
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2052 Session of
1997

INTRODUCED BY HERMAN, FAIRCHILD, HUTCHINSON, CURRY, BENNINGHOFF,
TANGRETTI, NICKOL, PRESTON, SCHULER, STERN, LAUGHLIN, GEORGE,
BAKER, OLASZ, DeWEESE, COY, TRELLO, B. SMITH, HENNESSEY,
BELFANTI, BELARDI, COLAFELLA, McNAUGHTON, LUCYK, MANDERINO,
COWELL, TIGUE, PETRARCA, M. COHEN, SURRA, TULLI, PESCI, ROSS,
CORRIGAN, HANNA, STABACK, SAINATO, BARD, E. Z. TAYLOR AND
STEELMAN, DECEMBER 10, 1997

REFERRED TO COMMITTEE ON STATE GOVERNMENT, DECEMBER 10, 1997

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, providing for
3 contributions for creditable State service, for nonschool
4 service, for incomplete payments, for annuity termination,
5 for regulations and procedures, for member contributions, for
6 payroll deductions, for elections of members, for multiple
7 service status, for duties of employers, for creditable non-
8 State service, for purchase of credit, for incomplete
9 payments, for termination of annuities, for regulations and
10 procedures, for member contributions, for duties of board and
11 heads of departments and for election as multiple service
12 member.

13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. Sections 8323(d), 8324(b) and (d), 8325, 8346,
16 8502(h) and (m) and 8504(b) of Title 24 of the Pennsylvania
17 Consolidated Statutes are amended to read:

18 § 8323. Member contributions for creditable school service.

19 * * *

20 (d) Certification and payment of contributions.--

(1) In all cases other than for the purchase of credit for sabbatical leave and activated military service leave beginning before the effective date of paragraph (2), the amount payable shall be certified by the board in accordance with methods approved by the actuary and may be paid in a lump sum within 90 days or, in the case of an active member or eligible State employee who is an active member of the State Employees' Retirement System, may be amortized with statutory interest through salary deductions or by personal checks in amounts agreed upon by the member and the board. In the case of an eligible State employee who is an active member of the State Employees' Retirement System, the agreed upon salary deductions shall be remitted to the State Employees' Retirement Board, which shall certify and transfer to the board the amounts paid.

(2) In the case of activated military service leave beginning before the effective date of this paragraph, the amount payable may be paid according to this subsection or subsection (c.1), but all lump sum payments must be made and all amortization payments commenced within one year of the termination of activated military service leave.

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

* * *

(b) Nonintervening military service.--The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate plus the normal contribution rate as provided in section 8328 (relating to actuarial cost method) at the time of entry of the member into school service subsequent

1 to such military service to one-third of his total compensation
2 received during the first three years of such subsequent
3 credited school service and multiplying the product by the
4 number of years and fractional part of a year of creditable
5 nonintervening military service being purchased together with
6 statutory interest during all periods of subsequent school and
7 State service to date of purchase. Upon certification of the
8 amount due, payment may be made in a lump sum within 90 days or
9 in the case of an active member or eligible State employee who
10 is an active member of the State Employees' Retirement System it
11 may be amortized with statutory interest through salary
12 deductions or by personal checks in amounts agreed upon by the
13 member and the board. In the case of an eligible State employee
14 who is an active member of the State Employees' Retirement
15 System, the agreed upon salary deductions shall be remitted to
16 the State Employees' Retirement Board, which shall certify and
17 transfer to the board the amounts paid. Application may be filed
18 for all such military service credit upon completion of three
19 years of subsequent credited school service and shall be
20 credited as Class T-C service.

21 * * *

22 (d) Other creditable nonschool service.--Contributions on
23 account of Class T-C credit for creditable nonschool service
24 other than military service shall be determined by applying the
25 member's basic contribution rate plus the normal contribution
26 rate as provided in section 8328 at the time of the member's
27 entry into school service subsequent to such creditable
28 nonschool service to his total compensation received during the
29 first year of subsequent credited school service and multiplying
30 the product by the number of years and fractional part of a year

1 of creditable nonschool service being purchased together with
2 statutory interest during all periods of subsequent school or
3 State service to the date of purchase, except that in the case
4 of purchase of credit for creditable nonschool service as set
5 forth in section 8304(b)(5) (relating to creditable nonschool
6 service) the member shall pay only the employee's share unless
7 otherwise provided by law. Upon certification of the amount due,
8 payment may be made in a lump sum within 90 days or in the case
9 of an active member or eligible State employee who is an active
10 member of the State Employees' Retirement System it may be
11 amortized with statutory interest through salary deductions or
12 by personal checks in amounts agreed upon by the member and the
13 board. In the case of an eligible State employee who is an
14 active member of the State Employees' Retirement System, the
15 agreed upon salary deductions shall be remitted to the State
16 Employees' Retirement Board, which shall certify and transfer to
17 the board the amounts paid.

18 * * *

19 § 8325. Incomplete payments.

