
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 850 Session of
1999

INTRODUCED BY CASORIO, VAN HORNE, TANGRETTI, BELFANTI, TRELLO,
WOJNAROSKI, PETRARCA, HARHAI, LAUGHLIN, SANTONI, STURLA,
SCRIMENTI AND CURRY, MARCH 10, 1999

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, MARCH 10, 1999

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, adding and amending
3 certain definitions; prohibiting creation of local government
4 employee retirement systems; providing for mandatory
5 membership of local government employees; revising and
6 continuing general municipal pension system State aid; and
7 providing for supplemental local government benefit
8 accumulation plans and for local government contributions and
9 guarantees.

10 The General Assembly finds and declares as follows:

11 (1) That a number of public employee retirement systems
12 established and administered by local governments in this
13 Commonwealth are encountering serious problems of rising
14 costs caused, in part, by the lack of sufficient members to
15 provide a sound basis for computing contribution requirements
16 over an extended period of time.

17 (2) That divergent provisions among these systems
18 preclude the opportunity of local government employees to
19 transfer from one local government employer to another.

20 (3) That similarly situated local government employees
21 are eligible for dissimilar retirement benefits.

1 (4) That there are substantial inefficiencies in the
2 administration of local government employee retirement
3 systems.

4 (5) That the great number of local government employee
5 retirement systems make adequate monitoring difficult and
6 expensive.

7 (6) That the anticipated gains from consolidation are
8 found to exceed expected costs.

9 (7) That it is the purpose of this act to provide for
10 the systematic transition of existing individual local
11 government employee retirement systems into a single State-
12 administered system of a size, scope and structure that will
13 assure:

14 (i) Fiscal and actuarial stability.

15 (ii) An adequate, uniform, and certain level of
16 financial security protections for public employees.

17 (iii) A properly funded public employee retirement
18 system.

19 (iv) An economy of scale in administrative costs.

20 (v) Improved public employee mobility.

21 (vi) A pooled and prudent investment of assets.

22 (vii) Procedures for an orderly and equitable
23 transfer of assets and liabilities from any superseded
24 local government employee systems into the Government
25 Employees' Retirement System.

26 (viii) An adequate and consistent level of
27 membership services for local government employees.

28 The General Assembly of the Commonwealth of Pennsylvania
29 hereby enacts as follows:

30 Section 1. The definitions of "eligibility points,"

1 "inactive member," "multiple service," "State Employees'
2 Retirement System" and "State service" in section 8102 of Title
3 24 of the Pennsylvania Consolidated Statutes are amended and the
4 section is amended by adding definitions to read:

5 § 8102. Definitions.

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

9 * * *

10 "Eligibility points." Points which are accrued by an active
11 member or a multiple service member who is an active member of
12 the [State] Government Employees' Retirement System for credited
13 service and are used in the determination of eligibility for
14 benefits as provided in section 8306 (relating to eligibility
15 points).

16 * * *

17 "Government Employees' Retirement System." The retirement
18 system established under Title 71 (relating to State
19 Government).

20 "Government service." Service rendered as a government
21 employee and credited as service in the Government Employees'
22 Retirement System.

23 * * *

24 "Inactive member." A member for whom no pickup contributions
25 are being made, except in the case of an active member for whom
26 such contributions otherwise required for current school service
27 are not being made solely by reason of any provision of this
28 part relating to the limitation under section 401(a)(17) of the
29 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
30 401(a)(17)), who has accumulated deductions standing to his

1 credit in the fund and for whom contributions have been made
2 within the last two school years or a multiple service member
3 who is active in the [State] Government Employees' Retirement
4 System.

5 * * *

6 "Multiple service." Credited service of a member who has
7 elected to combine his credited service in both the Public
8 School Employees' Retirement System and the [State] Government
9 Employees' Retirement System.

10 * * *

11 ["State Employees' Retirement System." The retirement system
12 established by the act of June 27, 1923 (P.L.858, No.331) and
13 codified by the act of June 1, 1959 (P.L.392, No.78) and by Part
14 XXV of Title 71 (relating to retirement for State employees and
15 officers), added March 1, 1974 (P.L.125, No.31).

