

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2113 Session of
2001

INTRODUCED BY STERN, THOMAS, TRICH, CALTAGIRONE, SHANER,
WOJNAROSKI, SOLOBAY, GODSHALL, GRUCELA, HUTCHINSON, SAINATO,
CAPPELLI, M. BAKER, BEBKO-JONES, E. Z. TAYLOR, HESS, BASTIAN,
CREIGHTON, HARHAI, HENNESSEY, WATERS, L. I. COHEN, LESCOVITZ,
YOUNGBLOOD, HORSEY, WASHINGTON, ZIMMERMAN, STEELMAN, DIVEN
AND COLAFELLA, NOVEMBER 13, 2001

REFERRED TO COMMITTEE ON STATE GOVERNMENT, NOVEMBER 13, 2001

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania
2 Consolidated Statutes, providing for the purchase of
3 retirement credit for service in a state government other
4 than the Commonwealth.

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

7 Section 1. Sections 5304(c) and 5505(f) of Title 71 of the
8 Pennsylvania Consolidated Statutes are amended to read:

9 § 5304. Creditable nonstate service.

10 * * *

11 (c) Limitations on nonstate service.--Creditable nonstate
12 service credit shall be limited to:

13 (1) intervening military service;

14 (2) military service other than intervening military

15 service and military service purchasable under section

16 5302(d) (relating to credited State service) not exceeding

17 five years, provided that a member with multiple service may

1 not purchase more than a total of five years of military
2 service in both the system and the Public School Employees'
3 Retirement System;

4 (3) in the case of an academic administrator, teacher or
5 instructor employed in the Department of Education, the State
6 System of Higher Education, any State-owned educational
7 institution or The Pennsylvania State University, provided
8 that the total amount of service creditable under this
9 paragraph shall not exceed the lesser of ten years or the
10 number of years of active membership in the system as an
11 academic administrator, teacher or instructor in the
12 Department of Education, State System of Higher Education,
13 any State-owned educational institution or The Pennsylvania
14 State University:

15 (i) nonstudent service as an academic administrator,
16 teacher or instructor in any public school or public
17 educational institution in any state other than this
18 Commonwealth; or

19 (ii) nonstudent service as an academic
20 administrator, teacher or instructor in the field of
21 education for any agency or department of the Federal
22 Government, whether or not such area was under the
23 jurisdiction of the United States;

24 (4) previous service with a governmental agency other
25 than the Commonwealth which employment with said agency was
26 terminated because of the transfer by statute of the
27 administration of such service or of the entire agency to the
28 Commonwealth;

29 (5) service as a temporary Federal employee assigned to
30 an air quality control complement for the Pennsylvania

1 Department of Environmental Resources at any time during the
2 period of 1970 through 1975. This service time may be
3 purchased only if the member makes an election to purchase
4 within one year of the effective date of this paragraph, and
5 the member shall pay an amount which is equal to the full
6 actuarial cost of the increased benefit obtained by virtue of
7 the purchase as provided in section 5505(f);

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

14 (7) service prior to July 1, 1971, at a community
15 college established under the act of August 24, 1963
16 (P.L.1132, No.484), known as the Community College Act of
17 1963; [or]

18 (8) service as a justice of the peace prior to January
19 1970[.]; or

20 (9) service as an employee of a state government in any
21 state other than the Commonwealth, subject to the following
22 limitations:

23 (i) that during the service the member was a full-
24 time employee;

25 (ii) that the aggregate total credit for all such
26 service shall not be more than ten years;

27 (iii) that the member only may make the election to
28 purchase the service after accruing ten eligibility
29 points;

30 (iv) that the member makes the election to purchase

1 the service within three years of the later of the
2 effective date of this paragraph or the date of accruing
3 ten eligibility points;

4 (v) that the member pays a contribution that is
5 equal to the full actuarial cost of the increased benefit
6 obtained by virtue of the purchase as provided in section
7 5505(f); and

8 (vi) that the portion of the contribution the member
9 pays to purchase the service credit that represents
10 employer cost shall not be payable as a lump sum under
11 section 5705(a)(4)(iii) (relating to member's options).

12 * * *

13 § 5505. Contributions for the purchase of credit for creditable
14 nonstate service.