20 In the event that a member terminates school service or a
21 multiple service member who is an active member of the State
22 Employees' Retirement System terminates State service before any
23 agreed upon payments or return of benefits on account of
24 returning to school service or entering State service and
25 electing multiple service have been completed the member or
26 multiple service member who is an active member of the State
27 Employees' Retirement System shall have the right to pay within
28 30 days of termination of school service or State service the
29 balance due, including interest, in a lump sum and the annuity
30 shall be calculated including full credit for the previous

1 school service, creditable nonschool service, or full-coverage
2 membership. In the event a member does not pay the balance due
3 within 30 days of termination of school service or in the event
4 a member dies in school service or within 30 days of termination
5 of school service or in the case of a multiple service member
6 who is an active member of the State Employees' Retirement
7 System, does not pay the balance due within 30 days of
8 termination of State service or dies in State service or within
9 30 days of termination of State service and before the agreed
10 upon payments have been completed, the present value of the
11 benefit otherwise payable shall be reduced by the balance due,
12 including interest, and the benefit payable shall be calculated
13 as the actuarial equivalent of such reduced present value.

14 § 8346. Termination of annuities.

15 (a) General rule.--If an annuitant returns to school service
16 or enters or has entered State service and elects multiple
17 service membership, any annuity payable to him under this part
18 shall cease effective upon the date of his return to school
19 service or entering State service and in the case of an annuity
20 other than a disability annuity the present value of such
21 annuity, adjusted for full coverage in the case of a joint
22 coverage member who makes the appropriate back contributions for
23 full coverage, shall be frozen as of the date such annuity
24 ceases. An annuitant who is credited with an additional 10% of
25 membership service as provided in section 8302(b.2) (relating to
26 credited school service) and who returns to school service,
27 except as provided in subsection (b), shall forfeit such
28 credited service and shall have his frozen present value
29 adjusted as if his 10% retirement incentive had not been applied
30 to his account. In the event that the cost-of-living increase

1 enacted December 18, 1979, occurred during the period of such
2 State or school employment, the frozen present value shall be
3 increased, on or after the member attains superannuation age, by
4 the percent applicable had he not returned to service.

5 (a.1) Return of benefits.--In the event an annuitant whose
6 annuity ceases pursuant to this section receives any annuity
7 payment, including a lump sum payment pursuant to section 8345
8 (relating to member's options) on or after the date of his
9 return to school service or entering State service, he shall
10 return to the board the amount so received plus statutory
11 interest. The amount payable shall be certified in each case by
12 the board in accordance with methods approved by the actuary and
13 shall be paid in a lump sum within 90 days or in the case of an
14 active member or State employee who is an active member of the
15 State Employees' Retirement System may be amortized with
16 statutory interest through salary deductions in amounts agreed
17 upon by the member and the board. In the case of a State
18 employee who is an active member of the State Employees'
19 Retirement System, the agreed upon salary deductions shall be
20 remitted to the State Employees' Retirement Board, which shall
21 certify and transfer to the board the amounts paid.

22 (b) Return to school service during emergency.--When, in the
23 judgment of the employer, an emergency creates an increase in
24 the work load such that there is serious impairment of service
25 to the public or in the event of a shortage of appropriate
26 subject certified teachers, an annuitant may be returned to
27 school service for a period not to exceed 95 full-day sessions
28 in any school year without loss of his annuity. In computing the
29 number of days an annuitant has returned to school service, any
30 amount of time less than one-half of a day shall be counted as

1 one-half of a day.

2 (c) Subsequent discontinuance of service.--Upon subsequent
3 discontinuance of service, such member other than a former
4 annuitant who had the effect of his frozen present value
5 eliminated in accordance with subsection (d) or a former
6 disability annuitant shall be entitled to an annuity which is
7 actuarially equivalent to the sum of the present value as
8 determined under subsection (a) and the present value of a
9 maximum single life annuity based on years of service credited
10 subsequent to reentry in the system and his final average salary
11 computed by reference to his compensation during his entire
12 period of school and State service.

13 (d) Elimination of the effect of frozen present value.--

14 (1) An annuitant who returns to school service and earns
15 three eligibility points by performing credited school
16 service following the most recent period of receipt of an
17 annuity under this part, or an annuitant who enters State
18 service and:

19 (i) is a multiple service member; or

20 (ii) who elects multiple service membership, and
21 earns three eligibility points by performing credited State
22 service or credited school service following the most recent
23 period of receipt of an annuity under this part, and who had
24 the present value of his annuity frozen in accordance with
25 subsection (a), shall qualify to have the effect of the
26 frozen present value resulting from all previous periods of
27 retirement eliminated, provided that all payments under
28 Option 4 and annuity payments payable during previous periods
29 of retirement plus interest as set forth in paragraph (3)
30 shall be returned to the fund in the form of an actuarial

1 adjustment to his subsequent benefits or in such form as the
2 board may otherwise direct.

3 (2) Upon subsequent discontinuance of service and the
4 filing of an application for an annuity, a former annuitant
5 who qualifies to have the effect of a frozen present value
6 eliminated under this subsection shall be entitled to receive
7 the higher of either:

8 (i) an annuity (prior to optional modification)
9 calculated as if the freezing of the former annuitant's
10 account pursuant to subsection (a) had not occurred,
11 adjusted according to paragraph (3), provided that a
12 former annuitant of the system or a former annuitant of
13 the State Employees' Retirement System who retired under
14 a provision of law granting additional service credit if
15 termination of school or State service or retirement
16 occurred during a specific period of time shall not be
17 permitted to retain the additional service credit under
18 the prior law when the annuity is computed for his most
19 recent retirement; or

20 (ii) an annuity (prior to optional modification)
21 calculated as if the former annuitant did not qualify to
22 have the effect on the frozen present value eliminated,
23 unless the former annuitant notifies the board in writing by
24 the later of the date the application for annuity is filed or
25 the effective date of retirement that the former annuitant
26 wishes to receive the lower annuity.

