Assembly directed the Commission "to formulate and recommend passage of legislation . . . to mandate actuarial funding standards . . ." The resulting Commission proposal became the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984). In adopting the Municipal Pension Plan Funding Standard and Recovery Act, the General Assembly directed the Commission "within one year . . . [to] formulate and recommend to the General Assembly and to the Governor the specific legislation amending the current laws governing municipal pension plans which is required to effect conformity of those laws with the provisions of [the Municipal Pension Plan Funding Standard and Recovery Act]." The bill is similar to the technical amendments that the Commission formulated and recommended for Act 293 of 1972 (Act 293), which were introduced in previous sessions of the General Assembly.

Under Act 293, every county must file an actuarial valuation report with the Commission every two years for each of its employee retirement systems. The Public Employee Retirement Commission specifies the actuarial, demographic, and financial data required in the report. Act 293 does not require any particular actuarial cost method or actuarial assumptions, and it does not establish an actuarial funding standard.

The Public Employee Retirement Commission Act gives the Commission the powers and duties to "perform the functions and have all the powers and duties heretofore vested in the Department of Community Affairs" under Act 293 of 1972. Act 293, however, still refers to the Department of Community Affairs, and the bill would change these to references to the Commission.

The Public School Employees' Retirement System, the State Employees' Retirement System, and all the public employee retirement systems reporting under the Municipal Pension Plan Funding Standard and Recovery Act prepare their actuarial valuation reports using the entry age normal actuarial cost method. Most counties do not use this cost method, however. The bill would amend Act 293 to require actuarial valuation reports prepared under the Act to comply with the reporting

---

## DISCUSSION (CONT'D)

---

requirements under the Municipal Pension Plan Funding Standard and Recovery Act, thus assuring that all public employee retirement systems in Pennsylvania prepare their actuarial valuation reports using the same actuarial cost method.

Neither Act 293 nor the regulations issued under it require any minimum actuarial experience with public pension plans for actuaries. The bill would amend Act 293 to require the same minimum actuarial experience as required under the Municipal Pension Plan Funding Standard and Recovery Act, which is five years of public pension plan experience and enrollment either as a member of the American Academy of Actuaries or as an actuary under the Employee Retirement Income Security Act of 1974. The Commission believes that all actuaries currently preparing county actuarial valuation reports meet this requirement.

In its original suggested amendments, the Commission recommended that all affected public employee retirement systems report to the Commission once every two years for plan years beginning in odd-numbered years with a three-year transition period. All counties now are reporting to the Commission every two years. In order to permit an easier and less costly transition to making reports for plan years beginning in odd-numbered years rather than even-numbered years, the report for the plan year beginning in 1996 would be prepared under the existing requirements, the report for the plan year beginning in 1998 would be omitted, and the report for the plan year beginning in 1999 would be prepared under the new requirements.

---

## SUMMARY OF ACTUARIAL COST IMPACT

---

The changes to Act 293 of 1972 proposed in House Bill 2399, Printer's Number 3773, have no actuarial cost. With a three year transition period, counties will have an extended period in which to prepare for and fund any incidental administrative cost incurred in making the transition to the new actuarial cost method.

---

## POLICY CONSIDERATIONS

---

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

Response to Legislative Mandate. (+) The bill is similar to the technical amendments that the Commission formulated and recommended for Act 293 of 1972 in response to the legislative mandate in the Municipal Pension Plan Funding Standard and Recovery Act to formulate and recommend specific legislation that is required to effect conformity with the provisions of the Municipal Pension Plan Funding Standard and Recovery Act.

Uniform Actuarial Cost Method. (+) The amendment of Act 293 by the bill would ensure that all public employee retirement systems in Pennsylvania prepare their actuarial valuation reports using the same actuarial cost method, the entry age actuarial cost method. This would effect conformity with the Municipal Pension Plan Funding Standard and Recovery Act.

Minimum Experience of Actuary. (+) The amendment of Act 293 by the bill would ensure that all public employee retirement system actuarial valuation reports in Pennsylvania are prepared by actuaries who meet the same professional qualification standard and have the same minimum years of actuarial experience with public pension plans. This would effect conformity with the Municipal Pension Plan Funding Standard and Recovery Act.

---

POLICY CONSIDERATIONS (CONT'D)

---

Uniform Actuarial Reporting Times. (+) The amendment of Act 293 by the bill would ensure that all public employee retirement systems in Pennsylvania issue their biennial actuarial valuation reports for the same plan years, plan years beginning in odd-numbered years. This would effect conformity with the Municipal Pension Plan Funding Standard and Recovery Act and permit the Commonwealth to have access to comprehensive municipal pension plan data compiled as of one point in time.

Correction of Reference. (+) The bill would correct the references to the Department of Community Affairs in Act 293 to references to the Public Employee Retirement Commission. This would effect conformity with the Public Employee Retirement Commission Act.

Transition to Uniform Reporting Cycle. (+) The bill is effective for actuarial valuation reports for plan years beginning after December 31, 1998. In order to avoid the costs of an additional report and permit an easier transition to making reports for plan years beginning in odd-numbered years rather than in even-numbered years, the report for the plan year beginning in 1996 would be prepared under the existing requirements, the report for the plan year beginning in 1998 would be omitted, and the report for the plan year beginning in 1999 would be prepared under the new requirements.

---

COMMISSION RECOMMENDATION

---

On October 9, 1996, the Commission voted to attach the actuarial note to the bill recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 2399, Printer's Number 3773, was Laid on the Table in the House on September 24, 1996.

---

---

**Bill ID:** House Bill 2444, Printer's Number 3202

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

**Subject:** Purchase of Service Credit for Nonschool Service  
on Certain Mandatory Maternity Leaves of Absence

---

SYNOPSIS

---

House Bill 2444, Printer's Number 3202, would amend section 8304(b)(7) of the Public School Employees' Retirement Code to expand the list of nonschool services for which service credit may be purchased to include up to two years of a mandatory maternity leave of absence occurring after May 16, 1975, and before November 1, 1978. The purchase of service credit for this nonschool service must begin within one year of the member's eligibility to purchase the credit, and the purchase contribution cannot be withdrawn under section 8345(a)(iii)(4) (Option 4).

---

DISCUSSION

---

Since 1973, the courts of Pennsylvania have held that it is a violation of section 5(a) of the Pennsylvania Human Relations Act for a school district to force a pregnant public school teacher onto maternity leave. [See, for example, *Cerra v. East Stroudsburg Area School District*, 450 Pa. 207, 299 A.2d 277 (1973); *Freeport Area School District v. Pennsylvania Human Relations Commission*, 18 Pa. Commw. Ct. 400, 355 A.2d 873 (1975); and *Leechburg Area School District v. Pennsylvania Human Relations Commission*, 19 Pa. Commw. Ct. 614, 339 A.2d 850.] On Saturday, May 17, 1975, an order of the Pennsylvania Human Relations Commission adopting regulations regarding employment policies relating to pregnancy, childbirth, and childbearing became effective by publication in the *Pennsylvania Bulletin*. [5 Pa. Bul. 1298-99 (May 17, 1975).] The regulations may be found at 16 Pa. Code §§ 41.101-41.104. Among other things, the regulations make a "written or unwritten employment policy or practice which excludes from employment applicants or employees because of pregnancy" a "prima facie violation of the Pennsylvania Human Relations Act . . ." [*Id.* at § 41.102.]

Act 23 of 1991 amended the Public School Employees' Retirement Code (Code) by adding sections 8304(b)(7) and 8324 that, effective November 3, 1991, expanded the list of purchasable nonschool service under the Code to include up to two years of a mandatory maternity leave of absence occurring prior to May 17, 1975 (the date of adoption of the order of the Pennsylvania Human Relations Commission).

In its June 1989 report on *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, the Public Employee Retirement Commission recommended that purchases of prior service credit in public employee retirement systems should be limited to situations where the service purchase is necessary for the purposes of equity. Employer-mandated leaves required by some school districts in the past have since been determined to be contrary to public policy. Failure to recognize the period of mandated leave as credited service in the Public School Employees' Retirement System may, therefore, be considered to be an unfair impairment of the pension rights of affected employees. The authorization in Act 23 of 1991 to purchase credit for previously unrecognized service was an appropriate remedy for an employer-caused inequity in cases where no administrative remedy was available.

---

DISCUSSION (CONT'D)

---

Although since May 17, 1975, there has been an appropriate remedy available under the Pennsylvania Human Relations Act, there apparently are some school teachers who claim to have been illegally forced onto maternity leaves after then who claim they were unable to pursue this remedy or did not know it was available to them. The bill is an attempt to provide a statutory remedy for individuals who failed to exercise their rights by permitting them to purchase service credit for this nonschool service.

The act of October 31, 1978, Pub. L. 95-555, 92 Stat. 2076, referred to as the Pregnancy Discrimination Act, amended Title VII of the Civil Rights Act of 1964 by adding to section 701 a new subsection (k) [42. U.S.C. § 2000e(k)] that clarified that the prohibitions against sex discrimination in the Civil Rights Act includes discrimination in employment based on pregnancy, child birth, or related medical conditions. This was enacted in response to the holding of the United States Supreme Court in *General Electric Co. v. Gilbert*, 429 U.S. 125 (1976). House Bill 2444 makes October 31, 1978, the cutoff date for the proposed newly created eligibility for buying service credit for a maternity leave of absence required by an employer, apparently on the theory that school boards and employees did not take notice of the illegality of mandating a maternity leave of absence until the enactment of the federal statute. This approach has the advantage of being directly tied to an identifiable statutory enactment but suffers from the same problems as the May 1975 cutoff date, the ignorance of school boards and employees of the law and the failure of school employees to exercise their rights. In addition, by implication, this sanctions public school entities ignoring Pennsylvania law for over three years until a federal statute was enacted.

Under section 8304(b)(7) of the Code as adopted in 1991, the member must prove to the Public School Employees' Retirement System (System) that the maternity leave of absence was required by the employer. That is to say, the leave must have been mandatory not voluntary. In practice, the Public School Employees' Retirement System has found this requirement very difficult to administer. Because of the destruction of school district records in the normal course of business, consolidation of school districts, failure to retain or destruction of personal records, and the frequently informal nature of these employer mandates, many members could not sustain their burden of proof to the normal administrative law standard as to either the mandated nature of their maternity leaves of absence or the time of beginning or the time of ending or both of the mandated part of their maternity leaves of absence. As a matter of humane public retirement policy, therefore, the System is forced to grant service credit to most members who were on a maternity leave of absence prior to May 17, 1975, based on the presumption that at least some portion of most of these leaves was mandatory. Members who believe they were required to take maternity leaves of absence after May 16, 1975, and were unable to pursue their remedy under the Pennsylvania Human Relations Act or did not know the remedy was available probably are the least likely to have the necessary items of proof available, and even if their employers' records are still available after many years, the records are unlikely to show that the employer had a written policy contrary to Pennsylvania law.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

Because the Commission has no information on how many members of the Public School Employees' Retirement System would be eligible to purchase this service credit nor how much service credit they would be eligible to purchase, an exact estimate of the actuarial cost of the bill cannot be made. The staff of the System has been able to identify 52 members who claim to have been required to take mandatory maternity leaves of absence after May 16, 1975. Under section 8304(b)(7), about 4,968 members have made about 1.23 purchases each of about 1.96 years of service per purchase at an average cost per purchase of about \$4,762.

---

SUMMARY OF ACTUARIAL COST IMPACT (CONT'D)

---

The consulting actuary of the Commission has estimated the percentage of the full actuarial cost of the increased benefit that will be paid by the member under section 8324(f). The percentage paid by the member can vary significantly based on the individual member's situation. One factor that can vary the percentage paid by the member includes the member's salary increases from time of re-entry to time of purchase. The consulting actuary's estimates are based on the actuarial assumptions utilized in the June 30, 1995, PSERS actuarial valuation report.

The following table shows the estimated percentage of the full actuarial cost paid by the member for three selected age and service combinations. The estimates are based on an employer normal contribution rate at time of reentry of 6.93 percent. The employer normal contribution rate was 6.93 percent from July 1976 through June 1982, which is the period when most members eligible to purchase this service would have returned to school service. The consulting actuary has estimated the percentage of the full actuarial cost paid by the member for average career salary increases of four percent, six percent, and eight percent. As shown below, when the average career salary scale increases, the percentage of the cost paid by the member decreases.

**Estimated Percentage of Total Cost Paid by Member**

<b>Current Age</b>	<b>Current Service with PSERS</b>	<b>Average Salary Increase of 4%</b>	<b>Average Salary Increase of 6%</b>	<b>Average Salary Increase of 8%</b>
40	18	52%	37%	27%
50	23	72%	51%	37%
60	28	57%	39%	27%

---

POLICY CONSIDERATIONS

---

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

Conformance with and Departure from Policy Guidelines. In June of 1989, the Public Employee Retirement Commission published *Service Purchase Authorizations for Pennsylvania Public Employee Retirement Systems*, a report recommending policy guidelines for authorizing, funding, and structuring purchases of 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.

*Service Credit Purchase Authorizations.* ( ) The Commission recommended that service credit purchase authorizations be limited to providing compensation for time spent in military service, establishing equity in pension rights for public employees subject to an involuntary transfer of governmental function, providing for the restoration of service credits following an interruption and return to service with the same public employer, and providing retroactive recognition of service to remedy inequities created by employer actions. Employer-mandated maternity leaves required by some school districts prior to May 17, 1975, have since been determined to be contrary to public policy. Section 8304(b)(7) authorizes the purchase of credit for this previously unrecognized service as an appropriate remedy for an employer-caused inequity in a situation where no admin-

---

POLICY CONSIDERATIONS (CONT'D)

---

istrative remedy was available. Because there has been an administrative remedy available to public employees since May 17, 1975, public policy makers must decide whether authorizing the purchase of service credit for mandatory maternity leaves of absence after that date is an appropriate remedy.

*Timing of Exercise of Purchase Option.* (+) The Commission recommended that, for purchase options of this type, employees be required to exercise the purchase option within three years of becoming eligible to do so. The bill contains such a provision.

*Determination of Purchase Payments.* (+) Although the Code 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 Code represents a partial payment of the full cost by the members. The consulting actuary 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 Code contains such a provision for this type of purchase.

---

COMMISSION RECOMMENDATION

---

On April 10, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 2444, Printer's Number 3202, was referred to the House Education Committee on March 12, 1996.

