

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 204 Session of
1995

INTRODUCED BY LLOYD, LAUGHLIN, M. COHEN, PESCI, TRELLO, COY,
ITKIN, ROONEY, HALUSKA, BELARDI AND PETRONE, JANUARY 23, 1995

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JANUARY 23, 1995

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 * * *

18 Section 2. Section 8304(b) of Title 24 is amended by adding

1 a paragraph to read:

2 § 8304. Creditable nonschool service.

3 * * *

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

6 * * *

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

9 (i) that during the service the member was a full-
10 time employee;

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

13 (iii) that the member only make the election to
14 purchase the service after accruing ten eligibility
15 points;

16 (iv) that the member makes the election to purchase
17 the service within three years of the later of the
18 effective date of this paragraph or the date of accruing
19 ten eligibility points;

20 (v) that the member pays a contribution that is
21 equal to the full actuarial cost of the increased benefit
22 obtained by virtue of the purchase as provided in section
23 8324(d) (relating to contributions for purchase of credit
24 for creditable nonschool service); and

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

29 * * *

30 Section 3. Section 8324 of Title 24 is amended by adding a

1 subsection to read:

2 § 8324. Contributions for purchase of credit for creditable
3 nonschool service.

4 * * *

5 (g) Service as an employee of a municipality.--Contributions
6 on account of credit for service as an employee of a
7 municipality in this Commonwealth as authorized in section
8 8304(b)(9), shall be equal to the full actuarial cost of the
9 increased benefit obtained by virtue of the purchase. The
10 increased benefit attributable to the purchased service shall be
11 the difference between:

12 (1) the annual amount of a standard single life annuity,
13 beginning at the earliest possible superannuation age,
14 calculated assuming no further salary increases, assuming
15 credit for the service to be purchased; and
16 (2) the annual amount of a standard single life annuity,
17 calculated on the same basis, but excluding credit for
18 service to be purchased.

19 The earliest possible superannuation age shall be the age at
20 which the member becomes first eligible for superannuation
21 retirement assuming continued full-time service and credit for
22 the amount of service which the member has elected to purchase,
23 or the current attained age of the member, whichever is later.
24 The full actuarial cost of the increased benefit attributable to
25 the purchased service shall be the actuarial present value of a
26 deferred annuity equal to the amount of the increased benefit
27 determined above, beginning at the earliest possible
28 superannuation age and payable for life, calculated using a
29 preretirement interest assumption of 1.5%, a postretirement
30 interest assumption of 4%, no preretirement mortality assumption

and standard postretirement mortality assumptions. The purchase payment shall be made in a lump sum by the member within 30 days of certification by the board of the required purchase amount or may be amortized through salary deductions in amounts agreed upon by the member and the board with interest payable on the unpaid balance at the rate applicable to the most recently issued 30-year bonds of the United States Treasury Department.

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

§ 8345. Member's options.

(a) General rule.--Any vestee with ten or more eligibility points or any other eligible member upon termination of school service who has not withdrawn his accumulated deductions as provided in section 8341 (relating to return of accumulated deductions) may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 8342 (relating to maximum single life annuity), or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity and in accordance with one of the following options, except that no member shall elect an annuity payable to one or more survivor annuitants other than his spouse or alternate payee of such a magnitude that the present value of the annuity payable to him for life plus any lump sum payment he may have elected to receive is less than 50% of the present value of his maximum single life annuity.

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

1 shall be payable to his beneficiary.

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

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

10 (4) Option 4.--Some other benefit which shall be
11 certified by the actuary to be actuarially equivalent to the
12 maximum single life annuity, subject to the following
13 restrictions:

14 (i) Any annuity shall be payable without reduction
15 during the lifetime of the member.

16 (ii) The sum of all annuities payable to the
17 designated survivor annuitants shall not be greater than
18 one and one-half times the annuity payable to the member.

19 (iii) A portion of the benefit may be payable as a
20 lump sum, except that such lump sum payment shall not
21 exceed an amount equal to the accumulated deductions
22 standing to the credit of the member[.] and shall not
23 include the portion of the service credit purchase
24 contribution by the member representing employer cost for
25 the purchase of credit under sections 8304(b)(9)
26 (relating to creditable nonschool service) and 8324(g)
27 (relating to contributions for purchase of credit for
28 creditable nonschool service) for service as an employee
29 of a municipality in this Commonwealth. The balance of
30 the present value of the maximum single life annuity

1 adjusted in accordance with section 8342(b) shall be paid
2 in the form of an annuity with a guaranteed total
3 payment, a single life annuity, or a joint and survivor
4 annuity or any combination thereof but subject to the
5 restrictions of subparagraphs (i) and (ii) of this
6 paragraph.

7 * * *

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