27 (3) In addition to any other adjustment to the present
28 value of the maximum single life annuity that a member may be
29 entitled to receive that occurs as a result of any other
30 provision of law, the present value of the maximum single

1 life annuity shall be reduced by all amounts paid or payable
2 to him during all previous periods of retirement plus
3 interest on these amounts until the date of subsequent
4 retirement. The interest for each year shall be calculated
5 based upon the annual interest rate adopted for that school
6 year by the board for the calculation of the normal
7 contribution rate pursuant to section 8328(b) (relating to
8 actuarial cost method).

9 § 8502. Administrative duties of board.

10 * * *

11 (h) Regulations and procedures.--The board shall, with the
12 advice of the Attorney General and the actuary, adopt and
13 promulgate rules and regulations for the uniform administration
14 of the system. No regulation establishing a period of time to
15 elect multiple service shall allow any such election more than
16 365 days after entry into the system as an active member. The
17 actuary shall approve in writing all computational procedures
18 used in the calculation of contributions and benefits, and the
19 board shall by resolution adopt such computational procedures,
20 prior to their application by the board. Such rules, regulations
21 and computational procedures as so adopted from time to time and
22 as in force and effect at any time, together with such tables as
23 are adopted and published pursuant to subsection (j) as
24 necessary for the calculation of annuities and other benefits,
25 shall be as effective as if fully set forth in this part. Any
26 actuarial assumption specified in or underlying any such rule,
27 regulation or computational procedure and utilized as a basis
28 for determining any benefit shall be applied in a uniform
29 manner.

30 * * *

1 (m) Member contributions and interest.--The board shall
2 cause each member's contributions, including payroll deductions,
3 pickup contributions and all other payments, including, but not
4 limited to, amounts collected by the State Employees' Retirement
5 System for the reinstatement of previous school service or
6 creditable nonschool service, and amounts paid to return
7 benefits paid after the date of return to school service or
8 entering State service representing lump sum payments made
9 pursuant to section 8345(a)(4)(iii) (relating to member's
10 options) and member's annuity payments, but not including other
11 benefits returned pursuant to section 8346(a.1) (relating to
12 termination of annuities) to be credited to the account of such
13 member and shall pay all such amounts into the fund. Such
14 contributions shall be credited with statutory interest until
15 date of termination of service, except in the case of a vestee,
16 who shall have such interest credited until the effective date
17 of retirement or until the return of his accumulated deductions,
18 if he so elects; and in the case of a multiple service member
19 who shall have such interest credited until termination of
20 service in both the school and the State systems.

21 * * *

22 § 8504. Duties of board to report to State Employees'

23 Retirement Board.

24 * * *

25 (b) Multiple service membership of State employees.--Upon
26 receipt of notification from the State Employees' Retirement
27 Board that a former school employee has become an active member
28 in the State Employees' Retirement System and has elected to
29 receive credit for multiple service, the board shall certify to
30 the State Employees' Retirement Board and concurrently to the

1 member:

2 (1) The total credited service in the system and the
3 number of years and fractional part of a year of service
4 credited in each class of service.

5 (2) The annual compensation received each school year by
6 the member for credited school service.

7 (3) If the member has elected payroll deductions
8 pursuant to section 8323 (relating to member contributions
9 for creditable school service) or 8324 (relating to
10 contributions for purchase of credit for creditable nonschool
11 service), the amount of the deductions and the period over
12 which they are to be made.

13 * * *

14 Section 2. Section 8505(b) of Title 24 is amended and the
15 section is amended by adding a subsection to read:

16 § 8505. Duties of board regarding applications and elections of
17 members.

18 * * *

19 (b) State employees electing multiple service status.--Upon
20 receipt of notification from the State Employees' Retirement
21 Board that a former school employee has become an active member
22 in the State Employees' Retirement System and has elected to
23 become a member with multiple service status, the board shall:

24 (1) In case of a member who is receiving an annuity from
25 the system, discontinue payments, transfer the present
26 value[, at that time,] of the member's annuity at the time of
27 entering State service, plus the amount withdrawn in a lump
28 sum payment, on or after the date of entering State service,
29 pursuant to section 8345 (relating to member's options), with
30 statutory interest to date of transfer, minus the amount to

1 be returned to the board on account of return to service that
2 the board has determined is to be credited in the member's
3 savings account, from the annuity reserve account to the
4 [members'] member's savings account and resume crediting of
5 statutory interest on the amount restored to his credit
6 [and], transfer the balance of the present value of the total
7 annuity, minus the amount to be returned to the board on
8 account of return to service that the board has determined is
9 to be credited in the State accumulation account, from the
10 annuity reserve account to the State accumulation account,
11 and certify to the member the amount of lump sum and annuity
12 payments with statutory interest to be returned to the board
13 by him, and of those amounts, which amount shall be credited
14 to the member's savings account and credited with statutory
15 interest as such payments are returned and which amount shall
16 be credited to the State accumulation account.

17 (2) In case of a member who is not receiving an annuity
18 from the system and who has not withdrawn his accumulated
19 deductions, continue or resume the crediting of statutory
20 interest on his accumulated deductions.