---

---

**Bill ID:** House Bill 2659, Printer's Number 3629, with Amendment 4656

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

**Subject:** Creation, Funding, and Use of Supplemental Annuity Reserve Account

---

SYNOPSIS

---

House Bill 2659, Printer's Number 3629, as amended by Amendment 4656, would amend the Public School Employees' Retirement Code to:

Establish a Supplemental Annuity Reserve Account (i.e., Fund Balance—Reserved for Supplemental Benefits) within the Public School Employees' Retirement Fund (Fund) from which payments for the July 1, 1994, and all future supplemental annuities (COLAs) shall be paid;

Divert ("set-aside") interest earnings in excess of 8.5 percent on the Annuity Reserve Account of the Fund to the Supplemental Annuity Reserve Account;

Require employer amortization payments into the Supplemental Annuity Reserve Account sufficient, in addition to the balance in the account and the present value of projected "set asides" and the actual investment earnings thereon over the next 18 years, to fund the liabilities for the July 1, 1994, supplemental annuity over the next 18 years with amortization payments increasing five percent a year; and

Require employer amortization payments into the Supplemental Annuity Reserve Account sufficient, in addition to the equity in the Supplemental Reserve Account, to fund all future supplemental annuities.

---

DISCUSSION

---

The Public School Employees' Retirement System (System) administers a cost sharing, multiple-employer, defined benefit pension plan with the designated purpose of providing retirement allowances and other benefits, including death, disability, and health care benefits to its members. Membership in the System is mandatory for substantially all full-time public school employees in the Commonwealth. Certain other employees are not required but are given the option to participate. As of June 30, 1995:

There were 635 reporting employers, generally school districts, area vocational-technical schools, and intermediate units:

System membership consisted of about 154,124 retirees, beneficiaries, inactive members, and terminated employees entitled to benefits, and about 210,783 active members; and

The System had a funding ratio of 89.69 percent, which means that it had \$89.69 for every \$100.00 the Commonwealth has promised to the System's members and their beneficiaries.

---

DISCUSSION (CONT'D)

---

The contribution policy is set by the Public School Employees' Retirement Code (Code) and required contributions are made by active members, employers, and the Commonwealth. On a statewide basis, in the aggregate, employers and the Commonwealth equally share the cost of required contributions. The Code sets the rate of contribution for active members joining the System before July 22, 1983, at 5.25 percent of the member's compensation and for active members joining System after July 21, 1983, at 6.25 percent of the member's compensation. The contributions required of employers and the Commonwealth are based upon an actuarial valuation, using the entry age normal actuarial cost method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined.

The public employee pension trust fund created under the Code is the Public School Employees' Retirement Fund (Fund). Among the equity accounts of the Fund are four accounts designated by the Code: Member's Savings Account (i.e., fund balance reserved for member contributions), State Accumulation Account (i.e., fund balance reserved for employer contributions), Annuity Reserve Account (i.e., fund balance reserved for benefits), and Health Insurance Account (i.e. fund balance reserved for post-retirement medical insurance). Because the Code provides for disability benefits, there also is a Reserve for Disabilities Account (i.e., fund balance reserved for disability).

The State Accumulation Account is credited with the contributions of the Commonwealth and the employers. Additionally, interest earnings of the System (after crediting the Member's Savings Account with four percent interest and the Annuity Reserve Account and Reserve for Disabilities Account with 8.5 percent interest) are credited to this account. Each year, the necessary amounts, as determined by the actuary for the payment of retirement and death benefits, are transferred from the State Accumulation Account to the Annuity Reserve Account and the Reserve for Disabilities Account. All administrative expenses necessary for the operation of the System, except for the Health Insurance Account Expenses, are charged to the State Accumulation Account.

The Members' Savings Account is credited with all contributions made by active members of the System. Interest is added to the member's individual subsidiary account at an annual rate of four percent. Upon death or retirement of a member, the accumulated contributions plus interest are transferred to the Annuity Reserve Account or Reserve for Disabilities Account for subsequent payment of benefits.

The Annuity Reserve Account represents the amounts transferred from the Members' Savings Account and the State Accumulation Account, plus additional contributions made by the Commonwealth and employers for the payment of supplemental annuities. All death and retirement benefits are charged to the account. Annual interest of 8.5 percent is credited to the account.

The Reserve for Disabilities Account represents the amounts transferred from the Members' Savings Account and the State Accumulation Accounts, plus additional contributions made by the Commonwealth and employers for the payment of supplemental annuities. All disability benefits are charged to the account. Annual interest of 8.5 percent is credited to the account.

The Health Insurance Account is credited with contributions of the Commonwealth and the employers. Participating eligible annuitants receive health insurance premium assistance payments equal to the lesser of \$55 per month or the actual monthly premium are charged to the account. All administrative expenses necessary to operate the health insurance premium assistance program also are charged to the account.

The amended bill would establish a new equity account to be called the Supplemental Annuity Reserve Account.

The Supplemental Annuity Reserve Account rather than the Annuity Reserve Account would be credited with contributions made by the Commonwealth and employers for the payment of supplemental annuities.

The July 1, 1994, and all future supplemental annuities would be charged to the Supplemental Annuity Reserve Account rather than to the Annuity Reserve Account.

Annual interest calculated as the product of the difference of the Fund's time-weighted rate of return for the preceding year minus 8.5 percent multiplied by the mean amount of the Annuity Reserve Account for the preceding year would be credited to the Supplemental Annuity Reserve Account rather than to the State Accumulation Account. In years when the calculated annual interest is negative (i.e., the Fund's time-weighted rate of return is less than 8.5 percent) the Supplemental Annuity Reserve Account would be charged and the State Accumulation Account would be credited with the amount of this difference.

If the Public School Employees' Retirement Board's actuarial assumption that, in the long term, the rate of return on its investments will be 8.5 percent is correct, the long-term cost effect of the proposal in the amended bill would be neutral. The proposal would neither increase nor decrease total employer contributions. Over time, the crediting of certain interest earned over 8.5 percent and the charging for certain interest earned under 8.5 percent to the Supplemental Annuity Reserve Account would be offset in equal part by higher or lower employer contributions to fund the Systems' other liabilities.

Among the System's economic actuarial assumptions is one for interest. The current rate of 8.5 percent was adopted by the Public School Employees' Retirement Board after reviewing its most recent five-year (July 1, 1990, to June 30, 1995) experience review and the recommendations of its consulting actuary. Based upon the System's almost 80 years of experience, about 70 years of investment market data, the asset mix of the Fund, the Board's other actuarial assumptions, and other information, 8.5 percent represents the Board's expectation of the mean long-term return on the System's investments. If future five-year experience reviews reveal that the interest rate assumption should be adjusted, the Board may change it.

The proposal in the bill would effectively fix the interest rate assumption by law at 8.5 percent for the Annuity Reserve Account, and this could lead to certain problems. If the actual long-term returns drops below 8.5 percent, the Supplemental Annuity Reserve Account would begin to run ever increasing negative balances. In the alternative, if the actual long-term returns rise above 8.5 percent, the Supplemental Annuity Reserve Account would begin to run ever increasing credit balances. An alternative approach that avoids this problem would provide for the Supplemental Annuity Reserve Account to be credited or charged for interest earnings over or under "the Board's actuarial interest rate assumption."

Although the economic actuarial assumption for interest is 8.5 percent, this represents a long-term expectation that investment returns will be over 8.5 percent about one-half of the time, will be under 8.5 percent about one-half of the time, and will revert to a mean value of 8.5 percent. In the short-term, however, there will be periods of earnings over and under the long-term rate. A significant positive balance in the Supplemental Annuity Reserve Account after a cycle of rising interest earnings could lead to the contention that a substantial supplemental annuity should be granted. A significant negative balance in the account after a cycle of falling interest earnings could lead to the contention that, no matter what increases have occurred in the cost of living, no supplemental annuities should

---

DISCUSSION (CONT'D)

---

be granted. The result could be that the public pension policy of the Commonwealth regarding the granting of supplemental annuities would be driven by the recent interest earnings of the System rather than need-related factors.

The proposal in the amended bill requires that the July 1, 1994, supplemental annuity be refunded over an 18-year period from July 1, 1997, with the amortization payments determined after subtracting the balance in the Supplemental Annuity Reserve Account and the present value of projected diversions, and the earnings thereon, over the 18-year amortization period. On June 30, 1997, there will be transferred into the Supplemental Annuity Reserve Account from the Annuity Reserve Account any reserves accumulated for the payment of the July 1, 1994, supplemental annuity and the diverted interest on the Annuity Reserve Account over or under 8.5 percent for the July 1, 1996, June 30, 1997, fiscal year. Because the July 1, 1994, supplemental annuities are being funded over a 20-year period by a level percentage of payroll increasing five percent a year, the balance in the supplemental annuity reserve probably will be negative on June 30, 1997. Because the System is using an 8.5 percent interest assumption, its consulting actuary, presumably, will have to use that assumption in calculating the present value of future diversions, which would mean that there would be no diversions and the present value will be zero. The proposal in the amended bill should have no effect upon total employer contributions for the July 1, 1994, supplemental annuities because any "savings" in the amortization payments will be offset by an increase in employer contributions caused by the foregone interest earnings in the State Accumulation Account.

Pre-funding of any employee retirement benefit is desirable. But, if supplemental annuities are to be pre-funded, there must be "new" funding provided. The proposed crediting and charging of investment earnings over or under 8.5 percent provides no new funding to the System. It diverts existing funding for a restricted purpose.

The proposal contained in the amended bill would do nothing to alter the ultimate cost of supplemental annuities provided to retired public school employees. The timing of the payment of these costs would be modified, but the total costs of the benefits would be the same. Utilization of the "excess interest" concept sometimes is misconstrued as reducing the costs to be incurred.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The consulting actuary of the Commission advises that, based on fundamental economics, the bill will not cause a change in the aggregate amount of employer contributions over the long term. The bill creates a separate reserve account within the existing Fund and provides a mechanism to transfers credits and debits between accounts. As the bill does not, per se, increase or reduce benefits, expenses, or investment returns, the aggregate contribution requirements of the System should not be affected.

The consulting actuary further states that in the current funding mechanism all plan benefits are funded and expensed in a uniform fashion and, except for disability benefits, charged to a single reserve account. Therefore, the consulting actuary indicates that the existence of another reserve account essentially will "muddy the waters" in terms of the cost/benefit relationship.

The consulting actuary of the System indicates that the amended bill may impact on the short-term funding requirements of the System due to the operation of the supplemental annuity reserve account.

---

POLICY CONSIDERATIONS

---

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

Complexity of Cost/Benefit Relationship. (-) The proposal in the amended bill establishes a complicated method of funding the costs incurred in the provision of supplemental annuities to retired public school employees. As the ultimate costs are neither increased nor decreased, there appears to be no public pension policy rationale for replacing the straightforward funding approach currently prescribed.

Statutory Fixing of Interest Rate Assumption. (-) The proposal in the amended bill effectively fixes the interest rate assumption for the Annuity Reserve Account at 8.5 percent rather than permitting the Public School Employees' Retirement Board to alter this economic actuarial assumption based upon experience. An alternative approach that avoids this problem would provide for the Supplemental Annuity Reserve Account to be credited or charged for interest earnings over or under the "Board's actuarial interest rate assumption." A draft of an amendment to effect the alternative approach is attached.

Supplemental Annuities Based Upon Reserved Fund Balance. (-) The proposal in the amended bill would tend to make the granting of supplemental annuities a function of the balance in the Supplemental Annuity Reserve Account rather than a function of the needs of the System's retirees as reflected in the change in the cost of living.

Impact on Funding for Supplemental Annuities. ( ) The proposal contained in the amended bill would do nothing to alter the ultimate cost of supplemental annuities provided to retired public school employees. The timing of the payment of these costs would be modified, but the total costs of the benefits would be the same.

Need for Clarity. (-) Although the intent of the sponsors of the amended bill is to require the charging of the Supplemental Annuity Reserve Account when the realized annual interest rate is less than 8.5 percent, there is a need to clarify the proposal to make it clear that the full amount of the shortfall must be charged to the account even if it results in a negative balance in the account. A draft of an amendment to provide the necessary clarity is attached.

---

COMMISSION RECOMMENDATION

---

On June 19, 1996, the Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 4080, House Bill 2659, passed the House and was referred to the Senate Finance Committee on November 19, 1996.

---

---

**Bill ID:** Amendments 6542 and 6561  
to House Bill 2659, Printer's Number 4080

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

**Subject:** Eliminating the Effect of Frozen Present Values  
on the Annuities of Certain Retirees

---

SYNOPSIS

---

Amendment 6542 to House Bill 2659, Printer's Number 4080, would amend both the Public School Employees' Retirement Code and the State Employees' Retirement Code to eliminate the effect of frozen present values upon the annuities of retirees who were once members of a system, retired and began drawing an annuity, were reemployed for three or more years (becoming active members again resulting in a stopping of their annuities and the freezing of the values of their annuities), and retired and began drawing their annuities again before July 1, 1994.

Amendment 6561 to House Bill 2659, Printer's Number 4080, would amend just the Public School Employees' Retirement Code in the same way as Amendment 6542.

---

DISCUSSION

---

Before July 1, 1994, members of the Public School Employees' Retirement System and the State Employees' Retirement System who retired (except under disability retirements) but later returned to service in nonemergency situations automatically had their retirement accounts frozen at the time of their return to service. The returning member then earned additional service credits for the length of reemployment.

The disadvantage of a frozen annuity is that as the member continues to work, the member's additional service is not added to his original service. Instead, the original service is part of the frozen annuity and the additional service accumulates separately. Upon subsequent retirement, the member was paid a new annuity computed as the sum of two portions: the frozen portion (based on the original annuity) and a new portion (based on the additional service). This generally results in a final retirement benefit with a smaller value than if the member had not had a break in service.

As a result of Act 29 of 1994 and Act 77 of 1995, most active members who have been in service for three years following a return to service from retirement now are eligible to eliminate their frozen present values. The elimination of a frozen present value causes all annuity payments previously paid to the member, plus interest, to be treated as a debt to the retirement system. The debt is applied to the member's account at the time the members elects to eliminate the frozen present value.

The changes to the codes made by Act 29 of 1994 and Act 77 of 1995 did not affect those individuals who retired before July 1, 1994, with annuities calculated using a frozen present value. The proposed amendments would eliminate the effect of frozen present values upon the annuities being paid to these annuitants. The amendments would require the systems to recalculate the annuities as if the members had been vestees during their intervening periods as annuitants, subtracting all amounts paid to the annuitants by the systems during their intervening periods, and, beginning

---

DISCUSSION (CONT'D)

---

on the July 1 coincident with or following the effective date of the amendments, paying the annuitants the greater of the recalculated annuity or the original annuity. The effect would be to provide annuitants with frozen present values who retired before July 1, 1994, with the same benefits as were made available to persons with frozen present values who retired after June 30, 1994.

As the consulting actuary of the Commission points out, from the standpoint of pension policy, it is highly unusual for a benefit modification granted to active employees to be applied retroactively to retired employees. Just as retirees do not participate in a postretirement reduction in benefits when an increase in longevity is reflected in mortality tables, they do not participate in a postretirement increase in benefits when there is an improvement in the benefit plan for active members. In order to pre-fund the retirement benefit in a defined benefit plan using an actuarial cost method, it is necessary that the retirement benefit be predictable before retirement and fixed at retirement. Providing benefit changes to persons already retired causes a mismatch in funding with later generations of taxpayers being required to pay for a benefit retroactively granted to individuals who provided services to earlier generations of taxpayers.

