

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1443 Session of
2002

INTRODUCED BY MELLOW, O'PAKE, MUSTO, STOUT, KASUNIC, BOSCOLA,
COSTA, LAVALLE, KUKOVICH, LOGAN, ORIE, STACK, TARTAGLIONE AND
A. WILLIAMS, MAY 16, 2002

REFERRED TO FINANCE, MAY 16, 2002

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania
2 Consolidated Statutes, further defining "class of service
3 multiplier"; and further providing for classes of service,
4 for contributions by the Commonwealth and other employers and
5 for termination of annuities.

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

8 Section 1. The definition of "class of service multiplier"
9 in section 5102 of Title 71 of the Pennsylvania Consolidated
10 Statutes is amended to read:

11 § 5102. Definitions.

12 The following words and phrases as used in this part, unless
13 a different meaning is plainly required by the context, shall
14 have the following meanings:

15 * * *

16 "Class of service multiplier."

17 Class of Service	Multiplier
---------------------	------------

18 A	1
------	---

19 AA	for all purposes
-------	------------------

1		except	
2		calculating regular	
3		member contributions	
4		on compensation	
5		paid prior to	
6		January 1, 2002	1.25
7	AA	for purposes	
8		of calculating	
9		regular member	
10		contributions	
11		on compensation	
12		paid prior to	
13		January 1, 2002	1
14	B		.625
15	C		1
16	D		1.25
17	D-1	prior to	
18		January 1, 1973	1.875
19	D-1	on and	
20		subsequent to	
21		January 1, 1973	1.731
22	D-2	prior to	
23		January 1, 1973	2.5
24	D-2	on and	
25		subsequent to	
26		January 1, 1973	1.731
27	D-3	prior to	
28		January 1, 1973	3.75
29	D-3	on and	
30		subsequent to	

1		January 1, 1973	1.731	except prior to December
2				1, 1974 as applied to any
3				additional legislative
4				compensation as an officer
5				of the General Assembly
6			3.75	
7	D-4	for all purposes		
8		except		
9		calculating		
10		regular member		
11		contributions		
12		on compensation		
13		paid prior to		
14		July 1, 2001	1.5	
15	D-4	for purposes of		
16		calculating		
17		regular member		
18		contributions		
19		on compensation		
20		paid prior to		
21		July 1, 2001	1	
22	E, E-1	prior to		
23		January 1, 1973	2	for each of the first ten
24				years of judicial service,
25				and
26			1.5	for each subsequent year
27				of judicial service
28	E, E-1	on and		
29		subsequent to		
30		January 1, 1973	1.50	for each of the first

1		ten years of judicial	
2		service and	
3		1.125 for each subsequent year	
4		of judicial service	
5	E-2	prior to	
6		September 1, 1973	1.5
7	E-2	on and	
8		subsequent to	
9		September 1, 1973	1.125
10	G	<u>if the member</u>	
11		<u>did not elect</u>	
12		<u>Class AA under</u>	
13		<u>section</u>	
14		<u>5306.1 (relating</u>	
15		<u>to election to become</u>	
16		<u>a Class AA</u>	
17		<u>member)</u>	0.417
18	G	<u>if the member</u>	
19		<u>elected Class</u>	
20		<u>AA under section</u>	
21		<u>5306.1</u>	1.25
22	H	<u>if the member</u>	
23		<u>did not elect Class</u>	
24		<u>AA under</u>	
25		<u>section 5306.1</u>	0.500
26	H	<u>if the member</u>	
27		<u>elected Class</u>	
28		<u>AA under section</u>	
29		<u>5306.1</u>	1.25
30	I	<u>if the member did</u>	