16 "State service." Service rendered as a State employee and
17 credited as service in the State Employees' Retirement System.]

18 * * *

19 Section 2. Sections 8301(a)(1), 8303(c), 8304(b)(7), 8306,
20 8346(d), 8501(d), 8503(c), 8504, 8505(b), 8506(d), (e), (g) and
21 (h) and 8507(a), (c) and (d) of Title 24 are amended to read:

22 § 8301. Mandatory and optional membership.

23 (a) Mandatory membership.--Membership in the system shall be
24 mandatory as of the effective date of employment for all school
25 employees except the following:

26 (1) Any officer or employee of the Department of
27 Education, State-owned educational institutions, community
28 colleges, area vocational-technical schools, technical
29 institutes, or the Pennsylvania State University and who is a
30 member of the [State] Government Employees' Retirement System

1 or a member of another retirement program approved by the
2 employer.

3 * * *

4 § 8303. Eligibility points for retention and reinstatement of
5 service credits.

6 * * *

7 (c) Purchase of previous creditable service.--Every active
8 member of the system or a multiple service member who is an
9 active member of the [State] Government Employees' Retirement
10 System on or after the effective date of this part may purchase
11 credit and receive eligibility points as a member of Class T-C
12 for previous school service or creditable nonschool service upon
13 written agreement by the member and the board as to the manner
14 of payment of the amount due for credit for such service;
15 except, that any purchase for reinstatement of service credit
16 shall be for all service previously credited.

17 § 8304. Creditable nonschool service.

18 * * *

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

21 * * *

22 (7) (i) Service for the period of time spent on a
23 maternity leave of absence required by the employer,
24 which creditable service shall not exceed two years per
25 leave and shall be applicable only to a maternity leave
26 which was mandatory prior to May 17, 1975. The purchase
27 of this service shall begin within one year of the
28 employee's eligibility to purchase the creditable service
29 under this subparagraph as originally enacted by the act
30 of August 5, 1991 (P.L.183, No.23), entitled "An act

1 amending Titles 24 (Education) and 71 (State Government)
2 of the Pennsylvania Consolidated Statutes, further
3 providing for the Public School Employees' Retirement
4 System and the [State] Government Employees' Retirement
5 System; adding and amending certain definitions; further
6 providing for membership in the systems, for creditable
7 nonschool and nonstate service and the purchase of
8 credit, for incentives for special early retirement, for
9 contributions to the retirement funds, for annuities and
10 the rights and duties of annuitants, for health insurance
11 premium assistance, for board membership and for the re-
12 amortization and management of the retirement funds."

13 (ii) Service for the period of time spent on a
14 maternity leave of absence required by the employer,
15 which creditable service shall not exceed two years per
16 leave and shall be applicable only to a maternity leave
17 that was mandatory and began after May 16, 1975, and
18 prior to November 1, 1978. The purchase of this service
19 shall begin within one year of the employee's eligibility
20 to purchase the creditable service under this
21 subparagraph.

22 * * *

23 § 8306. Eligibility points.

24 An active member of the system shall accrue one eligibility
25 point for each year of credited service as a member of the
26 school or [State] government retirement system. A member shall
27 accrue an additional two-thirds of an eligibility point for each
28 year of Class D-3 credited service under the State Employees'
29 Retirement System. In the case of a fractional part of a year of
30 credited service, a member shall accrue the corresponding

1 fractional portion of an eligibility point.

2 § 8346. Termination of annuities.