Under both the Public School Employees' Retirement Code and the State Employees' Retirement Code, the unfunded actuarial accrued liability resulting from a postretirement adjustment such as the one proposed in the amendments is funded by amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period beginning with the July 1 coincident with or next following the effective date of such legislation. A 20-year period is longer than the remaining average retired lifetime of the benefit recipients involved, meaning that a portion of the funding for benefits will be provided after the death of a significant number of the benefit recipients. More prudent pension funding policy would provide for the liabilities of the postretirement adjustment to be amortized over a shorter period, typically ten years, and for the amortization payments to be calculated on a level dollar basis.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

	<b>PSERS<sup>1</sup></b>	<b>SERS</b>	<b>TOTAL</b>
Increase in Unfunded Actuarial Accrued Liability	\$ 8,000,000	\$ 56,000,000	\$ 64,000,000
Increase in Employer Annual Costs			
Normal Cost	\$ 0	\$ 0	\$ 0
Amortization Payments <sup>2</sup> (First Year)	600,000	3,900,000	4,500,000
Total <sup>2</sup>	<u>\$ 600,000</u>	<u>\$ 3,900,000</u>	<u>\$ 4,500,000</u>
First Year Increase in Employer Annual Cost as a Percentage of Payroll	0.01%	0.10%	0.04%
Total Amortization Payments	\$19,839,572	\$128,957,221	\$148,796,793

<sup>1</sup> Paid in part by the Commonwealth and in part by the school district or other educational employer.

<sup>2</sup> Amortization payments increase five percent a year for 20 years.

---

POLICY CONSIDERATIONS

---

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

Application of Active Membership Benefit Improvement to Retirees. (-) Allowing a benefit modification provided to active employees retroactively to retired employees is unusual and contrary to the precepts of actuarial funding policy. Usually, retirement benefits are calculated and fixed at retirement and then not altered except for cost-of-living postretirement adjustments. Determining pension benefits at the time of retirement permits the liabilities associated with the pension benefits of retirees to be reasonably anticipated and funded pre-retirement.

Benefit Parity for Certain PSERS and SERS Annuitants. (+) Permitting Public School Employes' Retirement System and State Employes' Retirement System annuitants to eliminate the effects of frozen present values would provide benefit parity to annuitants who had more than one period of public school or state employment whether they retired before or after July 1, 1994.

Funding Policy. (-) Under both codes, the unfunded actuarial accrued liability resulting from the special postretirement adjustment will be funded by amortization payments calculated as a level percentage of payroll increasing five percent a year over a 20-year period. A more appropriate pension funding policy would provide for the liabilities to be amortized over a ten-year period on a level dollar basis. Suggested language to insert in the amendments to effect this more appropriate funding policy is attached.

---

COMMISSION RECOMMENDATION

---

On November 13, 1996, the Commission voted to attach the actuarial note to the amendments, expressing particular concern regarding the actuarial cost impact of the amendments and the policy implications of increasing pension benefits after retirement and recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 2659, Printer's Number 4080, passed the House and was referred to the Senate Finance Committee on November 19, 1996.

---

---

**Bill ID:** Amendment 6543 to House Bill 2659, Printer's Number 4080

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

**Subject:** Expanding Eligibility for Health Insurance Premium Assistance Program

---

SYNOPSIS

---

Amendment 6543 to House Bill 2659, Printer's Number 4080, would amend the Public School Employees' Retirement Code retroactive to January 1, 1995, to expand the Health Insurance Premium Assistance Program to cover all current and prospective annuitants who retire with 15 or more years of service and have an effective date of retirement after superannuation age.

---

DISCUSSION

---

Under the Public School Employees' Retirement Code, certain health care benefits are provided for retired employees who meet specified length-of-service and age requirements. To be eligible for the Health Insurance Premium Assistance Program, retired members must (1) have at least 24½ years of service, or (2) be disability annuitants, or (3) have at least 15 years of service and have terminated school service after attaining superannuation age. Under the program, participating eligible annuitants receive health insurance premium assistance payments from the Health Insurance Account equal to the lesser of \$55 a month or the actual monthly premium.

All administrative expenses necessary to operate the Health Insurance Premium Assistance Program are funded by the Health Insurance Account. The Health Insurance Account is credited with the contributions of the Commonwealth and the employers. For the fiscal year ended June 30, 1995, the Account paid benefits totaling \$26,883,000.

The Health Insurance Premium Assistance Program is funded on a pay-as-you go basis, with the cost determined in the valuation process based on the expected annual disbursements and funded one year in advance of the actual disbursements. Because the covered group of retirees is anticipated to be relatively stable and the benefit amount is not indexed, this approach appears to provide a reasonable estimate of the long-term cost level.

The current Health Insurance Premium Assistance Program is designed to reward certain employees for their career service to public education in the Commonwealth. These employees include disability retired public school employees and both retired long-service career public school employees (at least 24½ years of service) and retired late-in-life career public school employees who completed their working careers as public school employees (at least 15 years of service who terminated service after reaching superannuation retirement age). The proposal in the amendment would substantially alter the program by providing any retiree who has at least 15 years of service credit and who has an effective date of retirement after superannuation retirement age (age 62), with health insurance premium assistance payments of up to \$55 a month. For example, a non-career member who began public school employment at age 22 and terminated public school service at age 37 would receive the same benefit when the member begins drawing an annuity from the Public School Employees' Retirement System (PSERS) 25 years later at age 62.

---

DISCUSSION (CONT'D)

---

as a long-service career member who began public school service at age 22 and retires at age 57 after 35 years of service or a late-in-life career member who began public school service at age 47 and retired 15 years later at age 62, although the non-career member will have worked most of a working lifetime (25 years) elsewhere.

As a percentage of the PSERS annuity, the health insurance premium assistance for the non-career member will be over three times as valuable as the assistance to the long-service career member. For example, consider two employees who begin public school service at age 22. The non-career employee terminates after 15 years of service at age 37 and begins drawing a PSERS annuity 25 years later at age 62 while the long-service career employee terminates service and begins drawing an annuity after 35 years of service at age 57. The June 30, 1995, Actuarial Valuation Report of PSERS shows the average salary of members with ten through 14 years of service as \$32,618 and of members with 30 through 34 years of service as \$55,405. Using these as the final average salaries produces the following results:

**Non-Career Employee**

$$\begin{aligned} \text{PSERS Annuity} &= \$32,618 \times 0.02 \times 15 = \$9,785.40 \\ \text{Health Insurance Premium Assistance (HIPA)} &= \$55 \times 12 = \$660 \\ \text{HIPA as a \% of Annuity} &= \$660 / \$9,785.40 = 6.74\% \end{aligned}$$

**Long-Service Career Employee**

$$\begin{aligned} \text{PSERS Annuity} &= \$55,405 \times 0.02 \times 30 = \$38,783.50 \\ \text{Health Insurance Premium Assistance} &= \$55 \times 12 = \$660 \\ \text{HIPA as a \% of Annuity} &= \$660 / \$38,783.50 = 1.70\% \end{aligned}$$

There are currently about 5,500 retired members who would be immediately eligible to receive the proposed benefit. The change in eligibility for postretirement health insurance premium assistance will induce some unknown number of active members to terminate public school service after 15 years of service but prior to superannuation age. Increased retirements among the vested and inactive members eligible for the proposed benefit may also be induced.

---

SUMMARY OF ACTUARIAL COST IMPACT

---

The Public School Employees' Retirement System reports that there are about 5,500 retired members who would qualify immediately for the proposed benefit. The following cost estimate reflects the pay-as-you-go funding requirements applicable to the Health Insurance Premium Assistance Program.

	<u>Amount</u>	<u>As a % of Payroll</u>
Total Increase in Employer Annual Cost *	\$3,630,000	0.05%

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

---

POLICY CONSIDERATIONS

---

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

Policy Rationale. (-) The Commonwealth historically has provided postretirement health insurance premium assistance as a reward to its long-service career and late-in-life career public school employees, and the program has functioned as an inducement for long service. Under the amendment, the postretirement Health Insurance Premium Assistance Program would provide non-career short service retirees with a medical benefit that would reduce the inducement for long service provided by the current program. The rationale for this change in public employee retirement policy is not evident.

Retroactivity. (-) Under the bill, the change in eligibility for the Health Insurance Premium Assistance Program would be retroactive to January 1, 1995. Except in unusual circumstances, there is no apparent public employee retirement policy reason for making an improved retirement benefit retroactive.

---

COMMISSION RECOMMENDATION

---

On November 13, 1996, the Commission voted to attach the actuarial note to the amendment, expressing its concern that the amendment is contrary to the Health Insurance Premium Assistance Program's intended purpose of providing an inducement for long service and recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

House Bill 2659, Printer's Number 4080, passed the House and was referred to the Senate Finance Committee on November 19, 1996.

---

---

**Bill ID:** Amendment 6516 to House Bill 2690, Printer's Number 3695  
**System:** Second Class (Allegheny) County Employees' Retirement System  
**Subject:** Liberalization of Service Increment Benefit

---

SYNOPSIS

---

Amendment 6516 to House Bill 2690, Printer's Number 3695, would amend the Second Class County Code retroactive to January 1, 1996, to change the calculation of the service increment for a member to be based on the number of whole years *and* whole months of service completed by the member in excess of 20 years up to a maximum of 20 additional years and to validate all fractional payments made after December 31, 1988.

---

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.

Under article 17 of the Second Class County Code, the normal retirement benefit for an Allegheny County employee is a combination of a "fixed benefit" and a "variable benefit."

The "fixed benefit" is to retire voluntarily after at least 20 years of service and attaining a specified minimum age and to receive a benefit of one-half of the individual's final average salary as follows:

Firefighter or police officer after attaining age 50;

Deputy sheriff, prison guard, or sheriff after attaining age 55; and

Any other employee after attaining age 65 (age 60 for an employee hired before April 14, 1984).

The "variable benefit" benefit is a service increment of one percent of the final average salary for each full year of service between 20 and 40 years.

A "fixed benefit" approach differs from the usual defined benefit plan in which the pension benefit is variable based on the produce of the years of service multiplied by a benefit accrual rate. Under a "fixed benefit" plan, there is a disincentive to remain in public service after completing the minimum service (20 years in the case of Allegheny County) and attaining the minimum age, while there is an appropriate incentive for remaining in service longer under a conventional "variable benefit" approach. To remedy the disincentive inherent with the "fixed benefit" approach, the pension plan for Allegheny County employees includes service increments, a "variable benefit." The result is that skilled county employees have a retirement-related incentive to continue service beyond 20 years of service and attainment of the minimum retirement age.

---

DISCUSSION (CONT'D)

---

The service increment in the Allegheny County pension plan is based on years of service in excess of 20 years not to exceed 20 years. Currently, the service increment is calculated based on only completed whole years, and any fractional portions of a year are disregarded. The amendment would change the calculation of the service increment so that it would be based on the number of whole years *and* any residual whole months. The amendment would be retroactive to January 1, 1996, and validate all service increment payments that were based on fractional portions of a year and made after December 31, 1988.

---

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 Employees' Retirement System, and the State Employees' 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.

	<u>Amount</u>	
Increase in Unfunded Actuarial Accrued Liability	\$2,680,000	
	<u>Amount</u>	<u>As a % of Affected Payroll</u>
Increase in Employer Annual Costs		
Normal Cost	\$160,000	0.08%
Amortization Payment	<u>245,000</u>	<u>0.13%</u>
Total Increase in Employer Costs	\$405,000	0.21%

---

POLICY CONSIDERATIONS

---

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

Validation of Existing Practice. ( ) The amendment would validate the current practices of the Retirement Board of Allegheny County in computing service increments.

Local Flexibility. ( ) Although the amendment would validate a current practice, it would be more appropriate to authorize local flexibility in this matter rather than mandating a benefit modification.

---

COMMISSION RECOMMENDATION

---

On November 13, 1996, the Commission voted to attach the actuarial note to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified above.

---

FINAL LEGISLATIVE STATUS

---

As Printer's Number 4122, House Bill 2690, passed the House and was referred to the Senate Local Government Committee on October 8, 1996.



# PART II

## PUBLIC EMPLOYEE RETIREMENT SYSTEM ADMINISTRATION

---

---

### A. ACT 205 of 1984

#### 1995 Filing Period

March 29, 1996, was the deadline for the 1995 municipal pension plan reports. Of the 4,500 local governments submitting questionnaire responses, 1,799 indicated that they had established one or more pension plans. About 202 of the local governments required to submit employee pension plan reports failed to meet the statutory filing deadline. Through transmitting multiple delinquency notices, the Commission was able to significantly reduce the number of delinquent local governments that were not included in the initial certification to the Department of the Auditor General on August 15th. Only 32 municipalities remained delinquent as of the date of initial certification. As of December 31, 1996, only 3 municipalities remained delinquent in submitting their 1995 employee pension plan reports, and the Commission was actively engaged in enforcing the reporting requirements.

With 75% of the over 2,700 municipal pension plan actuarial valuation reports received near the filing deadline, the Commission utilized its computer assisted review procedures to expedite the review of the incoming reports. The data extracted from the reporting forms was verified using electronic data processing. The Commission will issue its Status Report on Local Government Pension Plans based on the 1995 Act 205 data early in 1997.

#### Municipal Pension Cost Certification

In the summer of 1996, the Commission certified municipal pension cost data to the Department of the Auditor General for use in the 1996 allocation of General Municipal Pension System State Aid. In 1996, the state aid provided to municipalities to offset their employee pension costs totalled \$127.5 million. Calculation of the municipal pension cost data for the 1,300 municipalities was accomplished through the municipal employee pension plan data base that is maintained by the Commission through the data extracted from the over 2,800 pension plan reports submitted by municipalities.

#### Recovery Program

The Commission determined the 1996 distress scores for 48 municipalities participating in the Financially Distressed Municipal Pension System Recovery Program and transmitted distress determination notices to the affected municipalities. In October of 1996, the Commission also certified the payment of \$1.7 million in Supplemental State Assistance for 1996 and notified the Governor and General Assembly that a \$549 thousand appropriation would be needed to provide the Supplemental State Assistance payable in December of 1997.

**Recovery Program (Cont'd)**

In the fall of 1996, the Commission transmitted filing notices and reporting forms to the 19 municipalities required to submit 1996 actuarial valuation reports for their employee pension plans due to their participation in the Supplemental State Assistance Program.

**B. ACT 293 of 1972**

**1996 Filing Period**

The Commission transmitted filing notices and reporting forms to the 66 counties required to submit employee pension plan reports for 1996. The reports are due March 31, 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.

##### **Fiscal Impact of the Early Retirement Incentive for Public School Employees Provided by Act 186 of 1992 and Act 29 of 1994.**

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 Employees' 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 89 percent complied. In addition, the Public School Employees' Retirement System

## **B. RESEARCH. (Cont'd)**

provided extensive data to the Commission. The report was issued in March 1996 and showed that the early retirement incentive generated salary savings of approximately \$216 million; however, when combined with the \$284 million increase in actuarial accrued pension liability, a net cost of \$68 million resulted.