21 (3) In case of a member who is not receiving an annuity
22 from the system and his accumulated deductions were
23 withdrawn, certify to the member the accumulated deductions
24 as they would have been at the time of his separation had he
25 been a full coverage member together with statutory interest
26 for all periods of subsequent State and school service to the
27 date of repayment. Such amount shall be restored by him and
28 shall be credited with statutory interest as such payments
29 are restored.

30 * * *

1 (k) School employees electing multiple service status.--Upon
2 receipt of notification from the State Employees' Retirement
3 Board that a member who has elected multiple service membership
4 has elected to restore State service or purchase creditable non-
5 State service in the State Employees' Retirement System or is
6 obligated to return benefits to the State Employees' Retirement
7 Board on account of electing multiple service membership has
8 elected to pay all or part of the amount due to the State
9 Employees' Retirement Board by salary deductions, the board
10 shall collect from the employee the amounts certified by the
11 State Employees' Retirement Board as due and owing by the member
12 and certify and transfer to the State Employees' Retirement
13 Board the amounts so collected.

14 Section 3. Sections 8506(c), (g) and (h) and 8507(c) of
15 Title 24 are amended to read:

16 § 8506. Duties of employers.

17 * * *

18 (c) Member and employer contributions.--The employer shall
19 certify to its treasurer the required member contributions
20 picked up and any other contributions, including, but not
21 limited to, amounts collected for the State Employees'
22 Retirement Board for the reinstatement of previous State service
23 or creditable non-State service and amounts paid to return
24 benefits paid after the date of return to State service or
25 entering school service, deducted from each payroll. On July 1,
26 1996, and upon any later effective date of employment of any
27 noneligible member to whom limitation under IRC § 401(a)(17)
28 applies or is expected to apply, the employer shall identify to
29 its treasurer or other payroll administrator the member or
30 members to whom such limit applies or may apply and shall cause

1 any such member's contributions deducted from payroll and the
2 employer's contribution on his behalf to cease at the limitation
3 under IRC § 401(a)(17) on the payroll date if and when such
4 limit shall be reached. The treasurer shall remit to the
5 secretary of the board each month the total of the member
6 contributions and the amount due from the employer determined in
7 accordance with section 8327 (relating to payments by
8 employers). If, upon crediting the remittance of a noneligible
9 member's contributions to the member's savings account, the
10 board shall determine that such account shall have been credited
11 with pickup contributions attributable to compensation which is
12 in excess of the annual compensation limit under IRC §
13 401(a)(17), or with total member contributions for such member
14 which would cause such member's contributions or benefits to
15 exceed any applicable limitation on contributions or benefits
16 under IRC § 401(a)(17), the board shall as soon as practicable
17 refund to the member from his individual member account such
18 amount, together with the statutory interest thereon, as will
19 cause the member's total member contributions not to exceed the
20 applicable limit. The payment of any such refund to the member
21 shall be charged to the member's savings account.

22 * * *

23 (g) Former State employee contributors.--The employer shall,
24 upon the employment of a former member of the State Employees'
25 Retirement System who is not an annuitant of the State
26 Employees' Retirement System, advise such employee of his right
27 to elect multiple service membership within [30] 365 days of
28 entry into the system or such other period as the board may by
29 regulation establish and, in the case any such employee who so
30 elects has withdrawn his accumulated deductions, require him to

1 restore his accumulated deductions as they would have been at
2 the time of his separation had he been a full coverage member,
3 together with statutory interest for all periods of subsequent
4 State and school service to date of repayment. The employer
5 shall advise the board of such election.

6 (h) Former State employee annuitants.--The employer shall,
7 upon the employment of an annuitant of the State Employees'
8 Retirement System who applies for membership in the system,
9 advise such employee that he may elect multiple service
10 membership within [30] 365 days of entry into the system or such
11 other period as the board may by regulation establish and that
12 if he so elects his annuity from the State Employees' Retirement
13 System will be discontinued effective upon the date of his
14 return to school service and, upon termination of school service
15 and application for an annuity, the annuity will be adjusted in
16 accordance with section 8346 (relating to termination of
17 annuities). The employer shall advise the board of such
18 election.

19 * * *

20 § 8507. Rights and duties of school employees and members.

21 * * *

22 (c) Multiple service membership.--Any active member who was
23 formerly an active member in the State Employees' Retirement
24 System may elect to become a multiple service member. Such
25 election shall occur no later than [30] 365 days after becoming
26 an active member in this system or such other period as the
27 board may by regulation establish.

28 * * *

29 Section 4. Sections 5304(a), 5504(b), 5505(b) and (d), 5506,
30 5706, 5902(h) and (l) and 5904(b) of Title 71 are amended to

1 read:

2 § 5304. Creditable nonstate service.

3 (a) Eligibility.--An active member or a multiple service
4 member who is a school employee and an active member of the
5 Public School Employees' Retirement System shall be eligible for
6 Class A service credit for creditable nonstate service as set
7 forth in subsections (b) and (c) except that intervening
8 military service shall be credited in the class of service for
9 which the member was eligible at the time of entering into
10 military service and for which he makes the required
11 contributions and except that a multiple service member who is a
12 school employee and an active member of the Public School
13 Employees' Retirement System shall not be eligible to purchase
14 service credit for creditable nonstate service set forth in
15 subsection (c)(5).