15 * * *

16 (f) Temporary Federal service and service in a state
17 government other than the Commonwealth.--Contributions on
18 account of credit for service as a temporary Federal employee
19 assigned to an air quality control complement for the Department
20 of Environmental Resources during the period of 1970 through
21 1975 or service in a state government other than the
22 Commonwealth, as authorized in section 5304(c)(5) and (9)
23 (relating to creditable nonstate service), shall be equal to the
24 full actuarial cost of the increased benefit obtained by virtue
25 of the purchase. The increased benefit attributable to the
26 purchased service shall be the difference between:

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

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

4 The earliest possible superannuation age shall be the age at
5 which the member becomes first eligible for superannuation
6 retirement assuming continued full-time service and credit for
7 the amount of service which the member has elected to purchase,
8 or the current attained age of the member, whichever is later.

9 The full actuarial cost of the increased benefit attributable to
10 the purchased service shall be the actuarial present value of a
11 deferred annuity equal to the amount of the increased benefit
12 determined above, beginning at the earliest possible
13 superannuation age and payable for life, calculated using a
14 preretirement interest assumption of 1.5%, a postretirement
15 interest assumption of 4%, no preretirement mortality assumption
16 and standard postretirement mortality assumptions. The purchase
17 payment shall be made in lump sum by the member within 30 days
18 of certification by the board of the required purchase amount or
19 may be amortized through salary deductions in amounts agreed
20 upon by the member and the board with interest payable on the
21 unpaid balance at the rate applicable to the most recently
22 issued 30-year bonds of the United States Treasury Department.

23 * * *

24 Section 2. Section 5705(a) of Title 71, amended May 17, 2001
25 (P.L.26, No.9), is amended to read:

26 § 5705. Member's options.

27 (a) General rule.--Any special vestee who has attained
28 superannuation age, any vestee having five or more eligibility
29 points, any member with Class G, Class H, Class I, Class J,
30 Class K, Class L, Class M or Class N service having five or more

1 eligibility points or any other eligible member upon termination
2 of State service who has not withdrawn his total accumulated
3 deductions as provided in section 5701 (relating to return of
4 total accumulated deductions) may apply for and elect to receive
5 either a maximum single life annuity, as calculated in
6 accordance with the provisions of section 5702 (relating to
7 maximum single life annuity), or a reduced annuity certified by
8 the actuary to be actuarially equivalent to the maximum single
9 life annuity and in accordance with one of the following
10 options; except that no member shall elect an annuity payable to
11 one or more survivor annuitants other than his spouse or
12 alternate payee of such a magnitude that the present value of
13 the annuity payable to him for life plus any lump sum payment he
14 may have elected to receive is less than 50% of the present
15 value of his maximum single life annuity:

16 (1) Option 1.--A life annuity to the member with a
17 guaranteed total payment equal to the present value of the
18 maximum single life annuity on the effective date of
19 retirement with the provision that, if, at his death, he has
20 received less than such present value, the unpaid balance
21 shall be payable to his beneficiary.

22 (2) Option 2.--A joint and survivor annuity payable
23 during the lifetime of the member with the full amount of
24 such annuity payable thereafter to his survivor annuitant, if
25 living at his death.

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

30 (4) Option 4.--Some other benefit which shall be

1 certified by the actuary to be actuarially equivalent to the
2 maximum single life annuity, subject to the following
3 restrictions:

4 (i) any annuity shall be payable without reduction
5 during the lifetime of the member;

6 (ii) the sum of all annuities payable to the
7 designated survivor annuitants shall not be greater than
8 one and one-half times the annuity payable to the member;
9 and

10 (iii) a portion of the benefit may be payable as a
11 lump sum, except that such lump sum payment shall not
12 exceed an amount equal to the total accumulated
13 deductions standing to the credit of the member[.] and
14 shall not include the portion of the service credit
15 purchase contribution by the member representing employer
16 cost for the purchase of credit under sections 5304(c)(9)
17 (relating to creditable nonstate service) and 5505(f)
18 (relating to contributions for the purchase of credit for
19 creditable nonstate service) for service as an employee
20 of a state government in any state other than the
21 Commonwealth. The balance of the present value of the
22 maximum single life annuity adjusted in accordance with
23 section 5702(b) shall be paid in the form of an annuity
24 with a guaranteed total payment, a single life annuity,
25 or a joint and survivor annuity or any combination
26 thereof but subject to the restrictions of subparagraphs
27 (i) and (ii) under this option.

28 * * *

29 Section 3. This act shall take effect in 60 days.