### **Service Purchase Authorization for Pennsylvania Public Employee Retirement Systems.**

Among the more frequently recurring subjects in the proposed legislation that the Commission has been requested to review are authorizations to purchase service credits in public employee retirement systems for various types of currently noncreditable service. The Commission studied the subject in some depth in order to establish a consistent policy framework within which to evaluate these proposals. In June 1989, the Commission issued its report, which contained the Commission's recommendations as guidance to the policymakers in the executive and legislative branches in discussing, developing, and adopting future changes in purchase of service credit provisions. At the direction of Chairman Halliwell, during 1996 the staff of the Commission reviewed the report and identified several minor technical revisions and two substantive revisions of a technical nature that are needed before the report is reissued. Work on the reissuance was completed in 1996, and the Commission will reissue its report early in 1997.

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

During the second half of 1996, research began on the Commission's sixth report on the status of the Commonwealth's local government retirement systems since the enactment of the Municipal Pension Plan Funding Standard and Recovery Act. The research will be completed during the first half of 1997. The report will be a summary and analysis of municipal employee retirement system actuarial valuation reports as of January 1, 1995, submitted to the Commission under the Act and of county employee retirement system actuarial valuation reports as of January 1, 1994, submitted to the Commission under Act 293 of 1972. The data in the report will be extracted from the individual pension plan reports containing actuarial, financial, and demographic information. The report will contain both the Commission's comments on trends or conditions and the associated recommendations of the Commission.

## **C. STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEM REVIEWS.**

Under the Public Employee Retirement Commission Act, the Commission conducts periodic reviews of the actuarial and financial reports of the various public employee retirement systems. The Commission conducted a review of the Public School Employees' Retirement System (PSERS) in May 1996 and the State Employees' Retirement System (SERS) in October 1996.

## Commission Review of PSERS Actuarial Valuation Report

---

---

At the May 8, 1996, meeting of the Commission, the staff presented a summary of the June 30, 1995, actuarial valuation report and the accompanying June 30, 1995, Five-Year Experience Review Actuarial Valuation of the Public School Employees' Retirement System. The following are some significant facts contained in the report.

### General Funding Facts

Since the prior valuation:

- The employer contribution rate decreased from 11.72% for fiscal year 95-96 to 10.60% for fiscal year 96-97. The decrease of 1.12% is due to the changes in demographic assumptions (.52%) (early retirement ratio increased, vested termination decreased) and actuarial gains (.60%).

### Changes in Contribution Rates

	<u>1994</u>	<u>1995</u>
Normal Cost Rate	6.43%	6.44%
Health Care Rate	.62%	.60%
Unfunded Actuarial Accrued Liability Rate	<u>4.67%</u> 11.72%	<u>3.56%</u> 10.60%

### Demographics - Increase in Number of Active Members

- The valuation shows that the number of active members increased by 4,243 to 210,783 members.
- The membership has increased by 12,786 in the past two years.

### Employer Contribution Rate

Normal Cost	6.44%
Unfunded Accrued Liability	<u>3.56%</u>
Total Pension	10.00%
Health Care	<u>.60%</u>
Total	10.60%

## Commission Review of PSERS Actuarial Valuation Report (Cont'd)

---

---

### Experience Review

#### Post-retirement Mortality Assumption

- Finding/Mortality Improved Over Last Decade
- Recommendation/Update Mortality Table

#### Economic Assumptions

	<u>No changes</u>
- Rate of Return	— 8.5%
- Annual Pay Increase	— 6.75%
- Payroll Growth	— 5.0%

The change to age-related salary assumption produces the same average (6.75%) but saves \$802 million.

**SUMMARY OF ACTUARIAL VALUATION**  
**PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM**  
as of  
**June 30, 1995**

The following is a summary of the June 30, 1995, actuarial valuation of the Public School Employees' Retirement System and a comparison of the 1995 results with those of 1994.

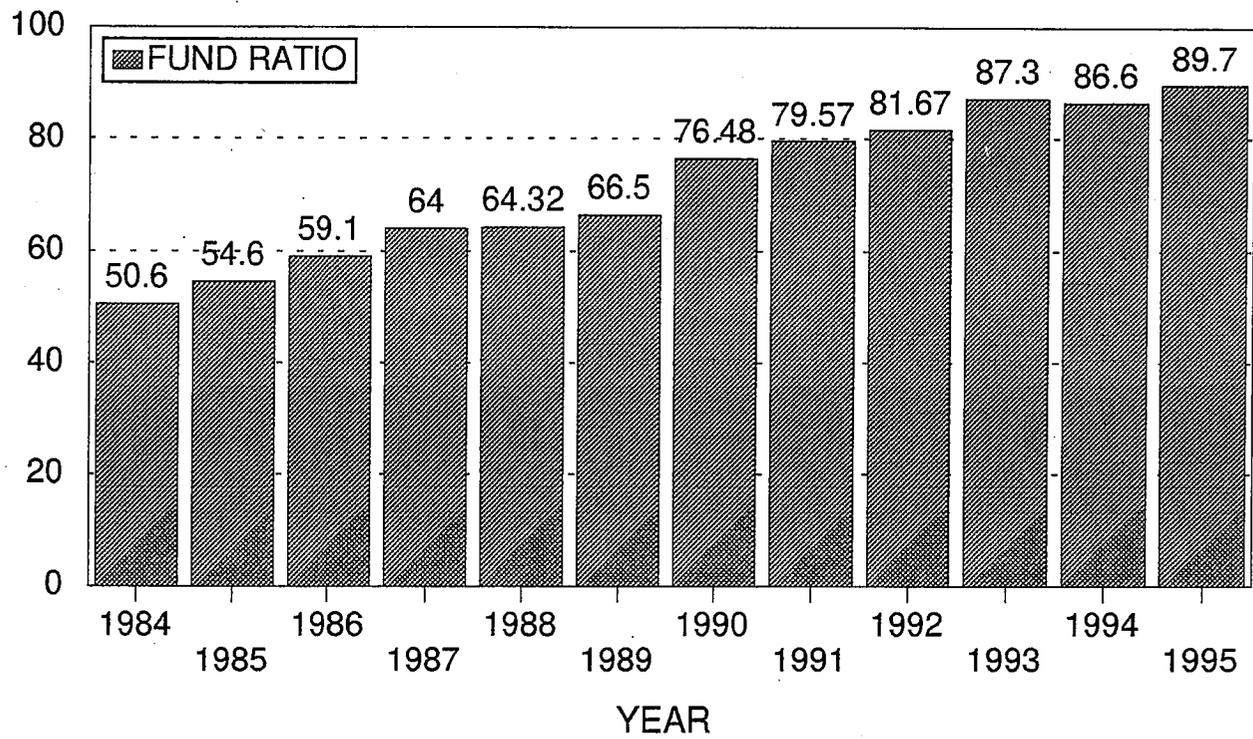
	<u>6/30/94</u>		<u>6/30/95</u>	
<u>Membership</u>				
Active Members	206,540		210,783	
Inactive and Vested Members	35,918		38,164	
Retired Members	105,313		105,840	
Disabled Members	4,500		4,669	
Survivors and Beneficiaries	5,218		5,451	
 <u>Payroll and Annuities Payable</u>				
Total Annual Payroll	\$6,885,337,000		\$7,378,342,000	
Annual Annuities and Benefits	\$1,185,648,000		\$1,221,143,000	
 <u>Valuation Data</u>				
Accrued Liability	\$28,348,273,000		\$30,072,732,000	
Assets <sup>1</sup>	<u>24,551,515,000</u>		<u>26,971,214,000</u>	
Unfunded Accrued Liability	\$ 3,796,758,000		\$ 3,101,518,000	
 Fund Ratio	 86.6%		 89.7%	
 <u>Funding Costs</u>				
Normal Cost	\$ 827,617,508	12.02%	\$ 889,828,045	12.06%
Amortization <sup>2</sup>	<u>321,545,238</u>	<u>4.67%</u>	<u>262,668,975</u>	<u>3.56%</u>
Full Actuarial Funding <sup>3</sup>	\$1,149,162,746	16.69%	\$1,152,497,020	15.62%
 <u>Support</u>				
Member	\$ 384,890,338	5.59%	\$ 414,662,820	5.62%
School District	382,136,204	5.55%	368,917,100	5.00%
Commonwealth	<u>382,136,204</u>	<u>5.55%</u>	<u>368,917,100</u>	<u>5.00%</u>
Total Support <sup>3</sup>	\$1,149,162,746	16.69%	\$1,152,497,020	15.62%

\*\*\*\*\*

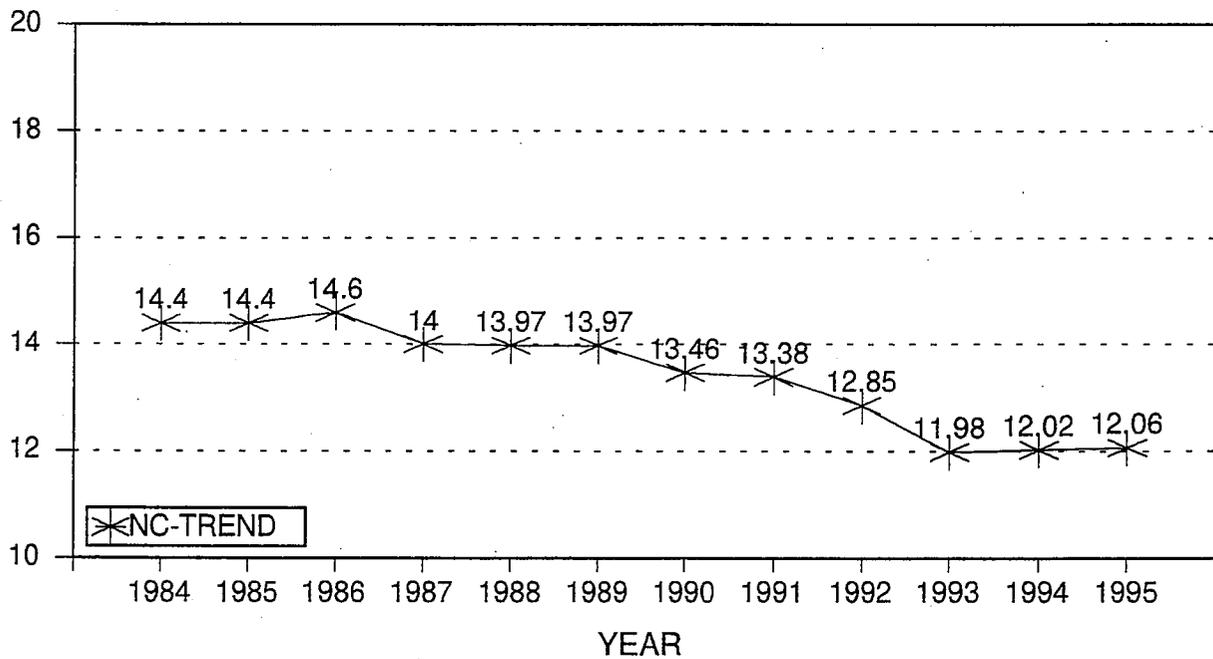
**EXPLANATORY FOOTNOTES**

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 .60% is not included in this total.

## PSERS FUNDING RATIO TREND



## PSERS NORMAL COST TREND



## **Commission Review of SERS Actuarial Valuation Report**

---

---

At the October 9, 1996, meeting of the Commission, the staff presented a summary of the December 31, 1995, actuarial valuation report of the State Employees' Retirement System. The following are some significant facts contained in the report.

### **Summary of Changes**

- The employer contribution rate will be 7.69 percent. This is a 2.58 percent decrease from the previous year's contribution rate.
- The employer contribution rate decrease occurred due to the following reasons:
  - 1) The board of SERS moved to a flat assumed rate of return of 8.5 percent. The previous assumed investment rate was 9.9 percent through the year 2000 then dropping in stages to 6.0 percent after the year 2015. The change to the flat rate of 8.5 percent reduced the employer cost by almost 1 percent of payroll.
  - 2) The board of SERS changed the annual salary rate and the growth assumption was decreased from 4.0 to 3.3 percent based on an assumed 3.0 percent inflation rate and real salary growth of .3 percent in the last five years. This change reduced the employer cost by over 1.5 percent of payroll.
  - 3) The board of SERS implemented a new mortality table for current and future employees to reflect continuing mortality improvement. This change increased the employer cost by almost 1.0 percent of payroll.
  - 4) The board of SERS decided to fund the 30-year retirement benefit as if it were a permanent feature of the retirement system. The window was first created in 1985 and has been extended to June 30, 1997. The recognition of the 30-year window increased the cost by .75 percent of payroll.

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

### Analysis of Change in Employer Contribution Rate

	Normal Cost	Unfunded Liabilities	Total
I) December 31, 1994 Valuation	10.73%	(0.46%)	10.27%
II) Changes - December 31, 1995 Valuation:			
1) Reduced salary scale	(0.80%)	(0.76%)	(1.56%)
2) Change in demographic assumptions	0.37%	0.56%	0.93%
3) Change in investment assumptions	(1.40%)	0.44%	(0.96%)
4) Funding of "30-and-Out"	0.11%	0.64%	0.75%
5) Gain from investment earnings		(0.75%)	(0.75%)
6) Reduced membership		(0.18%)	(0.18%)
7) Lower than expected salaries		(0.55%)	(0.55%)
8) Other differences between actual experience and actuarial assumptions	(0.52%)	0.26%	(0.26%)
9) Total Change	(2.24%)	(0.34%)	(2.58%)
III) December 31, 1995 Valuation: (I) + (II)	8.49%	(0.80%)	7.69%

### Analysis of Change in Unfunded Liability

I) December 31, 1994 Unfunded Liability	\$ (249,428,967)
II) Expected Amortization Payment	- (18,465,892)
III) Expected Liability as of December 31, 1995 [(I) x 1.099] - (II)	(255,656,543)
IV) Change in Liability Due to:	
1) Reduced salary scale	(420,013,167)
2) Change in demographic assumption	309,483,387
3) Change in investment assumptions	243,165,518
4) "30-and-Out" funding	353,695,299
5) Gain from investment earnings	(414,601,557)
6) Reduced membership	(99,476,803)
7) Lower than expected salaries	(303,956,898)
8) Other differences between actual experience and actuarial assumptions	144,256,431
9) Total Change	\$(187,447,790)
V) December 31, 1995 Unfunded Liability: (III) + (IV)	\$(443,104,333)

**SUMMARY OF ACTUARIAL VALUATION  
STATE EMPLOYEES' RETIREMENT SYSTEM  
as of  
December 31, 1995**

The following is a summary of the December 31, 1995, actuarial valuation of the State Employees' Retirement System and a comparison of the 1995 results with those of 1994.