1		<u>not elect</u>	
2		<u>Class AA under section</u>	
3		<u>5306.1</u>	0.625
4	I	<u>if the member</u>	
5		<u>elected</u>	
6		<u>Class</u>	
7		<u>AA under section</u>	
8		<u>5306.1</u>	1.25
9	J	<u>if the member</u>	
10		<u>did not elect</u>	
11		<u>Class AA under</u>	
12		<u>section</u>	
13		<u>5306.1</u>	0.714
14	J	<u>if the member</u>	
15		<u>elected Class</u>	
16		<u>AA under section</u>	
17		<u>5306.1</u>	1.25
18	K	<u>if the member</u>	
19		<u>did not elect</u>	
20		<u>Class AA under section</u>	
21		<u>5306.1</u>	0.834
22	K	<u>if the member elected Class</u>	
23		<u>AA under section</u>	
24		<u>5306.1</u>	1.25
25	L	<u>if the member</u>	
26		<u>did not elect</u>	
27		<u>Class AA under section</u>	
28		<u>5306.1</u>	1.000
29	L	<u>if the member elected</u>	
30		<u>Class</u>	

1 AA under section
2 5306.1 1.25
3 M if the member did
4 not elect
5 Class AA under section
6 5306.1 1.100
7 M if the member
8 elected Class
9 AA under section
10 5306.1 1.25
11 N 1.125
12 T-C (Public School 1
13 Employees'
14 Retirement Code)

15 * * *

16 Section 2. Section 5306 of Title 71 is amended by adding a
17 subsection to read:

18 § 5306. Classes of service.

19 * * *

20 (e) Limitations on increased class of service multiplier for
21 Class G, Class H, Class I, Class J, Class K, Class L and Class M
22 service.--

23 (1) The class of service multiplier of 1.25 for Class G,
24 Class H, Class I, Class J, Class K, Class L and Class M
25 service shall apply only to a State employee who is an active
26 member or an inactive member on leave without pay or a
27 multiple service member who is a school employee and an
28 active member of the Public School Employees' Retirement
29 System on or after the effective date of this subsection.

30 (2) (i) Class G, Class H, Class I, Class J, Class K,

1 Class L and Class M service shall be credited with a
2 class of service multiplier of 1.25 only upon the
3 completion of all acts necessary for the service to be
4 credited in the respective class of service had this
5 subsection not been enacted.

6 (ii) A person who is not a State employee or a
7 school employee on the effective date of this subsection,
8 and who has previous State service as a member of Class
9 G, Class H, Class I, Class J, Class K, Class L or Class M
10 (except a disability annuitant who returns to State
11 service after the effective date of this subsection, upon
12 termination of the disability annuity) shall not receive
13 a class of service multiplier of 1.25 for Class G, Class
14 H, Class I, Class J, Class K, Class L or Class M until
15 such person becomes an active member, or an active member
16 of the Public School Employees' Retirement System and a
17 multiple service member, and earns three eligibility
18 points by performing credited State service or credited
19 school service after the effective date of this
20 subsection.

21 Section 3. Section 5507(a) of Title 71 is amended to read:

22 § 5507. Contributions by the Commonwealth and other employers.

23 (a) Contributions on behalf of active members.--The
24 Commonwealth and other employers whose employees are members of
25 the system shall make contributions to the fund on behalf of all
26 active members in such amounts as shall be certified by the
27 board as necessary to provide, together with the members' total
28 accumulated deductions, annuity reserves on account of
29 prospective annuities other than those provided in section 5708
30 (relating to supplemental annuities) in accordance with the

1 actuarial cost method provided in section 5508(a), (b), (c), (d)
2 [and] (f) and (h) (relating to actuarial cost method).

3 * * *

4 Section 4. Section 5508 of Title 71 is amended by adding a
5 subsection to read:

6 § 5508. Actuarial cost method.

7 * * *

8 (h) Determination of liability for county-level court
9 administrators.--Notwithstanding any other provision of this
10 part or other law, the total additional accrued actuarial
11 liability resulting from the class of service multiplier for
12 Class G, Class H, Class I, Class J, Class K, Class L and Class M
13 service increasing to 1.25 shall be determined by the actuary as
14 part of the first annual valuation made after June 30, 2002. The
15 resulting additional accrued actuarial liability shall be paid
16 by the Court Administrator of Pennsylvania to the board in one
17 lump sum payment within 90 days of the board's certification of
18 the amount to the Court Administrator of Pennsylvania.

