

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2759 Session of
1994

INTRODUCED BY LLOYD, LAUGHLIN, MERRY, ROBINSON, HALUSKA, DALEY,
HUTCHINSON, CESSAR, KAISER, LAUB, STEELMAN, PESCI, COLAIZZO,
STABACK, COY, PISTELLA, TRELLO, TOMLINSON AND RICHARDSON,
MAY 18, 1994

REFERRED TO COMMITTEE ON EDUCATION, MAY 18, 1994

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated
2 Statutes, providing for the purchase of retirement credit for
3 service in a municipality.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Section 8102 of Title 24 of the Pennsylvania
7 Consolidated Statutes is amended by adding definitions to read:

8 § 8102. Definitions.

9 The following words and phrases when used in this part shall
10 have, unless the context clearly indicates otherwise, the
11 meanings given to them in this section:

12 * * *

13 "Municipality." Any county, city, borough, town, township or
14 municipal authority of the Commonwealth.

15 "Municipal service." Service rendered as an employee of a
16 municipality in this Commonwealth.

17 * * *

Section 2. Section 8304(b) of Title 24 is amended by adding a paragraph to read:

§ 8304. Creditable nonschool service.

* * *

(b) Limitations on nonschool service.--Creditable nonschool service credit shall be limited to:

(1) Intervening military service.

(2) Military service other than intervening military service and activated military service not exceeding five years provided that a member with multiple service may not purchase more than a total of five years of military service in both the system and the State Employees' Retirement System.

(3) Service in any public school or public educational institution in any state other than this Commonwealth or in any territory or area under the jurisdiction of the United States. This paragraph includes service, prior to July 1, 1965, at a community college established under the act of August 24, 1963 (P.L.1132, No.484), known as the Community College Act of 1963.

(4) Service as an administrator, teacher, or instructor in the field of public school education for any agency or department of the government of the United States whether or not such area was under the jurisdiction of the United States.

(5) Previous service as an employee of a county board of school directors which employment was terminated because of the transfer of the administration of such service or of the entire agency to a governmental entity.

(6) Previous service as a county employee as a nurse.

1 For every three years or major fraction thereof in previous
2 work experience, an individual may buy one year of creditable
3 service, not to exceed a total of five years. The purchase of
4 this service shall begin within three years of the employee's
5 eligibility to purchase this creditable service.

6 (7) Service for the period of time spent on a maternity
7 leave of absence required by the employer, which creditable
8 service shall not exceed two years per leave and shall be
9 applicable only to a maternity leave which was mandatory
10 prior to May 17, 1975. The purchase of this service shall
11 begin within one year of the employee's eligibility to
12 purchase this creditable service.

13 (8) Service in the Cadet Nurse Corps with respect to any
14 period of training as a student or graduate nurse under a
15 plan approved under section 2 of the act of June 15, 1943
16 (Public Law 78-73, 57 Stat. 153), if the total period of
17 training under the plan was at least two years, the credit
18 for such service not to exceed three years.

19 (9) Service as an employee of a municipality in this
20 Commonwealth, subject to the following limitations:

21 (i) that during the service the member was a full-
22 time employee;

23 (ii) that the aggregate total credit for all such
24 service shall not exceed ten years;

25 (iii) that the member only make the election to
26 purchase the service after accruing ten eligibility
27 points;

28 (iv) that the member makes the election to purchase
29 the service within three years of the later of the
30 effective date of this paragraph or the date of accruing

1 ten eligibility points;

2 (v) that the member pays a contribution that is
3 equal to the full actuarial cost of the increased benefit
4 obtained by virtue of the purchase as provided in section
5 8324(d) (relating to contributions for purchase of credit
6 for creditable nonschool service); and

7 (vi) that the portion of the contribution the member
8 pays to purchase the service credit that represents
9 employer cost shall not be payable as a lump sum under
10 section 8345(a)(4)(iii) (relating to member's option).

11 * * *

12 Section 3. Section 8324 of Title 24 is amended by adding a
13 subsection to read:

14 § 8324. Contributions for purchase of credit for creditable
15 nonschool service.