	<u>12/31/94</u>	<u>12/31/95</u>
<b><u>Membership</u></b>		
Active	114,120	112,637
Inactive	4,455	3,724
Retired	69,192	69,421
Disabled	4,588	4,689
Survivors and Beneficiaries	7,055	7,094

**Payroll and Annuities Payable**

Total Annual Payroll	\$3,761,447,006	\$3,859,844,716
Annual Annuities and Benefits	\$ 669,870,011	\$ 703,568,068

**Valuation Data**

Accrued Liability	\$13,742,056,298	\$15,067,205,087
Assets <sup>1</sup>	<u>13,991,485,265</u>	<u>15,510,309,420</u>
Unfunded Accrued Liability	\$ (249,428,967)	\$ (443,104,333)

Funding Ratio	101.8%	102.9%
---------------	--------	--------

**Funding Costs**

	<u>12/31/94</u>		<u>12/31/95</u>	
Normal Cost <sup>2</sup>	\$591,675,614	15.73%	\$520,693,052	13.49%
Amortization <sup>3</sup>	<u>(17,302,656)</u>	<u>(0.46%)</u>	<u>(30,878,758)</u>	<u>(0.80%)</u>
Full Actuarial Funding	\$574,372,958	15.27%	\$489,814,294	12.69%

**Support**

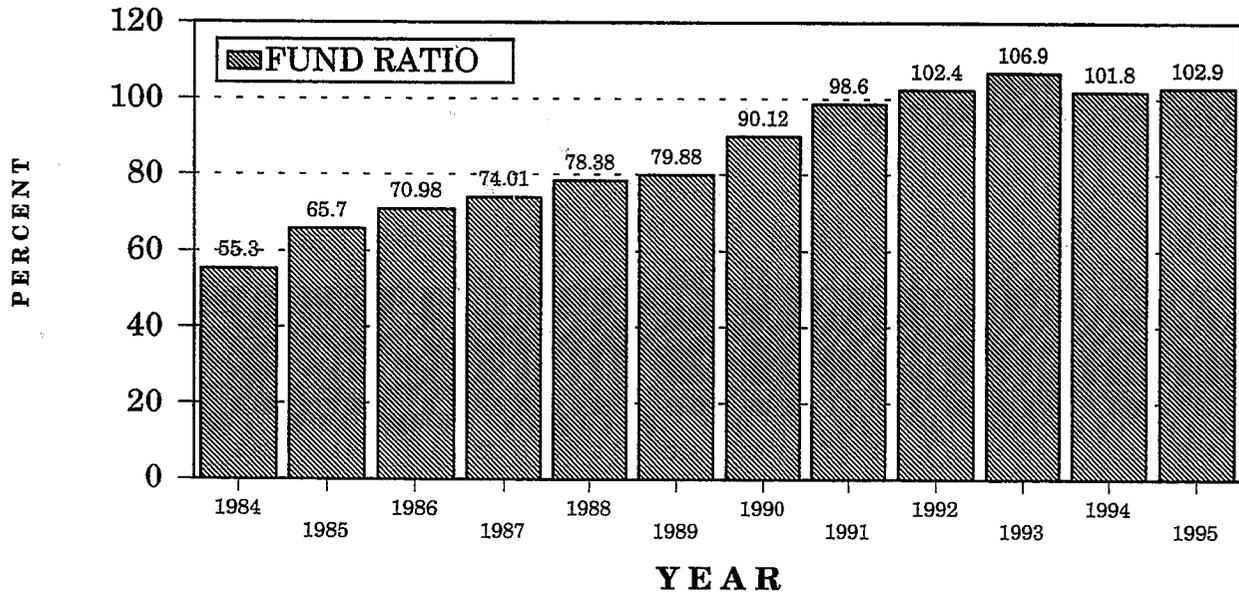
	<u>12/31/94</u>		<u>12/31/95</u>	
Member	\$188,072,350	5.00%	\$192,992,236	5.00%
Commonwealth	<u>386,300,608</u>	<u>10.27%</u>	<u>296,822,058</u>	<u>7.69%</u>
Total Support	\$574,372,958	15.27%	\$489,814,294	12.69%

\*\*\*\*\*

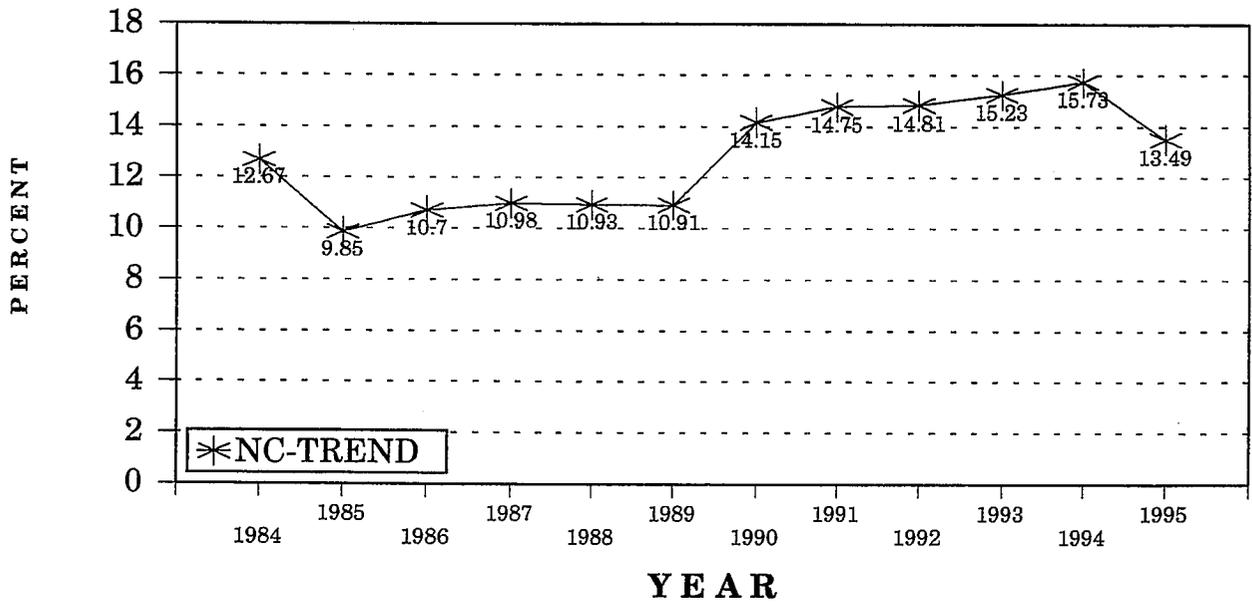
**EXPLANATORY FOOTNOTES**

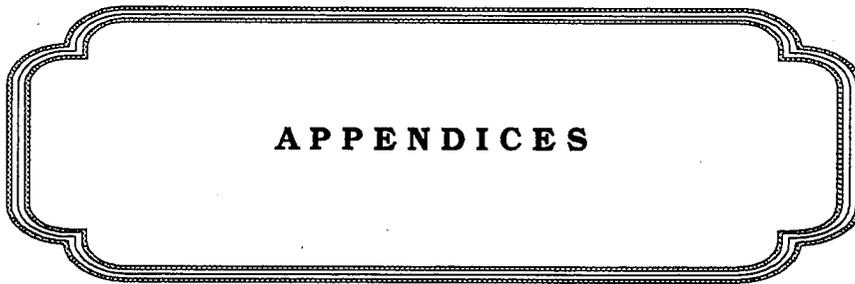
1. The figure is the actuarial value not the market value.
2. The State Employees' Retirement Code requires that the employer normal contribution rate be based on the level percentage of payroll normal cost determined under the entry age normal actuarial cost method for the average new member less the portion of the cost to be funded by member contributions.
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 FUNDED RATIO TREND



# SERS NORMAL COST TREND



A decorative, double-lined frame with a scalloped, rounded rectangular shape. The frame is centered on the page and contains the word "APPENDICES" in a bold, serif font.

**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 1996 and their sponsoring organizations were as follows:

#### **MUNICIPAL PENSION ADVISORY COMMITTEE**

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

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

Mr. Christopher Moonis  
PENNSYLVANIA LEAGUE OF CITIES AND MUNICIPALITIES

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

Mr. Douglas E. Hill  
COUNTY COMMISSIONERS ASSOCIATION OF PENNSYLVANIA

Mr. William J. Woll  
PENNSYLVANIA MUNICIPAL AUTHORITIES ASSOCIATION

#### **MUNICIPAL EMPLOYEE PENSION ADVISORY COMMITTEE**

Mr. 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 1996 were:

*Towers Perrin*

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, 1996

**BILL NUMBER**

**PRINTER'S NUMBER**

**(PRIME SPONSOR)**

**SUBJECT**

**CONCISE HISTORY AND STATUS**

**DATE**

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 <b>Commission Letter</b> (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 Employee 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 <b>Actuarial Note</b> (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 <b>Actuarial Note</b> (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. 1953 (Helfrick)	Volunteer Firefighters' Relief Association Act, providing for volunteer firefighters' money purchase deferred benefit plans	Referred to Senate Finance Committee Reported as amended <b>Actuarial Note</b> (P. N. 1953) Re-referred to Senate Appropriations Committee	01/23/95 04/30/96 05/08/96 05/08/96
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. 2030 (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 Reported as committed Re-referred to Senate Appropriations Committee <b>Actuarial Note</b> (P. N. 401) Re-reported as amended Second Consideration Third Consideration Passed Senate (49-0) Referred to House Local Government Committee	02/01/95 04/30/96 05/06/96 05/08/96 05/20/96 06/04/96 06/05/96 06/11/96 06/13/96
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. 471 P. N. 2466 (Gerlach)	Volunteer Firefighters' Relief Association Act, permitting volunteer firefighters' relief associations to establish defined benefit and defined contribution pension plans for volunteer firefighters paid for, at least in part, by money allocated by the Commonwealth from the Foreign Fire Insurance Premium Tax	Referred to Senate Finance Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Passed Senate (46-0) Referred to House Veterans Affairs and Emergency Preparedness Committee Reported as amended Second Consideration Amended on Third Consideration Amended and Passed House (179-20) Referred to Senate Rules and Executive Nominations Committee	02/09/95 04/30/96 05/08/96 09/30/96 11/12/96 11/13/96 11/14/96 11/18/96 11/20/96 11/25/96 11/26/96 11/26/96
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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 <b>Advisory Note</b> (P. N. 638) <b>Actuarial Note</b> (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 credit	Referred to Senate Finance Committee <b>Advisory Note</b> (P. N. 639) <b>Actuarial Note</b> (P. N. 639)	02/24/95 03/17/95 04/18/95
S. B. 633 P. N. 1913 (Mowery)	Municipal Police Pension Law (Act 600), extending the provisions of the Law to include regional police departments, providing portability of service credits in certain situations where a police force is disbanded, and removing the statutory limits on cost-of-living adjustments to police officers who have been retired 20 or more years	Referred to Senate Finance Committee <b>Advisory Note</b> (P. N. 657) Reported as committed Second Consideration <b>Actuarial Note</b> (P. N. 657) Re-referred to Senate Appropriations Committee Re-reported as committed Passed Senate (49-0) Referred to House Finance Committee Reported as committed Re-referred to House Appropriations Committee <b>Actuarial Note</b> (P. N. 657, A. 0561) <b>Actuarial Note</b> (P. N. 657, A. 0604) Re-reported as amended Second Consideration <b>Commission Letter</b> (P. N. 1831, A. 1637) Amended and passed House (194-0) Referred to Senate Rules and Executive Nominations Committee Re-reported on concurrence as committed Senate concurred in House amendments (48-0) Act 1996-33	02/28/95 05/31/95 06/06/95 06/13/95 06/14/95 06/20/95 06/26/95 06/28/95 06/29/95 01/22/96 02/07/96 03/13/96 03/13/96 03/18/96 03/18/96 04/03/96 04/10/96 04/29/96 04/29/96 04/30/96 05/10/96
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. 1939 (Fisher)	Second Class County Code, permitting the Allegheny County Employees' 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	Referred to Senate Local Government Committee Reported as committed <b>Actuarial Note</b> (P. N. 684) <b>Actuarial Note</b> (P. N. 684, A. 1765) Second Consideration Amended on Third Consideration Passed Senate (50-0) Referred to House Local Government Committee	03/02/95 05/23/95 05/25/95 05/25/95 06/06/95 06/20/95 06/21/95 06/26/95