3 * * *

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

5 (1) An annuitant who returns to school service and earns
6 three eligibility points by performing credited school
7 service following the most recent period of receipt of an
8 annuity under this part, or an annuitant who enters [State]
9 government service and:

10 (i) is a multiple service member; or

11 (ii) who elects multiple service membership, and
12 earns three eligibility points by performing credited [State]
13 government service or credited school service following the
14 most recent period of receipt of an annuity under this part,
15 and who had the present value of his annuity frozen in
16 accordance with subsection (a), shall qualify to have the
17 effect of the frozen present value resulting from all
18 previous periods of retirement eliminated, provided that all
19 payments under Option 4 and annuity payments payable during
20 previous periods of retirement plus interest as set forth in
21 paragraph (3) shall be returned to the fund in the form of an
22 actuarial adjustment to his subsequent benefits or in such
23 form as the board may otherwise direct.

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

29 (i) an annuity (prior to optional modification)

30 calculated as if the freezing of the former annuitant's

1 account pursuant to subsection (a) had not occurred,
2 adjusted according to paragraph (3), provided that a
3 former annuitant of the system or a former annuitant of
4 the [State] Government Employees' Retirement System who
5 retired under a provision of law granting additional
6 service credit if termination of school or [State]
7 government service or retirement occurred during a
8 specific period of time shall not be permitted to retain
9 the additional service credit under the prior law when
10 the annuity is computed for his most recent retirement;
11 or

12 (ii) an annuity (prior to optional modification)
13 calculated as if the former annuitant did not qualify to
14 have the effect on the frozen present value eliminated,
15 unless the former annuitant notifies the board in writing by
16 the later of the date the application for annuity is filed or
17 the effective date of retirement that the former annuitant
18 wishes to receive the lower annuity.

19 (3) In addition to any other adjustment to the present
20 value of the maximum single life annuity that a member may be
21 entitled to receive that occurs as a result of any other
22 provision of law, the present value of the maximum single
23 life annuity shall be reduced by all amounts paid or payable
24 to him during all previous periods of retirement plus
25 interest on these amounts until the date of subsequent
26 retirement. The interest for each year shall be calculated
27 based upon the annual interest rate adopted for that school
28 year by the board for the calculation of the normal
29 contribution rate pursuant to section 8328(b) (relating to
30 actuarial cost method).

1 § 8501. Public School Employees' Retirement Board.

2 * * *

3 (d) Compensation and expenses.--The members of the board who
4 are members of the system shall serve without compensation.
5 Members of the board who are members of the system and who are
6 employed by a governmental entity shall not suffer loss of
7 salary or wages through serving on the board. The board, on
8 request of the employer of any member of the board who is an
9 active professional or nonprofessional member of the system, may
10 reimburse such employer for the salary or wages of the member,
11 or for the cost of employing a substitute for such member, while
12 the member is necessarily absent from employment to execute the
13 duties of the board. The members of the board who are not
14 members of either the school system or the [State] Government
15 Employees' Retirement System may be paid \$100 per day when
16 attending meetings and all board members shall be reimbursed for
17 any necessary expenses. However, when the duties of the board as
18 mandated are not executed, no compensation or reimbursement for
19 expenses of board members shall be paid or payable during the
20 period in which such duties are not executed.

21 * * *

22 § 8503. Duties of board to advise and report to employers and
23 members.

24 * * *

25 (c) Purchase of credit for previous service.--Upon receipt
26 of an application from an active member or a [State] government
27 employee with multiple service credit to purchase credit for
28 previous school or creditable nonschool service, the board shall
29 determine and certify to the member the amount required to be
30 paid by the member. When necessary, the board shall certify to

1 the proper employer the amount which would have been paid
2 together with statutory interest into the State accumulation
3 account had such employee been an active member in the system
4 during said period.

5 * * *

6 § 8504. Duties of board to report to State Employees'
7 Retirement Board and Local Government Employees'
8 Retirement Board.

9 (a) Multiple service membership of school employees.--Upon
10 receipt of an application for membership in the system of a
11 school employee who is a former [State] government employee and
12 who has elected multiple service membership, the board shall
13 advise the State Employees' Retirement Board or the Local
14 Government Employees' Retirement Board, or both, accordingly.