16 * * *

17 (g) Service as an employee of a municipality.--Contributions
18 on account of credit for service as an employee of a
19 municipality in this Commonwealth as authorized in section
20 8304(b)(9), shall be equal to the full actuarial cost of the
21 increased benefit obtained by virtue of the purchase. The
22 increased benefit attributable to the purchased service shall be
23 the difference between:

24 (1) the annual amount of a standard single life annuity,
25 beginning at the earliest possible superannuation age,
26 calculated assuming no further salary increases, assuming
27 credit for the service to be purchased; and

28 (2) the annual amount of a standard single life annuity,
29 calculated on the same basis, but excluding credit for
30 service to be purchased.

1 The earliest possible superannuation age shall be the age at
2 which the member becomes first eligible for superannuation
3 retirement assuming continued full-time service and credit for
4 the amount of service which the member has elected to purchase,
5 or the current attained age of the member, whichever is later.
6 The full actuarial cost of the increased benefit attributable to
7 the purchased service shall be the actuarial present value of a
8 deferred annuity equal to the amount of the increased benefit
9 determined above, beginning at the earliest possible
10 superannuation age and payable for life, calculated using a
11 preretirement interest assumption of 1.5%, a postretirement
12 interest assumption of 4%, no preretirement mortality assumption
13 and standard postretirement mortality assumptions. The purchase
14 payment shall be made in a lump sum by the member within 30 days
15 of certification by the board of the required purchase amount or
16 may be amortized through salary deductions in amounts agreed
17 upon by the member and the board with interest payable on the
18 unpaid balance at the rate applicable to the most recently
19 issued 30-year bonds of the United States Treasury Department.

20 Section 4. Section 8345(a) of Title 24 is amended to read:

21 § 8345. Member's options.

22 (a) General rule.--Any vestee with ten or more eligibility
23 points or any other eligible member upon termination of school
24 service who has not withdrawn his accumulated deductions as
25 provided in section 8341 (relating to return of accumulated
26 deductions) may apply for and elect to receive either a maximum
27 single life annuity, as calculated in accordance with the
28 provisions of section 8342 (relating to maximum single life
29 annuity), or a reduced annuity certified by the actuary to be
30 actuarially equivalent to the maximum single life annuity and in

1 accordance with one of the following options, except that no
2 member shall elect an annuity payable to one or more survivor
3 annuitants other than his spouse of such a magnitude that the
4 present value of the annuity payable to him for life plus any
5 lump sum payment he may have elected to receive is less than 50%
6 of the present value of his maximum single life annuity.

7 (1) Option 1.--A life annuity to the member with a
8 guaranteed total payment equal to the present value of the
9 maximum single life annuity on the effective date of
10 retirement with the provision that, if, at his death, he has
11 received less than such present value, the unpaid balance
12 shall be payable to his beneficiary.

13 (2) Option 2.--A joint and survivor annuity payable
14 during the lifetime of the member with the full amount of
15 such annuity payable thereafter to his survivor annuitant, if
16 living at his death.

17 (3) Option 3.--A joint and fifty percent (50%) survivor
18 annuity payable during the lifetime of the member with one-
19 half of such annuity payable thereafter to his survivor
20 annuitant, if living at his death.

21 (4) Option 4.--Some other benefit which shall be
22 certified by the actuary to be actuarially equivalent to the
23 maximum single life annuity, subject to the following
24 restrictions:

25 (i) Any annuity shall be payable without reduction
26 during the lifetime of the member except as the result of
27 the member's election to receive an annuity reduced upon
28 attainment of age 65, in anticipation of the receipt of a
29 social security benefit.

30 (ii) The sum of all annuities payable to the

1 designated survivor annuitants shall not be greater than
2 one and one-half times the annuity payable to the member.

3 (iii) A portion of the benefit may be payable as a
4 lump sum, except that such lump sum payment shall not
5 exceed an amount equal to the accumulated deductions
6 standing to the credit of the member[.] and shall not
7 include the portion of the service credit purchase
8 contribution by the member representing employer cost for
9 the purchase of credit under sections 8304(b)(9)
10 (relating to creditable nonschool service) and 8324(g)
11 (relating to contributions for purchase of credit for
12 creditable nonschool service) for service as an employee
13 of a municipality in this Commonwealth. The balance of
14 the present value of the maximum single life annuity
15 adjusted in accordance with section 8342(b) shall be paid
16 in the form of an annuity with a guaranteed total
17 payment, a single life annuity, or a joint and survivor
18 annuity or any combination thereof but subject to the
19 restrictions of subparagraphs (i) and (ii) of this
20 paragraph.

21 * * *

22 Section 5. This act shall take effect in 60 days.