16 * * *

17 § 5504. Member contributions for the purchase of credit for
18 previous State service or to become a full coverage
19 member.

20 * * *

21 (b) Certification and method of payment.--The amount payable
22 shall be certified in each case by the board in accordance with
23 methods approved by the actuary and shall be paid in a lump sum
24 within 30 days or in the case of an active member or eligible
25 school employee who is an active member of the Public School
26 Employees' Retirement System may be amortized with statutory
27 interest through salary deductions in amounts agreed upon by the
28 member and the board. In the case of an eligible school employee
29 who is an active member of the Public School Employees'
30 Retirement System, the agreed upon salary deductions shall be

1 remitted to the Public School Employees' Retirement Board, which
2 shall certify and transfer to the board the amounts paid.

3 § 5505. Contributions for the purchase of credit for creditable
4 nonstate service.

5 * * *

6 (b) Nonintervening military service.--

7 (1) The amount due for the purchase of credit for
8 military service other than intervening military service
9 shall be determined by applying the member's basic
10 contribution rate, the additional contribution rate plus the
11 Commonwealth normal contribution rate for active members at
12 the time of entry, subsequent to such military service, of
13 the member into State service to his average annual rate of
14 compensation over the first three years of such subsequent
15 State service and multiplying the result by the number of
16 years and fractional part of a year of creditable
17 nonintervening military service being purchased together with
18 statutory interest during all periods of subsequent State and
19 school service to date of purchase. Upon application for
20 credit for such service, payment shall be made in a lump sum
21 within 30 days or in the case of an active member or eligible
22 school employee who is an active member of the Public School
23 Employees' Retirement System it may be amortized with
24 statutory interest through salary deductions in amounts
25 agreed upon by the member and the board. In the case of an
26 eligible school employee who is an active member of the
27 Public School Employees' Retirement System, the agreed upon
28 salary deductions shall be remitted to the Public School
29 Employees' Retirement Board, which shall certify and transfer
30 to the board the amounts paid. Application may be filed for

1 all such military service credit upon completion of three
2 years of subsequent State service and shall be credited as
3 Class A service.

4 (2) Applicants may purchase credit as follows:

5 (i) one purchase of the total amount of creditable
6 nonintervening military service; or

7 (ii) one purchase per 12-month period of a portion
8 of creditable nonintervening military service.

9 The amount of each purchase shall be not less than one year
10 of creditable nonintervening military service.

11 * * *

12 (d) Nonmilitary and nonmagisterial service.--Contributions
13 on account of credit for creditable nonstate service other than
14 military and magisterial service shall be determined by applying
15 the member's basic contribution rate, the additional
16 contribution rate plus the Commonwealth normal contribution rate
17 for active members at the time of entry subsequent to such
18 creditable nonstate service of the member into State service to
19 his compensation at the time of entry into State service and
20 multiplying the result by the number of years and fractional
21 part of a year of creditable nonstate service being purchased
22 together with statutory interest during all periods of
23 subsequent State and school service to the date of purchase.
24 Upon application for credit for such service payment shall be
25 made in a lump sum within 30 days or in the case of an active
26 member or eligible school employee who is an active member of
27 the Public School Employees' Retirement System it may be
28 amortized with statutory interest through salary deductions in
29 amounts agreed upon by the member and the board. In the case of
30 an eligible school employee who is an active member of the

1 Public School Employees' Retirement System, the agreed upon
2 salary deductions shall be remitted to the Public School
3 Employees' Retirement Board, which shall certify and transfer to
4 the board the amounts paid.

5 * * *

6 § 5506. Incomplete payments.

7 In the event that a member terminates State service or a
8 multiple service member who is an active member of the Public
9 School Employees' Retirement System terminates school service
10 before the agreed upon payments for credit for previous State
11 service, creditable nonstate service, social security
12 integration, [or] full coverage membership or return of benefits
13 on account of returning to State service or entering school
14 service and electing multiple service have been completed, the
15 member or multiple service member who is an active member of the
16 Public School Employees' Retirement System shall have the right
17 to pay within 30 days of termination of State service or school
18 service the balance due, including interest, in a lump sum and
19 the annuity shall be calculated including full credit for the
20 previous State service, creditable nonstate service, social
21 security integration, or full coverage membership. In the event
22 a member does not pay the balance due within 30 days of
23 termination of State service or in the event a member dies in
24 State service or within 30 days of termination of State service
25 or in the case of a multiple service member who is an active
26 member of the Public School Employees' Retirement System, does
27 not pay the balance due within 30 days of termination of school
28 service or dies in school service or within 30 days of
29 termination of school service and before the agreed upon
30 payments have been completed, the present value of the benefit

1 otherwise payable shall be reduced by the balance due, including
2 interest, and the benefit payable shall be calculated as the
3 actuarial equivalent of such reduced present value.

4 § 5706. Termination of annuities.