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

	<b>SUBJECT</b>	<b>CONCISE HISTORY AND STATUS</b>	<b>DATE</b>
	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	Reported as committed	09/19/95
		Re-referred to House Urban Affairs Committee	09/19/95
		<b>Actuarial Note</b> (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
		<b>Commission Letter</b> (P. N. 1486, A. 5323)	10/27/95
		Re-committed to House Appropriations Committee	10/30/95
		Re-reported as amended	11/20/95
		<b>Commission Letter</b> (P. N. 1582, A. 6171)	12/01/95
		<b>Commission Letter</b> (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
		<b>Commission Letter</b> (P. N. 1637)	12/13/95
		Re-reported on concurrence as amended	04/09/96
		Re-committed to Senate Rules and Executive Nominations Committee	04/29/96
		Re-reported on concurrence as amended	04/29/96
		Senate concurred in House amendments as amended by the Senate (48-0)	04/30/96
		Referred to House Rules Committee	05/01/96
		Re-reported on concurrence as committed	05/01/96
		House concurred in Senate amendments to House amendments (198-0)	05/01/96
		Act 1996-39	05/16/96
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 vesting, changing the provisions for the purchase of service credit for military service, and making technical changes	Referred to Senate Local Government Committee <b>Actuarial Note</b> (P. N. 818)	03/06/95 05/25/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
S. B. 689 P. N. 2340 (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	Referred to Senate Local Government Committee Reported as committed Re-committed to Senate Local Government Committee Re-reported as amended Second Consideration Passed Senate (49-0) Referred to House Local Government Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House (196-0) Re-referred to Senate Rules and Executive Nominations Committee Re-reported on concurrence as committed Senate concurred in House amendments (49-0) Act 1996-177	03/07/95 04/26/95 06/06/95 04/30/96 05/15/96 06/04/96 06/06/96 10/08/96 11/19/96 11/19/96 11/19/96 11/25/96 11/25/96 11/26/96 11/26/96 12/19/96
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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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
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 <b>Actuarial Note</b> (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	Referred to Senate Intergovernmental Affairs Committee	04/17/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	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		
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
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 <b>Actuarial Note</b> (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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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
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 Reported as committed Re-referred to Senate Appropriations Committee <b>Actuarial Note</b> (P. N. 1154)	05/24/95 02/07/96 02/12/96 03/13/96
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 <b>Advisory Note</b> (P. N. 1226)	06/12/95 12/20/96
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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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
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 <b>Actuarial Note</b> (P. N. 1390)	08/16/95 04/10/96
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 of individuals	Referred to Senate Finance Committee Reported as committed Re-referred to Senate Appropriations Committee <b>Actuarial Note</b> (P. N. 1440)	09/28/95 11/21/95 12/04/95 03/13/96
S. B. 1251 P. N. 2215 (Punt)	The Administrative Code of 1929, among other things, authorizing collective bargaining between school administrators in school districts of the first class and their public employers concerning the terms and conditions of their employment including pension and other benefits	Referred to Senate Military and Veterans Affairs Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as amended Second Consideration Amended on Third Consideration Passed Senate (48-0) Referred to House Veterans Affairs and Emergency Preparedness Committee Reported as committed Re-referred to House Appropriations Committee Re-reported as amended Second Consideration Amended and Passed House (181-16) Referred to Senate Rules and Executive Nominations Committee Re-reported on concurrence as amended Senate concurred in House amendments as amended by the Senate (36-13)	10/17/95 11/15/95 11/20/95 01/29/96 01/31/96 02/12/96 02/13/96 02/16/96 03/19/96 04/09/96 06/25/96 06/25/96 06/27/96 06/27/96 06/28/96 06/28/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		Referred to House Rules Committee Reported on concurrence as committed House concurred in Senate amendments to House Amendments (167-34) Act 1996-105	06/28/96  06/28/96  06/28/96 07/11/96
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 <b>Actuarial Note</b> (P. N. 1579)	11/15/95 02/14/96
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 <b>Actuarial Note</b> (P. N. 1587)	11/21/95 11/13/96
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
S. B. 1375 P. N. 1705 (Greenleaf)	Enforcement Officer Disability Benefits Law, including sheriffs and deputy sheriffs among the public safety employees covered by the Law	Referred to Senate Labor and Industry Committee	2/01/96
S. B. 1390 P. N. 1720 (Hart)	PSERS, increasing the number of members on the Public School Employees' Retirement Board from 15 to 16 by adding a second individual elected by annuitants	Referred to Senate Finance Committee	02/01/96
S. B. 1428 P. N. 1794 (Salvatore)	PSERS, expanding the purchase of service credit for nonschool service on an involuntary maternity leave of absence to include leave required by the employer because of the adoption by the member of a child	Referred to Senate Finance Committee	03/04/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
S. B. 1480 P. N. 2143 (Tilghman)	SERS, fiscal year 1996-97 appropriations bill of \$15,980,000	Referred to Senate Appropriations Committee Reported as committed Second Consideration Re-committed to Senate Appropriations Committee Re-reported as committed Passed Senate (47-0) Referred to House Appropriations Committee Reported as amended Second Consideration Passed House (202-0) Re-referred to Senate Rules and Executive Nominations Committee Re-reported on concurrence as committed Senate concurred in House amendments (49-0) Act 1996-3A	04/04/96 04/09/96 04/10/96 04/10/96 05/13/96 06/03/96 06/04/96 06/17/96 06/19/96 06/24/96 06/25/96 06/27/96 06/28/96 07/02/96
S. B. 1481 P. N. 2144 (Tilghman)	PSERS, fiscal year 1996-97 appropriations bill of \$24,256,000	Referred to Senate Appropriations Committee Reported as committed Second Consideration Recommitted to Senate Appropriations Committee Re-reported as committed Passed Senate (47-0) Referred to House Appropriations Committee Reported as amended Second Consideration Passed House (202-0) Re-referred to Senate Rules and Executive Nominations Committee Re-reported on concurrence as committed Senate concurred in House amendments (49-0) Act 1996-4A	04/04/96 04/09/96 04/10/96 04/10/96 05/13/96 06/03/96 06/04/96 06/17/96 06/19/96 06/24/96 06/25/96 06/27/96 06/28/96 07/02/96
S. B. 1519 P. N. 1958 (Bodack)	Second Class County Code, adding probation officers to those employees who may retire with full benefits with 20 years of service and attainment of age 55	Referred to Senate Local Government Committee <b>Actuarial Note</b> (P. N. 1958)	05/02/96 11/13/96
S. B. 1556 P. N. 2027 (Heckler)	Southeastern Pennsylvania Cultural and Scientific Asset District Act, permitting Counties of Bucks, Chester, Delaware, Montgomery, and Philadelphia to create the Southeastern Pennsylvania Cultural and Scientific Asset District, a special purpose areawide unit of local government, with, among other things, the right and power to appoint employees, fix the compensation of employees, and	Referred to Senate Intergovernment Affairs	05/20/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	enroll its employees in a retirement system, including an existing retirement of a governmental entity		
S. B. 1599 P. N. 2118 (Bell)	PSERS. granting automatic annual supplemental annuities determined on the basis of the increase in the Consumer Price Index	Referred to Senate Finance Committee	06/13/96
S. B. 1635 P. N. 2231 (Mowery)	PSERS and SERS. creating one statewide public employee retirement system for all municipal employees as part of what is now the State Employees' Retirement System	Referred to Senate Finance Committee	06/28/96
S. B. 1660 P. N. 2257 (Salvatore)	An act requiring employers to provide health insurance benefits to seriously injured or disabled law enforcement officers and public safety officers and to the immediate surviving dependents of a deceased officer	Referred to Senate Banking and Insurance Committee	08/27/96
S. R. 146 P. N. 2260 (Salvatore)	A resolution memorializing the Congress of the United States to enact legislation requiring states which receive moneys under the Federal Violent Crime Control and Law Enforcement Act of 1994 to provide health insurance to law enforcement and public safety employees injured and disabled in the line of duty and to their immediate and dependent survivors	Referred to Senate Intergovernmental Affairs Committee	08/27/96
S. B. 1671 P. N. 2269 (Hart)	Tax Reform Code of 1971. excluding payments made by employers or labor unions for employee benefit programs covering Social Security or retirement from taxation as income	Referred to Senate Finance Committee	09/06/96
S. B. 1699 P. N. 2348 (Uliana)	Policemen and Firemen Collective Bargaining Act (Act 111). making act applicable to regional police departments	Referred to Senate Labor and Industry Committee	10/08/96
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
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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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. 3374 (M. Cohen)	PSERS and SERS, provide for the payment of a special 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 House State Government Committee Reported as amended Re-referred to House Appropriations Committee <b>Commission Letter</b> (P. N. 2468, A. 0702) <b>Commission Letter</b> (P. N. 2468, A. 0703)	01/20/95 09/20/95 09/20/95 03/12/96 03/12/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		<b>Commission Letter</b> (P. N. 2468, A. 0704)	03/12/96
		<b>Commission Letter</b> (P. N. 2468, A. 0708)	03/12/96
		<b>Commission Letter</b> (P. N. 2468, A. 0712)	03/12/96
		<b>Commission Letter</b> (P. N. 2468, A. 0731)	03/12/96
		<b>Commission Letter</b> (P. N. 2468, A. 0739)	03/12/96
		<b>Commission Letter</b> (P. N. 2468, A. 0770)	03/12/96
		<b>Actuarial Note</b> (P. N. 2468, A. 0691)	03/13/96
		Re-reported as amended	03/18/96
		Second Consideration	03/18/96
		Reverted to Printer's Number 2468, amended, and passed House (193-0)	04/09/96
		Referred to Senate Finance Committee	04/11/96
		<b>Actuarial Note</b> (P. N. 3374)	05/08/96
		Reported as committed	10/02/96
		Re-referred to Senate Appropriations Committee	10/07/96
		<b>Actuarial Note</b> (P. N. 3374, A. 6389)	11/13/96
		<b>Actuarial Note</b> (P. N. 3374, A. 6527)	11/13/96
		<b>Actuarial Note</b> (P. N. 3374, A. 6788)	11/13/96
		Re-reported as committed	11/25/96
		Second Consideration	11/25/96
		Passed Senate (50-0)	11/26/96
		Act 1996-167	12/18/96
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 <b>Advisory Note</b> (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	01/24/95 09/19/95 09/19/95 10/02/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		Second Consideration	10/02/95
		Passed House (181-0)	10/16/95
		Referred to Senate Judiciary Committee	10/17/95
		Reported as committed	10/24/95
		Re-referred to Senate Appropriations Committee	10/30/95
		Re-reported as committed	06/27/96
		Second Consideration	06/27/96
		Re-referred to Senate Rules and Executive Nominations Committee	06/28/96
		<b>Actuarial Note</b> (P. N. 207)	10/09/96
H. B. 242 P. N. 224 (Godshall)	Constitution of Pennsylvania, amend- ing 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, amend- ing section 16(b) of article 5 to provide that justices, judges, and district jus- tices 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
H. B. 318 P. N. 321 (Gigliotti)	Act 87 of 1975 relating to Pittsburgh nonuniformed employees employed af- ter December 31, 1974, adding 2 mem- bers to the board - one chosen by the mayor and one elected by the beneficia- ries	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 depart- ments, 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 <b>Advisory Note</b> (P. N. 396) <b>Actuarial Note</b> (P. N. 396)	01/27/95 05/03/95 05/25/95
H. B. 410 P. N. 430 (Schuler)	PSERS, permitting a "Mellow Bill" re- tiree to be re-employed as a coach, di- rector, or sponsor of a school activity under a separate contract without for- feiting the extra benefit provided the contract prohibits PSERS service credit for service and prohibiting contribu- tions to PSERS for the service	Referred to House Education Committee Reported as committed Re-referred to House Appropriations Committee <b>Actuarial Note</b> (P. N. 430)	01/31/95 09/19/95 09/19/95 11/15/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 <b>Actuarial Note</b> (P. N. 503)	01/31/95 06/14/95
H. B. 505 P. N. 3678 (Leh)	Tax Reform Code of 1971, excluding from compensation payments for employee benefits programs under a cafeteria plan qualifying under § 125 of the Internal Revenue Code and payments made by employers or labor unions for employee benefit programs covering social security or retirement	Referred to House Finance Committee Reported as amended Re-referred to House Rules Committee Re-reported as committed Laid on the table	02/01/95 06/10/96 06/10/96 09/24/96 09/24/96
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
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 <b>Advisory Note</b> (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	Referred to House Rules Committee Reported as amended Amended (201-0) Passed House (201-0)	02/13/95 02/14/95 02/27/95 02/27/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	29 of 1994 and submit its report to the General Assembly not later than March 30, 1996	Referred to Senate Finance Committee Reported as committed Passed Senate	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 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	Referred to House Local Government Committee <b>Commission Letter</b> (P. N. 774) Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration 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	02/13/95 05/05/95 05/09/95 05/22/95 06/05/95 06/05/95 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

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

**SUBJECT**

**CONCISE HISTORY AND STATUS**

**DATE**

	pal Police Pension Law where there are 3 or more full time police officers and requiring making the minimum municipal obligation under the Municipal Pension Plan Funding Standard and Recovery Act to the plan, and continuing the authorization for pensions or annuities for employees who are not police officers		
H. B. 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, by employee contributions of ½% of salary a month limited to \$100 a month	Referred to House Local Government Committee	02/14/95
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	Referred to House Local Government Committee	02/14/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	would have been had the member been employed by the present employer, provided an actuarial study shows that this plan is feasible		
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 Employee Relations Act, providing for binding final best offer arbitration for teachers	Referred to House Labor Relations Committee	03/01/95
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 <b>Actuarial Note</b> (P. N. 1092)	03/06/95 06/14/95

BILL NUMBER	PRINTER'S NUMBER	(PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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. 1031	P. N. 3809	(Flick)	The Public School Code of 1949, further providing for sabbatical leaves and for rights during a leave of absence including a leave of absence for the purpose of acquiring practical work experience during which teachers are considered in full-time daily attendance in the position from which the leave was granted including the right to make contributions as a member of PSERS and the employer to whom the teacher is assigned shall fully compensate the teacher's school employer for pension and retirement contributions	Referred to House Education Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House (198-1) Referred to Senate Education Committee Reported as amended Second Consideration Re-referred to Senate Appropriations Committee Re-reported as committed Passed Senate (35-14) Referred to House Rules Committee Reported on concurrence as committed House concurred in Senate amendments (128-71) Act 1996-66	03/06/95 03/11/96 03/11/96 03/11/96 03/12/96 03/13/96 03/18/96 06/19/96 06/20/96 06/20/96 06/24/96 06/25/96 06/26/96 06/26/96 06/26/96 06/28/96
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	Referred to House State Government Committee	03/07/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	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		
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 <b>Actuarial Note</b> (P. N. 1220) Reported as committed Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House (199-0) Referred to Senate Local Government Committee Reported as committed Second Consideration Passed Senate (50-0) Act 1995-22	03/09/95 04/18/95 04/25/95 04/26/95 05/01/95 05/01/95 05/03/95 05/10/95 05/23/95 06/06/95 06/15/95 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 lock-outs of these public employees by their employers	Referred to House Judiciary Committee Reported as committed Re-referred to House Labor Relations Committee Re-reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House (125-11) Referred to Senate Labor and Industry Committee	03/13/95 03/21/95 03/21/95 09/19/95 09/19/95 09/20/95 09/20/95 10/02/95 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. 3932 (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 Reported as committed Re-committed to House Rules Committee	03/13/95 06/07/95 06/07/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		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
		Referred to Senate Urban Affairs and Housing Committee	06/21/95
		Reported as amended	11/14/95
		<b>Actuarial Note</b> (P. N. 2805)	02/14/96
		Second Consideration	05/14/96
		Re-referred to Senate Rules and Executive Nominations Committee	06/12/96
		Re-reported as amended	06/28/96
		Passed Senate (49-0)	06/28/96
		House concurred in Senate amendments (200-1)	06/28/96
		Act 1996-109	07/11/96
H. B. 1131 P. N. 1260 (Hasay)	Economic Development Agency and Lender Environmental Liability Protec- tion Act, limiting environmental liability for economic development agencies, fin- anciers, 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, abol- ishing the Department of Health and the Department of Public Welfare and trans- ferring the functions of those depart- ments to the newly established Depart- ment of Health and Human Services, creating the Department of Community and Economic Development, reorganiz- ing and transferring the powers and duties of the Department of Commerce and the Department of Community Af- fairs to the Department of Community and Economic Development, deleting provisions relating to the Energy Devel- opment Authority, regulating disposi- tion of surplus property, and making repeals	Referred to House State Government Committee Reported as committed Re-referred to House Appropriations Committee Re-reported as amended Second Consideration Re-committed to House Appropriations Committee <b>Commission Letter</b> (P. N. 1543, A. 2329) Re-reported as amended with Prior Printer's Number 1320 Re-committed to House State Government Committee	03/15/95 03/21/95 03/21/95 04/18/95 04/19/95 04/24/95 05/08/95 10/16/95 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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 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	Referred to House State Government Committee <b>Commission Letter</b> (P. N. 1398, A. 2330) <b>Commission Letter</b> (P. N. 1398, A. 2331) Reported as committed Re-referred to House Appropriations Committee <b>Commission Letter</b> (P. N. 1398, A. 2799) Re-reported as committed Second Consideration Passed House (201-0) Referred to Senate Appropriations Committee <b>Commission Letter</b> (P. N. 1398) Reported as amended Second Consideration Passed Senate (48-2) Referred to House Rules Committee <b>Actuarial Note</b> (P. N. 1398, A. 2965) <b>Commission Letter</b> (P. N. 2084, A. 6045) <b>Commission Letter</b> (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 on concurrence as committed Senate concurred in House amendments to Senate amendments (48-0) Act 1995-77	03/20/95 05/08/95 05/08/95 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 <b>Actuarial Note</b> (P. N. 1402)	03/20/95 04/10/96
H. B. 1302 P. N. 3584 (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	Referred to House State Government Committee <b>Advisory Note</b> (P. N. 1487) <b>Actuarial Note</b> (P. N. 1487) Reported as committed Re-referred to House Appropriations Committee	03/22/95 04/27/95 06/14/95 03/12/96 05/07/96