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

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

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

29 (c) Applications for benefits for [State] government
30 employees.--Upon receipt of notification and the required data

1 from the State Employees' Retirement Board or the Local
2 Government Employees' Retirement Board that a former school
3 employee who elected multiple service has applied for a [State]
4 government employee's retirement benefit or, in the event of his
5 death, his legally constituted representative has applied for
6 such benefit, the board shall:

7 (1) Certify to the State Employees' Retirement Board or
8 the Local Government Employees' Retirement Board:

9 (i) The salary history as a member of the Public
10 School Employees' Retirement System and the final average
11 salary as calculated on the basis of the compensation
12 received as a [State] government and school employee.

13 (ii) The annuity or benefit which the member or his
14 beneficiary is entitled to receive under this part and
15 modified according to the option selected.

16 (2) Transfer to the State Employees' Retirement Fund or
17 the Local Government Employees' Retirement Fund the
18 accumulated deductions standing to such member's credit and
19 the actuarial reserve required on account of the member's
20 years of credited service in the school system and his final
21 average salary determined on the basis of his compensation in
22 both systems.

23 § 8505. Duties of board regarding applications and elections of
24 members.

25 * * *

26 (b) [State] Government employees electing multiple service
27 status.--Upon receipt of notification from the State Employees'
28 Retirement Board or the Local Government Employees' Retirement
29 Board that a former school employee has become an active member
30 in the [State] Government Employees' Retirement System and has

1 elected to become a member with multiple service status, the
2 board shall:

3 (1) In case of a member who is receiving an annuity from
4 the system, discontinue payments, transfer the present value,
5 at that time, of the member's annuity from the annuity
6 reserve account to the members' savings account and resume
7 crediting of statutory interest on the amount restored to his
8 credit and transfer the balance of the present value of the
9 total annuity from the annuity reserve account to the State
10 accumulation account.

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

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

24 * * *

25 § 8506. Duties of employers.

26 * * *

27 (d) New employees subject to mandatory membership.--Upon the
28 assumption of duties of each new school employee whose
29 membership in the system is mandatory, the employer shall no
30 later than 30 days thereafter cause an application for

1 membership, which application shall include the employee's home
2 address, birthdate certified by the employer, previous school or
3 [State] government service and any other information requested
4 by the board, and a nomination of beneficiary to be made by such
5 employee and filed with the board and shall make pickup
6 contributions from the effective date of school employment.

7 (e) New employees subject to optional membership.--The
8 employer shall inform any eligible school employee whose
9 membership in the system is not mandatory of his opportunity to
10 become a member of the system provided that he elects to
11 purchase credit for all such continuous creditable service. If
12 such employee so elects, the employer shall no later than 30
13 days thereafter cause an application for membership which
14 application shall include the employee's home address, birthdate
15 certified by the employer, previous school or [State] government
16 service and any other information requested by the board, and a
17 nomination of beneficiary to be made by him and filed with the
18 board and shall cause proper contributions to be made from the
19 date of election of membership.

20 * * *

21 (g) Former [State] government employee contributors.--The
22 employer shall, upon the employment of a former member of the
23 [State] Government Employees' Retirement System who is not an
24 annuitant of the [State] Government Employees' Retirement
25 System, advise such employee of his right to elect multiple
26 service membership within 30 days of entry into the system and,
27 in the case any such employee who so elects has withdrawn his
28 accumulated deductions, require him to restore his accumulated
29 deductions as they would have been at the time of his separation
30 had he been a full coverage member, together with statutory

1 interest for all periods of subsequent [State] government and
2 school service to date of repayment. The employer shall advise
3 the board of such election.

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

15 * * *

16 § 8507. Rights and duties of school employees and members.