19 Section 5. Section 5706(c) of Title 71 is amended to read:
20 § 5706. Termination of annuities.

21 * * *

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

23 (1) An annuitant who returns to State service and earns
24 three eligibility points by performing credited State service
25 following the most recent period of receipt of an annuity
26 under this part, or an annuitant who enters school service
27 and:

28 (i) is a multiple service member; or

29 (ii) who elects multiple service membership, and
30 earns three eligibility points by performing credited

1 State service or credited school service following the
2 most recent period of receipt of an annuity under this
3 part, and who had the present value of his annuity frozen
4 in accordance with subsection (a), shall qualify to have
5 the effect of the frozen present value resulting from all
6 previous periods of retirement eliminated, provided that
7 all payments under Option 4 and annuity payments payable
8 during previous periods of retirement plus interest as
9 set forth in paragraph (3) shall be returned to the fund
10 in the form of an actuarial adjustment to his subsequent
11 benefits or in such form as the board may otherwise
12 direct.

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

18 (i) an annuity (prior to optional modification)
19 calculated as if the freezing of the former annuitant's
20 account pursuant to subsection (a) had not occurred,
21 adjusted by crediting Class A State service as Class AA
22 service as provided for in section 5306(a.1) (relating to
23 classes of service) and by any applicable change in the
24 class of service multiplier for Class G, Class H, Class
25 I, Class J, Class K, Class L and Class M service and
26 further adjusted according to paragraph (3), provided
27 that a former annuitant of the system or a former
28 annuitant of the Public School Employees' Retirement
29 System who retired under a provision of law granting
30 additional service credit if termination of State or

1 school service or retirement occurred during a specific
2 period of time shall not be permitted to retain the
3 additional service credit under the prior law when the
4 annuity is computed for his most recent retirement; or

5 (ii) an annuity (prior to optional modification)
6 calculated as if the former annuitant did not qualify to
7 have the effect of the frozen present value eliminated,
8 unless the former annuitant notifies the board in writing by
9 the later of the date the application for annuity is filed or
10 the effective date of retirement that the former annuitant
11 wishes to receive the lower annuity.

12 (3) In addition to any other adjustment to the present
13 value of the maximum single life annuity that a member may be
14 entitled to receive that occurs as a result of any other
15 provision of law, the present value of the maximum single
16 life annuity shall be reduced by all amounts paid or payable
17 to him during all previous periods of retirement plus
18 interest on these amounts until the date of subsequent
19 retirement. The interest for each year shall be calculated
20 based upon the annual interest rate adopted for that fiscal
21 year by the board for the calculation of the normal
22 contribution rate pursuant to section 5508(b) (relating to
23 actuarial cost method).

24 Section 6. Notwithstanding the provisions of 71 Pa.C.S §
25 5903(b), the statement for each member prepared by the State
26 Employees' Retirement Board for the period ending December 31,
27 2002, and any other statements or estimates of benefits prepared
28 by the board pursuant to the State Employees' Retirement Code
29 from the effective date of this section to June 30, 2003, need
30 not reflect provisions of this act.

1 Section 7. Notwithstanding the provisions of 71 Pa.C.S. Pt.
2 XXV, the obligation of the State Employees' Retirement Board to
3 make payments to members affected by this act or beneficiaries
4 or survivor annuitants of members affected by this act, within
5 specified time periods of the receipt of applications for
6 benefits or other information shall not apply from the effective
7 date of this section to June 30, 2003.

8 Section 8. It is hereby declared that the provisions of this
9 act are expressly nonseverable and that in the event a court of
10 competent jurisdiction rules finally that any provisions of this
11 act are legally or constitutionally impermissible, or must be
12 applied to other members of the State Employees' Retirement
13 System who are not covered by this act, this entire amendatory
14 act shall be void.

15 Section 9. This act shall take effect immediately.