5 (a) General rule.--If the annuitant returns to State service
6 or enters or has entered school service and elects multiple
7 service membership, any annuity payable to him under this part
8 shall cease effective upon the date of his return to State
9 service or entering school service and in the case of an annuity
10 other than a disability annuity the present value of such
11 annuity, adjusted for full coverage in the case of a joint
12 coverage member who makes the appropriate back contributions for
13 full coverage, shall be frozen as of the date such annuity
14 ceases. An annuitant who is credited with an additional 10% of
15 Class A and Class C service as provided in section 5302(c)
16 (relating to credited State service) and who returns to State
17 service shall forfeit such credited service and shall have his
18 frozen present value adjusted as if his 10% retirement incentive
19 had not been applied to his account. In the event that the cost-
20 of-living increase enacted December 18, 1979 occurred during the
21 period of such State or school employment, the frozen present
22 value shall be increased, on or after the member attains
23 superannuation age, by the percent applicable had he not
24 returned to service. This subsection shall not apply in the case
25 of any annuitant who may render services to the Commonwealth in
26 the capacity of an independent contractor or as a member of an
27 independent board or commission or as a member of a departmental
28 administrative or advisory board or commission when such members
29 of independent or departmental boards or commissions are
30 compensated on a per diem basis for not more than 150 days per

1 calendar year.

2 (a.1) Return to State service during emergency.--When, in
3 the judgment of the employer, an emergency creates an increase
4 in the work load such that there is serious impairment of
5 service to the public, an annuitant may be returned to State
6 service for a period not to exceed 95 days in any fiscal year
7 without loss of his annuity. In computing the number of days an
8 annuitant has returned to State service, any amount of time less
9 than one-half of a day shall be counted as one-half of a day.
10 For agencies, boards and commissions under the Governor's
11 jurisdiction, the approval of the Governor that an emergency
12 exists shall be required before an annuitant may be returned to
13 State service.

14 (a.2) Return of benefits.--In the event an annuitant whose
15 annuity ceases pursuant to this section receives any annuity
16 payment, including a lump sum payment pursuant to section 5705
17 (relating to member's options) on or after the date of his
18 return to State service or entering school service, he shall
19 return to the board the amount so received plus statutory
20 interest. The amount payable shall be certified in each case by
21 the board in accordance with methods approved by the actuary and
22 shall be paid in a lump sum within 30 days or in the case of an
23 active member or school employee who is an active member of the
24 Public School Employees' Retirement System may be amortized with
25 statutory interest through salary deductions in amounts agreed
26 upon by the member and the board. In the case of a school
27 employee who is an active member of the Public School Employees'
28 Retirement System, the agreed upon salary deductions shall be
29 remitted to the Public School Employees' Retirement Board, which
30 shall certify and transfer to the board the amounts paid.

1 (b) Subsequent discontinuance of service.--Upon subsequent
2 discontinuance of service, such member other than a former
3 annuitant who had the effect of his frozen present value
4 eliminated in accordance with subsection (c) or a former
5 disability annuitant shall be entitled to an annuity which is
6 actuarially equivalent to the sum of the present value as
7 determined under subsection (a) and the present value of a
8 maximum single life annuity based on years of service credited
9 subsequent to reentry in the system and his final average salary
10 computed by reference to his compensation during his entire
11 period of State and school service.

12 (c) Elimination of the effect of frozen present value.--

13 (1) An annuitant who returns to State service and earns
14 three eligibility points by performing credited State service
15 following the most recent period of receipt of an annuity
16 under this part, or an annuitant who enters school service
17 and:

18 (i) is a multiple service member; or

19 (ii) who elects multiple service membership, and
20 earns three eligibility points by performing credited State
21 service or credited school service following the most recent
22 period of receipt of an annuity under this part, and who had
23 the present value of his annuity frozen in accordance with
24 subsection (a), shall qualify to have the effect of the
25 frozen present value resulting from all previous periods of
26 retirement eliminated, provided that all payments under
27 Option 4 and annuity payments payable during previous periods
28 of retirement plus interest as set forth in paragraph (3)
29 shall be returned to the fund in the form of an actuarial
30 adjustment to his subsequent benefits or in such form as the

1 board may otherwise direct.

2 (2) Upon subsequent discontinuance of service and the
3 filing of an application for an annuity, a former annuitant
4 who qualifies to have the effect of a frozen present value
5 eliminated under this subsection shall be entitled to receive
6 the higher of either:

7 (i) an annuity (prior to optional modification)
8 calculated as if the freezing of the former annuitant's
9 account pursuant to subsection (a) had not occurred,
10 adjusted according to paragraph (3), provided that a
11 former annuitant of the system or a former annuitant of
12 the Public School Employees' Retirement System who
13 retired under a provision of law granting additional
14 service credit if termination of State or school service
15 or retirement occurred during a specific period of time
16 shall not be permitted to retain the additional service
17 credit under the prior law when the annuity is computed
18 for his most recent retirement; or

19 (ii) an annuity (prior to optional modification)
20 calculated as if the former annuitant did not qualify to
21 have the effect of the frozen present value eliminated,
22 unless the former annuitant notifies the board in writing by
23 the later of the date the application for annuity is filed or
24 the effective date of retirement that the former annuitant
25 wishes to receive the lower annuity.

26 (3) In addition to any other adjustment to the present
27 value of the maximum single life annuity that a member may be
28 entitled to receive that occurs as a result of any other
29 provision of law, the present value of the maximum single
30 life annuity shall be reduced by all amounts paid or payable

1 to him during all previous periods of retirement plus
2 interest on these amounts until the date of subsequent
3 retirement. The interest for each year shall be calculated
4 based upon the annual interest rate adopted for that fiscal
5 year by the board for the calculation of the normal
6 contribution rate pursuant to section 5508(b) (relating to
7 actuarial cost method).