17 (a) Information on new employees.--Upon his assumption of
18 duties, each new school employee shall furnish his employer with
19 a complete record of his previous school or [State] government
20 service, or creditable nonschool service, proof of his date of
21 birth, his home address, his current status in the system and in
22 the [State] Government Employees' Retirement System and such
23 other information as the board may require. Willful failure to
24 provide the information required by this subsection to the
25 extent available or the provision of erroneous information upon
26 entrance into the system shall result in the forfeiture of the
27 right of the member to subsequently assert any right to benefits
28 based on erroneous information or on any of the required
29 information which he failed to provide. In any case in which the
30 board finds that a member is receiving an annuity based on false

1 information, the additional amounts received predicated on such
2 false information together with statutory interest doubled and
3 compounded shall be deducted from the present value of any
4 remaining benefits to which the member is legally entitled and
5 such remaining benefits shall be correspondingly decreased.

6 * * *

7 (c) Multiple service membership.--Any active member who was
8 formerly an active member in the [State] Government Employees'
9 Retirement System may elect to become a multiple service member.
10 Such election shall occur no later than 30 days after becoming
11 an active member in this system.

12 (d) Credit for previous service or change in membership
13 status.--Any active member or multiple service member who is a
14 [State] government employee who desires to receive credit for
15 his previous school service or creditable nonschool service to
16 which he is entitled, or a member of Class T-A or Class T-B who
17 desires to become a member of Class T-C, or a joint coverage
18 member who desires to become a full coverage member shall so
19 notify the board. Upon written agreement by the member and the
20 board as to the manner of payment of the amount due, the member
21 shall receive credit for such service as of the date of such
22 agreement subject to the provisions of section 8325 (relating to
23 incomplete payments).

24 * * *

25 Section 3. Sections 5101 and 5102 of Title 71 are amended to
26 read:

27 § 5101. Short title.

28 This part shall be known and may be cited as the ["State]
29 Government Employees' Retirement Code.["]

30 § 5102. Definitions.

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

4 "Academic administrator." A management employee in the field
5 of public education whose work is directly related to academic
6 instruction, excluding any employee in a position that is
7 nonacademic in nature, such as, without limitation, a position
8 that relates to admissions, financial aid, counseling,
9 secretarial and clerical services, records management, housing,
10 food service, maintenance and security.

11 "Active member." A [State] government employee, or a member
12 on leave without pay, for whom pickup contributions are being
13 made to [the] either fund or for whom such contributions
14 otherwise required for current [State] government service are
15 not being made solely by reason of any provision of this part
16 relating to the limitation under section 401(a)(17) of the
17 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
18 401(a)(17)).

19 "Actuarially equivalent." Equal present values, computed on
20 the basis of statutory interest and the mortality tables adopted
21 by the board.

22 "Actuary." The consultant to the board who shall be:

23 (1) a member of the American Academy of Actuaries; or

24 (2) an individual who has demonstrated to the
25 satisfaction of the Insurance Commissioner of Pennsylvania
26 that he has the educational background necessary for the
27 practice of actuarial science and has had at least seven
28 years of actuarial experience; or

29 (3) a firm, partnership, or corporation of which at
30 least one member meets the requirements of (1) or (2).

1 "Additional accumulated deductions." The total of the
2 additional member contributions paid into the fund on account of
3 current service or previous [State] government or creditable
4 nonstate service, together with the statutory interest credited
5 thereon until the date of termination of service. In the case of
6 a vestee, statutory interest shall be credited until the
7 effective date of retirement. A member's account shall not be
8 credited with statutory interest for more than two years during
9 a leave without pay.

10 "Alternate payee." Any spouse, former spouse, child or
11 dependent of a member who is recognized by a domestic relations
12 order as having a right to receive all or a portion of the
13 moneys payable to that member under this part.

14 "Annuitant." Any member on or after the effective date of
15 retirement until his annuity is terminated.

16 "Approved domestic relations order." Any domestic relations
17 order which has been determined to be approved in accordance
18 with section 5953.1 (relating to approval of domestic relations
19 orders).

20 "Average noncovered salary." The average of the amounts of
21 compensation received each calendar year since January 1, 1956
22 exclusive of the amount which was or could have been covered by
23 the Federal Social Security Act, 42 U.S.C. § 301 et seq., during
24 that portion of the member's service since January 1, 1956 for
25 which he has received social security integration credit.