**BILL NUMBER**

**PRINTER'S NUMBER**

**(PRIME SPONSOR)**

**SUBJECT**

**CONCISE HISTORY AND STATUS**

**DATE**

	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 on a per diem basis for not more than 150 days per calendar year	<b>Commission Letter</b> (P. N. 1487, A. 0843) Reported as amended Second Consideration Defeated in House (79-122) House Reconsidered (201-0) Laid on the Table <b>Actuarial Note</b> (P. N. 3584, A. 3144)	05/13/96 05/20/96 05/20/96 06/03/96 06/03/96 06/03/96 06/19/96
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,	Referred to House Local Government Committee	04/20/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	permitting the Governor to withhold moneys due the municipality served by a municipal police department that fails to meet the requirements of the Act		
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
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 Reported as committed Re-referred to House Appropriations Committee	04/25/95 05/07/96 06/14/96
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 Reported as amended Second Consideration Passed House (197-0) Referred to Senate Appropriations Committee Reported as committed Second Consideration Re-referred to Senate Appropriations Committee Re-reported as amended Passed Senate (50-0) Referred to House Rules Committee	04/26/95 05/01/95 05/02/95 05/08/95 05/10/95 05/22/95 05/23/95 05/23/95 06/07/95 06/07/95 06/07/95

**BILL NUMBER****PRINTER'S NUMBER****(PRIME SPONSOR)****SUBJECT****CONCISE HISTORY AND STATUS****DATE**

<b>BILL NUMBER</b>	<b>PRINTER'S NUMBER</b>	<b>(PRIME SPONSOR)</b>	<b>SUBJECT</b>	<b>CONCISE HISTORY AND STATUS</b>	<b>DATE</b>
H. B. 1475	P. N. 2344	(Pitts)	SERS, fiscal year 1995-96 appropriations bill of \$15,850,000	Referred to House Appropriations Committee Reported as committed Second Consideration Passed House (197-0) Referred to Senate Appropriations Committee Reported as committed Second Consideration Re-committed to Senate Appropriations Committee Re-reported as amended Passed Senate (49-0) Referred to House Rules Committee Reported as committed Passed House (202-0) Act 1995-9A	04/26/95 05/01/95 05/02/95 05/08/95 05/10/95 05/22/95 05/23/95 05/23/95 06/28/95 06/28/95 06/29/95 06/29/95 06/29/95 06/30/95
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 <b>Advisory Note</b> (P. N. 1753) <b>Actuarial Note</b> (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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 <b>Actuarial Note</b> (P. N. 1906) Reported as committed Re-referred to House Appropriations Committee	05/10/95 11/15/95 04/10/96 06/05/96
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 <b>Actuarial Note</b> (P. N. 1987)	05/24/95 10/25/95 10/25/95 02/14/96
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 <b>Actuarial Note</b> (P. N. 1989)	05/24/95 10/25/95 10/25/95 02/14/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 <b>Actuarial Note</b> (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
H. B. 1755 P. N. 2132 (Fajt)	Public Employee 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

**BILL NUMBER****PRINTER'S NUMBER****(PRIME SPONSOR)****SUBJECT****CONCISE HISTORY AND STATUS****DATE**

<b>BILL NUMBER</b>	<b>PRINTER'S NUMBER</b>	<b>(PRIME SPONSOR)</b>	<b>SUBJECT</b>	<b>CONCISE HISTORY AND STATUS</b>	<b>DATE</b>
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. 3226	(Stairs)	Charter School Act, providing for the establishment of charter schools, for powers and duties of the Secretary of Education, establishing a State Charter School Appeal Board, providing for payments to charter schools, and requiring certain reports and recommendations, including provisions that all employees of a charter school shall be enrolled in PSERS unless the sponsoring entity or the board of trustees of the charter school has a retirement program that covers the employees or the employee currently is enrolled in another retirement program	Referred to House Education Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as amended Second Consideration Amended and Passed House (199-0) Referred to Senate Education Committee Reported as amended Second Consideration Re-referred to Senate Appropriations Committee	06/21/95 02/14/96 02/14/96 03/11/96 03/11/96 03/13/96 03/18/96 11/18/96 11/19/96 11/19/96
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

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
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 <b>Actuarial Note</b> (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 Reported as committed <b>Commission Letter</b> (P. N. 2430) Second Consideration Passed Senate (47-0) Act 1996-14	09/01/95 09/14/95 10/18/95 10/23/95 10/23/95 10/23/95 10/30/95 11/09/95 02/07/96 02/08/96 02/13/96 03/12/96 03/29/96
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
H. B. 2021 P. N. 4293 (Sather)	The County Code, various amendments, including permitting Allegheny County prison guards to retire at age 55 with 20 years of service and Allegheny County sheriff and deputy sheriffs to retire at age 50 with 20 years of service	Referred to House Local Government Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as amended Second Consideration Amended and Passed House (195-4) Referred to Senate Local Government Committee Reported as amended Re-referred to Senate Appropriations Committee Re-reported as amended Second Consideration Amended on Third Consideration	09/25/95 02/06/96 02/07/96 03/11/96 03/11/96 03/13/96 03/18/96 09/25/96 10/02/96 11/12/96 11/18/96 11/20/96

**BILL NUMBER**

**PRINTER'S NUMBER**

**(PRIME SPONSOR)**

**SUBJECT**

**CONCISE HISTORY AND STATUS**

**DATE**

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		Re-referred to Senate Appropriations Committee	11/20/96
		Re-reported as amended	11/25/96
		Passed Senate (49-1)	11/26/96
		Referred to House Rules Committee	11/26/96
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 <b>Advisory Note</b> (P. N. 2514)	09/25/95 03/04/96
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. 3600 (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 <b>Advisory Note</b> (P. N. 2640) <b>Advisory Note</b> (P. N. 2640, A. 1927) Reported as amended <b>Actuarial Note</b> (P. N. 3600, A. 4452) Re-referred to House Appropriations Committee	10/18/95 02/27/96 04/22/96 05/21/96 06/19/96 06/25/96
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

**BILL NUMBER****PRINTER'S NUMBER****(PRIME SPONSOR)****SUBJECT****CONCISE HISTORY AND STATUS****DATE**

<b>BILL NUMBER</b>	<b>PRINTER'S NUMBER</b>	<b>(PRIME SPONSOR)</b>	<b>SUBJECT</b>	<b>CONCISE HISTORY AND STATUS</b>	<b>DATE</b>
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
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 <b>Advisory Note</b> (P. N. 2654)	10/23/95 04/26/96
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 State-wide 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 lock-outs 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	Referred to House Finance Committee	11/14/95

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	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		
H. B. 2226 P. N. 4223 (Pistella)	Second Class County Code, among other things, retroactive to January 1, 1996, changing the calculation of the service increment for a member to be based on the number of whole years and whole months of service completed by the member in excess of 20 years up to a maximum of 20 additional years	Referred to House Veterans Affairs and Emergency Preparedness Committee Reported as amended Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Amended and Passed House (200-0) Referred to Senate Local Government Committee	11/21/95 09/21/96  09/30/96 10/07/96 10/07/96 11/13/96 11/18/96
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
H. B. 2293 P. N. 2962 (Gamble)	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 House Local Government Committee	01/02/96
H. B. 2302 P. N. 2971 (Carone)	State Public School Building Authority Act, permitting the Authority to make loans to educational entities to fund unfunded actuarial accrued liabilities	Referred to House Education Committee	01/04/96
H. B. 2350 P. N. 3037 (Cappabianca)	Special Ad Hoc Third-Class City Postretirement Adjustment Act, beginning January 1, 1996, mandating a	Referred to House Urban Affairs Committee	01/31/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	special ad hoc postretirement adjustment to individuals who retired from cities of the third class before January 1, 1992, paid for out of the General Fund of the Commonwealth		
H. B. 2369 P. N. 3066 (DeLuca)	Second Class County Code, making certain provisions of the Allegheny County pension plan also applicable to pension plans in Bucks, Delaware, and Montgomery County	Referred to House Urban Affairs Committee	02/02/96
H. B. 2399 P. N. 3773 (Nickol)	Act 293 of 1972, changing references to the Department of Community Affairs to references to the Public Employee Retirement Commission and defining actuarial valuation report to be one that complies with or is substantially equal to the requirements of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), and changing the reporting date to January 1 of odd numbered years beginning with January 1, 1999	Referred to House Local Government Committee <b>Advisory Note</b> (P. N. 3123) Reported as amended Re-referred to House Rules Committee Re-reported as committed Laid on the table <b>Actuarial Note</b> (P. N. 3773)	02/13/96 05/13/96 06/18/96 06/18/96 09/24/96 09/24/96 10/09/96
H. B. 2404 P. N. 3128 (Micozzie)	Public Employee Relations Act (Act 195 of 1970), adding campus police, campus security officers, transit police officers, and other police officers employed by municipal authorities to those employees prohibited from striking and entitled to final and binding arbitration	Referred to House Labor Relations Committee	02/13/96
H. B. 2444 P. N. 3202 (Lloyd)	PSERS, permitting members to purchase credit for nonschool service on an employer required maternity leave of absence after May 16, 1975, and before November 1, 1978	Referred to House Education Committee <b>Actuarial Note</b> (P. N. 3202)	03/12/96 04/10/96
H. B. 2454 P. N. 3219 (Maitland)	SERS, permitting members of the Pennsylvania State Police to purchase up to 5 years of service credit for nonstate service as a municipal police officer within this Commonwealth	Referred to House State Government Committee	03/13/96
H. B. 2479 P. N. 3259 (Stern)	PSERS and SERS, lengthening the time period from 30 to 365 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 365 day window for current active members, who have not elected multiple service but have service in both systems, to elect multiple service	Referred to House Education Committee	03/15/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
H. B. 2506 P. N. 3317 (McGill)	Enforcement Officer Disability Benefits Law, adding county sheriffs and deputies	Referred to House Judiciary Committee	03/25/96
H. B. 2533 P. N. 3389 (Nickol)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), amend section 706(b) to provide that the foreign fire insurance tax among volunteer firefighters relief associations be based on the proportion of the actual fire protection service in the municipality provided by each organization as determined by the municipality	Referred to House Local Government Committee	04/10/96
H. B. 2549 P. N. 3856 (Dempsey)	Act providing for regional asset districts and for their powers and duties, including power to appoint employees and fix their compensation, establishing the regional asset district sales and use tax fund, and making repeals	Referred to House Finance Committee Reported as amended Re-referred to House Urban Affairs Committee	04/10/96 06/25/96 06/26/96
H. B. 2574 P. N. 3452 (DeWeese)	PSERS and SERS, prescribing conditions under which a member may waive a joint and survivor annuity	Referred to House State Government Committee	04/30/96
H. B. 2579 P. N. 3601 (Nickol)	Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), providing for exhibits to be filed with the Public Employee Retirement Commission, computation of minimum municipal obligation, adjustment of data for municipal finance indicators, and continued levying of the special municipal tax in municipalities that have sold debt to fund unfunded actuarial accrued liabilities	Referred to House Local Government Committee <b>Advisory Note</b> (P. N. 3463) Reported as amended Re-referred to House Appropriations Committee <b>Commission Letter</b> (P. N. 3601) Re-reported as committed Second Consideration Passed House (202-0) Referred to Senate Finance Committee Reported as committed Second Consideration Re-referred to Senate Appropriations Committee Re-reported as amended <b>Commission Letter</b> (P. N. 4204, Proposed Amendment) Reverted to Printer's Number 3601 and Passed Senate (50-0) Act 1996-150	05/01/96 05/20/96 05/21/96 06/03/96 06/04/96 06/10/96 06/10/96 06/18/96 06/19/96 10/02/96 10/07/96 10/07/96 11/12/96 11/26/96 11/26/96 12/10/96
H. B. 2599 P. N. 3508 (Pistella)	Second Class County Code, adding probation officers to those public safety officers permitted to retire with full benefits at age 55 with 20 years of service	Referred to House Urban Affairs Committee Reported as committed Laid on the table	05/08/96 10/02/96 10/02/96
H. B. 2628 P. N. 3570 (DeWeese)	The Second Class Township Code, permitting retired township supervisors and their dependents to participate in group health, hospitalization, medical service	Referred to House Local Government Committee Reported as committed Laid on the table	05/15/96 09/25/96 09/25/96

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

**SUBJECT**

**CONCISE HISTORY AND STATUS**

**DATE**

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
	and accident insurance plans either paid in part by the township and in part by the retired supervisors or paid in whole by the retired supervisors		
H. B. 2630 P. N. 3576 (Birmelin)	Enforcement Officer Disability Benefits Law, extending benefits of Law to special agents of the Office of Attorney General whose principal duty is the enforcement of the criminal laws of the Commonwealth	Referred to House Judiciary Committee Reported as committed Re-committed to House Rules Committee Re-reported as committed Re-referred to House Appropriations Committee Re-reported as committed Second Consideration Passed House Referred to Senate Labor and Industry Committee Reported as committed Re-referred to Senate Appropriations Committee Re-reported as committed Second Consideration Passed Senate (49-0) Act 1996-183	  05/20/96 06/18/96  06/18/96 09/24/96  10/02/96 10/07/96 10/07/96 10/08/96  10/16/96 11/12/96  11/13/96 11/18/96 11/19/96 11/20/96 12/19/96
H. B. 2659 P. N. 4080 (Harhart)	PSERS, establishing Supplemental Annuity Reserve Account, diverting interest earnings from the Annuity Reserve Account to the Supplemental Annuity Reserve Account, requiring amortization payments for supplemental annuities to be credited to the Supplemental Annuity Reserve Account, requiring the payment of all supplemental annuities out of the Supplemental Annuity Reserve Account, and refunding the payment of the unfunded actuarial accrued liabilities for prior supplemental annuities	Referred to House Education Committee <b>Actuarial Note</b> (P. N. 3629, A. 4656) Reported as amended Re-referred to House Appropriations Committee <b>Commission Letter</b> (P. N. 4080) Re-reported as committed Second Consideration <b>Actuarial Note</b> (P. N. 4080, A. 6542 & 6561) <b>Actuarial Note</b> (P. N. 4080, A. 6543) Amended and Passed House (199-1) House Reconsidered and Passed House (194-5) Referred to Senate Finance Committee	  05/23/96 06/19/96 10/02/96  10/02/96 10/04/96 11/12/96 11/12/96  11/13/96 11/13/96 11/18/96  11/18/96 11/19/96
H. B. 2690 P. N. 4122 (Habay)	Second Class County Code, retroactive to 01/01/96 changing the calculation of the service increment for a member of the Allegheny County Employees' Retirement System to be based on the number of whole years and whole months of service completed by the member in excess of 20 years up to a maximum of 20 additional years and to validate all fractional payments made after 12/31/88	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 Re-reported as committed Second Consideration Amended and Passed House (179-22) Referred to Senate Local Government Committee	  06/11/96 06/12/96  06/12/96 09/24/96  09/24/96 09/25/96 09/25/96 10/07/96  10/08/96