8 § 5902. Administrative duties of the board.

9 * * *

10 (h) Regulations and procedures.--The board shall, with the
11 advice of the Attorney General and the actuary, adopt and
12 promulgate rules and regulations for the uniform administration
13 of the system. No regulation establishing a period of time to
14 elect multiple service shall allow any such election more than
15 365 days after entry into the system as an active member. The
16 actuary shall approve in writing all computational procedures
17 used in the calculation of contributions and benefits, and the
18 board shall by resolution adopt such computational procedures,
19 prior to their application by the board. Such rules, regulations
20 and computational procedures as so adopted from time to time and
21 as in force and effect at any time, together with such tables as
22 are adopted pursuant to subsection (j) as necessary for the
23 calculation of annuities and other benefits, shall be as
24 effective as if fully set forth in this part. Any actuarial
25 assumption specified in or underlying any such rule, regulation
26 or computational procedure and utilized as a basis for
27 determining any benefit shall be applied in a uniform manner.

28 * * *

29 (l) Member contributions.--The board shall cause all pickup
30 contributions made on behalf of a member to be credited to the

1 account of the member and credit to his account any other
2 payment made by such member including, but not limited to,
3 amounts collected by the Public School Employees' Retirement
4 System for the reinstatement of previous State service or
5 creditable nonstate service, and amounts paid to return benefits
6 paid after the date of return to State service or entering
7 school service representing lump sum payments made pursuant to
8 section 5705(a)(4)(iii) (relating to member's options) and
9 member's annuity payments, but not including other benefits
10 returned pursuant to section 5706(a.2) (relating to termination
11 of annuities) and shall pay all such amounts into the fund.

12 * * *

13 § 5904. Duties of the board to report to the Public School
14 Employees' Retirement Board.

15 * * *

16 (b) Multiple service membership of school employees.--Upon
17 receipt of notification from the Public School Employees'
18 Retirement Board that a former State employee has become an
19 active member in the Public School Employees' Retirement System
20 and has elected to receive credit for multiple service, the
21 board shall certify to the Public School Employees' Retirement
22 Board and concurrently to the member:

23 (1) the total credited service in the system and the
24 number of years and fractional part of a year of service
25 credited in each class of service;

26 (2) the annual compensation received each calendar year
27 by the member for credited State service; [and]

28 (3) the social security integration credited service to
29 which the member is entitled and the average noncovered
30 salary upon which the single life annuity attributable to

1 such service will be computed[.]; and

2 (4) if the member has elected payroll deductions
3 pursuant to section 5504 (relating to member contributions
4 for the purchase of credit for previous State service or to
5 become a full coverage member) or 5505 (relating to
6 contributions for the purchase of credit for creditable
7 nonstate service), the amount of the deductions and the
8 period over which they are to be made.

9 * * *

10 Section 5. Section 5905(b) of Title 71 is amended and the
11 section is amended by adding a subsection to read:

12 § 5905. Duties of the board regarding applications and
13 elections of members.

14 * * *

15 (b) School employees electing multiple service status.--Upon
16 receipt of notification from the Public School Employees'
17 Retirement Board that a former State employee has become an
18 active member in the Public School Employees' Retirement System
19 and has elected to become a member with multiple service status
20 the board shall:

21 (1) in case of a member receiving an annuity from the
22 system, discontinue payments, transfer the present value[, at
23 that time,] of the member's annuity at the time of entering
24 school service, plus the amount withdrawn in a lump sum
25 payment, on or after the date of entering school service,
26 pursuant to section 5705 (relating to member's option), with
27 statutory interest to date of transfer, minus the amount to
28 be returned to the board on account of return to service,
29 that the board has determined is to be credited in the
30 member's savings account, from the annuity reserve account to

1 the [members'] member's savings account and resume crediting
2 of statutory interest on the amount restored to his credit
3 [and], transfer the balance of the present value of the total
4 annuity, minus the amount to be returned to the board on
5 account of return to service that the board has determined is
6 to be credited in the State accumulation account, from the
7 annuity reserve account to the State accumulation account,
8 and certify to the member the amount of lump sum and annuity
9 payments with statutory interest to be returned to the board
10 by him, and of those amounts, which amount shall be credited
11 to the member's savings account and credited with statutory
12 interest as such payments are returned and which amount shall
13 be credited to the State accumulation account; or

14 (2) in case of a member who is not receiving an annuity
15 and has not withdrawn his total accumulated deductions,
16 continue or resume the crediting of statutory interest on his
17 total accumulated deductions during the period his total
18 accumulated deductions remain in the fund; or

19 (3) in case of a former State employee who is not
20 receiving an annuity from the system and his total
21 accumulated deductions were withdrawn, certify to the former
22 State employee the accumulated deductions as they would have
23 been at the time of his separation had he been a full
24 coverage member together with statutory interest for all
25 periods of subsequent State and school service to the date of
26 repayment. Such amount shall be restored by him and shall be
27 credited with statutory interest as such payments are
28 restored.