BILL NUMBER PRINTER'S NUMBER (PRIME SPONSOR)	SUBJECT	CONCISE HISTORY AND STATUS	DATE
		<b>Actuarial Note</b> (P. N. 3695, A. 6516)	11/13/96
		<b>Commission Letter</b> (P. N. 4122, A. 7079)	11/15/96
H. B. 2839 P. N. 3949 (Kenney)	Pennsylvania Intergovernmental Cooperation Authority Act, adding the Philadelphia School District to the City of Philadelphia as local governments covered by the Act	Referred to House Urban Affairs Committee	07/01/96
H. B. 2876 P. N. 4010 (Travaglio)	PSERS, further providing for health insurance premium assistance	Referred to House Education Committee	09/25/96
H. B. 2877 P. N. 4011 (Fairchild)	PSERS, further providing for creditable non-school service	Referred to House Education Committee Reported as amended Laid on the table <b>Commission Letter</b> (P. N. 4011, A. 6814)	09/25/96 10/08/96 10/08/96 11/15/96
H. B. 2887 P. N. 4021 (Merry)	PMRS, extending until 1999 permission to use interest earnings to pay administrative expenses not covered by the \$20 a member a year assessment	Referred to House Local Government Committee Reported as committed Re-referred to House Appropriations Committee <b>Commission Letter</b> (P. N. 4021) Re-reported as committed Second Consideration Passed House (198-0) Referred to Senate Local Government Committee	09/25/96 10/01/96 11/12/96 11/15/96 11/18/96 11/18/96 11/19/96 11/20/96
H. B. 2937 P. N. 4105 (Steil)	Municipal Police Pension Law (Act 600), providing for actuarially reduced early retirement benefit	Referred to House Local Government Committee <b>Advisory Note</b> (P. N. 4105) Reported as committed Re-referred to House Appropriations Committee	10/02/96 11/08/96 11/13/96 11/13/96
H. B. 3010 P. N. 4251 (O'Brien)	Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, repealing the section 209(k) provisions requiring a board of arbitration under the Policemen and Firemen Collective Bargaining Act (Act 111) to take into consideration the approved financial plan and providing for vacation of arbitration awards if a court finds that the arbitration board did not consider the approved financial plan	Referred to House Urban Affairs Committee Reported as committed Re-referred to House Appropriations Committee	11/18/96 11/18/96 11/18/96



**APPENDIX E**  
**CONCISE INDEX TO ACTUARIAL NOTES**

---

---

**ACT 293 OF 1972**

All County Employees' Retirement Systems

**PAGE**

House Bill 2399, Printer's Number 3773 ..... 93

**ACT 600 SYSTEMS — SEE MUNICIPAL POLICE PENSION LAW (ACT 600) SYSTEMS**

**ACTUARIAL VALUATION REPORTING**

All County Retirement Systems

House Bill 2399, Printer's Number 3773 ..... 93

**ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM**

Firefighters

Senate Bill 388, Printer's Number 401 ..... 10

House Bill 2109, Printer's Number 3600, with Amendment 4452 ..... 89

Police Officers

Senate Bill 388, Printer's Number 401 ..... 10

House Bill 2109, Printer's Number 3600, with Amendment 4452 ..... 89

Probation Officers

Senate Bill 1519, Printer's Number 1958 ..... 45

Service Increment Benefit

Amendment 6516 to House Bill 2690, Printer's Number 3695 ..... 111

**CITIES OF THE THIRD CLASS**

Firefighters

Senate Bill 388, Printer's Number 401 ..... 10

House Bill 2109, Printer's Number 3600, with Amendment 4452 ..... 89

Nonuniformed Employees

House Bill 1130, Printer's Number 2805 ..... 75

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**CITIES OF THE THIRD CLASS (Cont'd)**

<u>Police Officers</u>	PAGE
Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

**CONTRIBUTIONS, EMPLOYER**

<u>State Employees' Retirement System (TIAA/CREFF)</u>	
Senate Bill 1044, Printer's Number 1154 .....	20

**COUNTY EMPLOYEES' RETIREMENT SYSTEMS**

<u>Actuarial Valuation Reporting</u>	
House Bill 2399, Printer's Number 3773 .....	93

**EARLY RETIREMENT WINDOW**

<u>Ten Percent Service Credit Incentive</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50

<u>Thirty-and-Out</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50

**FIDUCIARY RESPONSIBILITY**

<u>Pledge of Pension Trust Fund Assets</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50

**MUNICIPAL POLICE PENSION LAW (ACT 600) SYSTEMS**

<u>Ad Hoc Postretirement Adjustments</u>	
Senate Bill 388, Printer's Number 401 .....	10

<u>Cost-of-Living Adjustments</u>	
Amendment 0561 to Senate Bill 633, Printer's Number 657 .....	13

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**MUNICIPAL POLICE PENSION LAW (ACT 600) SYSTEMS (Cont'd)**

	<b>PAGE</b>
<u>Survivors of Retired Municipal Public Safety Officers</u>	
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89
<u>Portability of Service Credits</u>	
Amendment 0604 to Senate Bill 633, Printer's Number 657 .....	17
<u>Retirement Eligibility</u>	
Senate Bill 1193, Printer's Number 1390 .....	27

**PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM (PMRS)**

<u>Firefighters</u>	
Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89
<u>Police Officers</u>	
Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

**PHILADELPHIA**

<u>Firefighters</u>	
Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89
<u>Police Officers</u>	
Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

**PHILADELPHIA MUNICIPAL COURT BAIL COMMISSIONERS**

<u>Class E-2 Membership</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**PITTSBURGH**

	<b>PAGE</b>
<u>Firefighters</u>	
Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89
<u>Police Officers</u>	
Senate Bill 388, Printer's Number 401 .....	10
House Bill 1668, Printer's Number 1989 .....	86
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

**PMRS — SEE PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM**

**POSTRETIREMENT ADJUSTMENTS**

<u>Annuitants with Certain Unpurchased Military Service</u>	
House Bill 168, Printer's Number 3374 .....	47
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Firefighters</u>	
Senate Bill 388, Printer's Number 401 .....	10
<u>One-Hundred Percent of Consumer Price Index</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Police Officers</u>	
Senate Bill 388, Printer's Number 401 .....	10
Amendment 0561 to Senate Bill 633, Printer's Number 657 .....	13
<u>Supplemental Annuity Reserve Account</u>	
House Bill 2659, Printer's Number 3629, with Amendment 4656 .....	100
<u>Survivors of Retired Municipal Public Safety Officers</u>	
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**POSTRETIREMENT MEDICAL INSURANCE**

**PAGE**

Expanding Eligibility for Health Insurance Premium Assistance Program  
under the Public School Employees' Retirement Code

Amendment 6543 to House Bill 2659, Printer's Number 4080 ..... 108

**PSERS — SEE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

**PUBLIC SAFETY EMPLOYEE BENEFIT COVERAGE**

Campus Police Officers

Amendment 0691 to House Bill 168, Printer's Number 2468 ..... 50  
House Bill 1242, Printer's Number 1402 ..... 77

Municipal Firefighters

Senate Bill 388, Printer's Number 401 ..... 10

Municipal Police Officers

Senate Bill 388, Printer's Number 401 ..... 10

Municipal Police Pension Law (Act 600) Systems

Amendment 0561 to Senate Bill 633, Printer's Number 657 ..... 13  
Amendment 0604 to Senate Bill 633, Printer's Number 657 ..... 17  
Senate Bill 1193, Printer's Number 1390 ..... 27

Parole Agent Supervisors

Amendment 3144 to House Bill 1302, Printer's Number 3584 ..... 81

Probation Officers in Allegheny County

Senate Bill 1519, Printer's Number 1958 ..... 45

Pennsylvania Fish and Boat Commission Employees

Amendment 0691 to House Bill 168, Printer's Number 2468 ..... 50

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**PUBLIC SAFETY EMPLOYEE BENEFIT COVERAGE (Cont'd)**

	<b>PAGE</b>
<u>Pennsylvania Game Commission Employees</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Pittsburgh Police Officers' Surviving Spouses</u>	
House Bill 1668, Printer's Number 1989 .....	86
<u>Scranton Police Officers' Surviving Spouses</u>	
House Bill 1666, Printer's Number 1987 .....	84
<u>Survivors of Retired Municipal Public Safety Employees</u>	
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89
<u>Volunteer Firefighters' Money Purchase Deferred Benefits</u>	
Senate Bill 244, Printer's Number 1953 .....	7

**PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM**

<u>Determination of Who is a School Employee</u>	
Senate Bill 1233, Printer's Number 1440 .....	31
<u>Early Retirement Window</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Fiduciary Responsibility</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Postretirement Adjustments</u>	
House Bill 168, Printer's Number 3374 .....	47
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Postretirement Medical Insurance, Expanding Eligibility for</u>	
Amendment 6543 to House Bill 2659, Printer's Number 4080 .....	108

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM (Cont'd)**

	<b>PAGE</b>
<u>Retirement Benefit Amount</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6542 to House Bill 2659, Printer's Number 4080 .....	105
Amendment 6561 to House Bill 2659, Printer's Number 4080 .....	105
<u>Service Credit Purchase</u>	
Senate Bill 1307, Printer's Number 1587 .....	40
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6527 to House Bill 168, Printer's Number 3374 .....	40
House Bill 2444, Printer's Number 3202 .....	96
<u>Service Credit Transfer</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Supplemental Annuity Reserve Account</u>	
House Bill 2659, Printer's Number 3629, with Amendment 4656 .....	100

**RETIREMENT AGE**

Mandatory Retirement Age for Judiciary

House Bill 225, Printer's Number 207 .....	73
--------------------------------------------	----

**RETIREMENT BENEFIT AMOUNT**

Liberalization of Service Increment Benefit in Allegheny County

Amendment 6516 to House Bill 2690, Printer's Number 3695 .....	111
----------------------------------------------------------------	-----

Removal of Effect of Frozen Present Value

Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6542 to House Bill 2659, Printer's Number 4080 .....	105
Amendment 6561 to House Bill 2659, Printer's Number 4080 .....	105

Return to School Service as Coach, Director, or Sponsor

Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
---------------------------------------------------------------	----

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**RETIREMENT ELIGIBILITY**

<u>Vestee in Municipal Police Pension Law (Act 600) Systems</u>	PAGE
Senate Bill 1193, Printer's Number 1390 .....	27

**SCRANTON**

Firefighters

Senate Bill 388, Printer's Number 401 .....	10
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

Police Officers

Senate Bill 388, Printer's Number 401 .....	10
House Bill 1666, Printer's Number 1987 .....	84
House Bill 2109, Printer's Number 3600, with Amendment 4452 .....	89

**SERVICE CREDIT PURCHASE**

Another State

Senate Bill 1304, Printer's Number 1579 .....	35
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6788 to House Bill 168, Printer's Number 3374 .....	67

Mandatory Maternity Leaves of Absence

House Bill 2444, Printer's Number 3202 .....	96
----------------------------------------------	----

Multiple Service

Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
---------------------------------------------------------------	----

Municipal Service

Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
---------------------------------------------------------------	----

Nonpublic Pennsylvania Educational Institution

Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
---------------------------------------------------------------	----

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**SERVICE CREDIT PURCHASE (Cont'd)**

	<b>PAGE</b>
<u>Public, American, or International Educational Institution</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6389 to House Bill 168, Printer's Number 3374 .....	62
<u>State Related Institutions of Higher Education</u>	
Senate Bill 1044, Printer's Number 1154 .....	20
Senate Bill 1307, Printer's Number 1587 .....	40
Amendment 6527 to House Bill 168, Printer's Number 3374 .....	40
<u>State System of Higher Education</u>	
Senate Bill 1307, Printer's Number 1587 .....	40
Amendment 6527 to House Bill 168, Printer's Number 3374 .....	40
<u>Vocational Teacher Work Experience</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50

**SERS — SEE STATE EMPLOYES' RETIREMENT SYSTEM**

**SERVICE CREDIT TRANSFER**

<u>Multiple Service</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Municipal Police Pension Law (Act 600) Systems</u>	
Amendment 0604 to Senate Bill 633, Printer's Number 657 .....	17

**SPECIAL AD HOC MUNICIPAL POLICE AND FIREFIGHTER  
POSTRETIREMENT ADJUSTMENT ACT**

<u>Ad Hoc Postretirement Adjustments</u>	
Senate Bill 388, Printer's Number 401 .....	10

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**STATE EMPLOYEES' RETIREMENT SYSTEM**

	<b>PAGE</b>
<u>Contributions, Employer</u>	
Senate Bill 1044, Printer's Number 1154 .....	20
<u>Early Retirement Window</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Fiduciary Responsibility</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Philadelphia Municipal Court Bail Commissioners</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Postretirement Adjustments</u>	
House Bill 168, Printer's Number 3374 .....	47
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
<u>Public Safety Employee Benefit Coverage</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
House Bill 1242, Printer's Number 1402 .....	77
Amendment 3144 to House Bill 1302, Printer's Number 3584 .....	81
<u>Retirement Age for Judiciary</u>	
House Bill 225, Printer's Number 207 .....	73
<u>Retirement Benefit Amount</u>	
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6542 to House Bill 2659, Printer's Number 4080 .....	105
Amendment 6561 to House Bill 2659, Printer's Number 4080 .....	105
<u>Service Credit Purchase</u>	
Senate Bill 1044, Printer's Number 1154 .....	20
Senate Bill 1304, Printer's Number 1579 .....	35
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50
Amendment 6389 to House Bill 168, Printer's Number 3374 .....	62
Amendment 6788 to House Bill 168, Printer's Number 3374 .....	67

**CONCISE INDEX TO ACTUARIAL NOTES (Cont'd)**

---

---

**STATE EMPLOYEES' RETIREMENT SYSTEM (Cont'd)**

<u>Service Credit Transfer</u>	PAGE
Amendment 0691 to House Bill 168, Printer's Number 2468 .....	50

**VESTING**

<u>Nonuniformed Employees in Cities of the Third Class</u>	
House Bill 1130, Printer's Number 2805 .....	75

**VOLUNTEER FIREFIGHTERS' PENSIONS**

<u>Money Purchase Deferred Benefits</u>	
Senate Bill 244, Printer's Number 1953 .....	7