29 * * *

30 (j) State employees' electing multiple service status.--Upon

1 receipt of notification from the Public School Employees'
2 Retirement Board that a member who has elected multiple service
3 membership has elected to restore school service or purchase
4 creditable nonschool service in the Public School Employees'
5 Retirement System or is obligated to return benefits to the
6 Public School Employees' Retirement Board on account of electing
7 multiple service membership has elected to pay all or part of
8 the amount due to the Public School Employees' Retirement Board
9 by salary deductions, the board shall collect from the employee
10 the amounts certified by the Public School Employees' Retirement
11 Board as due and owing by the member and certify and transfer to
12 the Public School Employees' Retirement Board the amounts so
13 collected.

14 Section 6. Sections 5906(c), (g) and (h) and 5907(c) of
15 Title 71 are amended to read:

16 § 5906. Duties of heads of departments.

17 * * *

18 (c) Member contributions.--The head of department shall
19 cause the required pickup contributions for current service to
20 be made and shall cause to be deducted any other required member
21 contributions including, but not limited to, contributions owed
22 by an active member with multiple service membership for school
23 service and creditable nonschool service in the Public School
24 Employees' Retirement System, and amounts certified by the
25 Public School Employees' Retirement Board as due and owing on
26 account of termination of annuities from each payroll. The head
27 of department shall notify the board at times and in a manner
28 prescribed by the board of the compensation of any noneligible
29 member to whom the limitation under IRC § 401(a)(17) either
30 applies or is expected to apply and shall cause such member's

1 contributions deducted from payroll to cease at the limitation
2 under IRC § 401(a)(17) on the payroll date if and when such
3 limit shall be reached. The head of department shall certify to
4 the State Treasurer the amounts picked up and deducted and shall
5 send the total amount picked up and deducted together with a
6 duplicate of such voucher to the secretary of the board every
7 pay period. The head of department shall pay pickup
8 contributions from the same source of funds which is used to pay
9 other compensation to the employee. On or before January 31,
10 1997, and on or before January 31 of each year thereafter, the
11 head of department shall, at the time when the income and
12 withholding information required by law is furnished to each
13 member, also furnish the amount of pickup contributions made on
14 his behalf and notify the board, if it has not been previously
15 notified, of any noneligible member whose compensation in the
16 preceding year exceeded the annual compensation limit under IRC
17 § 401(a)(17). If the board shall determine that the member's
18 savings account shall have been credited with pickup
19 contributions for a noneligible member in the preceding year
20 which are attributable to compensation in excess of the
21 limitation under IRC § 401(a)(17), or with total member
22 contributions for such member which would cause such member's
23 contributions or benefits to exceed any applicable limitation
24 under IRC § 401(a)(17), the board shall as soon as practicable
25 refund to the member from his individual member account such
26 amount, together with the statutory interest thereon, as will
27 cause the member's total member contributions in the preceding
28 year not to exceed the applicable limit. The payment of any such
29 refund to the member shall be charged to the member's savings
30 account.

1 * * *

2 (g) Former school employee contributors.--The head of
3 department shall, upon the employment of a former contributor to
4 the Public School Employees' Retirement System who is not an
5 annuitant of the Public School Employees' Retirement System,
6 advise such employee of his right to elect within [30] 365 days
7 of entry into the system or such other period as the board may
8 by regulation establish to become a multiple service member, and
9 in the case of any such employee who so elects and has withdrawn
10 his accumulated deductions, require him to reinstate his credit
11 in the Public School Employees' Retirement System. The head of
12 the department shall advise the board of such election.

13 (h) Former school employee annuitants.--The head of
14 department shall, upon the employment of an annuitant of the
15 Public School Employees' Retirement System who applies for
16 membership in the system, advise such employee that he may elect
17 multiple service membership within [30] 365 days of entry into
18 the system or such other period as the board may by regulation
19 establish and if he so elects his public school employee's
20 annuity will be discontinued effective upon the date of his
21 return to State service and, upon termination of State service
22 and application for an annuity, the annuity will be adjusted in
23 accordance with section 5706 (relating to termination of
24 annuities). The head of department shall advise the board of
25 such election.

26 * * *

27 § 5907. Rights and duties of State employees and members.

28 * * *

29 (c) Multiple service membership.--Any active member who was
30 formerly an active member in the Public School Employees'

1 Retirement System may elect to become a multiple service member.
2 Such election shall occur no later than [30] 365 days after
3 becoming an active member in this system or such other period as
4 the board may by regulation establish.

5 * * *

6 Section 7. (a) Notwithstanding the limitation contained in
7 24 Pa.C.S. § 8507(c), any active member of the Public School
8 Employees' Retirement System who was formerly an active member
9 in the State Employees' Retirement System may elect to become a
10 multiple service member on or before the fourth December 31,
11 coincident with or following the effective date of this act.

12 (b) Notwithstanding the limitation contained in 71 Pa.C.S. §
13 5907(c), any active member of the State Employees' Retirement
14 System who was formerly an active member of the Public School
15 Employees' Retirement System may elect to become a multiple
16 service member on or before the fourth December 31, coincident
17 with or following the effective date of this act.

18 Section 8. Upon becoming effective this act shall be
19 effective retroactive to the date of enactment, except that
20 deceased members of the State Employees' Retirement System or
21 Public School Employees' Retirement System with a date of death
22 on or before 180 days after the enactment of this act, or their
23 personal representatives, may not elect multiple service
24 membership pursuant to this act.

25 Section 9. This act shall take effect in 180 days.