26 "Basic contribution rate." Five percent (5%), except that in
27 no case shall any member's rate, excluding the rate for social
28 security integration credit, be greater than his contribution
29 rate on the effective date of this part so long as he does not
30 elect additional coverage or membership in another class of

1 service.

2 "Beneficiary." The person or persons last designated in
3 writing to the board by a member to receive his accumulated
4 deductions or a lump sum benefit upon the death of such member.

5 "Board." The State Employees' Retirement Board or the State
6 Employees' Retirement Board or the Local Government Employees'
7 Retirement Board.

8 "Boards." Both the State Employees' Retirement Board and the
9 Local Government Employees' Retirement Board.

10 "Class of service multiplier."

11	Class of Service		Multiplier
12	A		1
13	B		.625
14	C		1
15	D		1.25
16	D-1	prior to	
17		January 1, 1973	1.875
18	D-1	on and	
19		subsequent to	
20		January 1, 1973	1.731
21	D-2	prior to	
22		January 1, 1973	2.5
23	D-2	on and	
24		subsequent to	
25		January 1, 1973	1.731
26	D-3	prior to	
27		January 1, 1973	3.75
28	D-3	on and	
29		subsequent to	
30		January 1, 1973	1.731 except prior to December

1				1, 1974 as applied to any
2				additional legislative
3				compensation as an officer
4				of the General Assembly
5				3.75
6	E, E-1	prior to		
7		January 1, 1973	2	for each of the first ten
8				years of judicial service,
9				and
10			1.5	for each subsequent year
11				of judicial service
12	E, E-1	on and		
13		subsequent to		
14		January 1, 1973	1.50	for each of the first
15				ten years of judicial
16				service and
17			1.125	for each subsequent year
18				of judicial service
19	E-2	prior to		
20		September 1, 1973	1.5	
21	E-2	on and		
22		subsequent to		
23		September 1, 1973	1.125	
24	T-C	(Public School	1	
25		Employees'		
26		Retirement Code)		
27	<u>N-1</u>		<u>1</u>	<u>for each year of</u>
28				<u>local government</u>
29				<u>service</u>
30	<u>N-2</u>		<u>.875</u>	<u>for each year of</u>

1			<u>local government</u>
2			<u>service</u>
3	<u>N-3</u>	<u>.75</u>	<u>for each year of</u>
4			<u>local government</u>
5			<u>service</u>
6	<u>N-4</u>	<u>.625</u>	<u>for each year of</u>
7			<u>local government</u>
8			<u>service</u>
9	<u>P-1</u>	<u>1.25</u>	<u>for each of the</u>
10			<u>first 20 years of</u>
11			<u>local government</u>
12			<u>public safety ser-</u>
13			<u>vice, and</u>
14		<u>1</u>	<u>for each subsequent</u>
15			<u>year of local</u>
16			<u>government public</u>
17			<u>safety service</u>
18	<u>P-2</u>	<u>1.125</u>	<u>for each year of</u>
19			<u>local government</u>
20			<u>public safety</u>
21			<u>service</u>
22	<u>P-3</u>	<u>1</u>	<u>for each year of local</u>
23			<u>government public</u>
24			<u>safety service</u>
25	<u>P-4</u>	<u>.875</u>	<u>for each year of</u>
26			<u>local government</u>
27			<u>public safety</u>
28			<u>service</u>

29 "Commissioner." The Commissioner of the Internal Revenue
30 Service.

1 "Compensation." Pickup contributions plus remuneration
2 actually received as a [State] government employee excluding
3 refunds for expenses, contingency and accountable expense
4 allowances, and excluding any severance payments or payments for
5 unused vacation or sick leave: Provided, however, That
6 compensation received as a State employee prior to January 1,
7 1973, shall be subject to the limitations for retirement
8 purposes in effect December 31, 1972, if any: Provided further,
9 That the limitation under section 401(a)(17) of the Internal
10 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))
11 taken into account for the purpose of member contributions,
12 including any additional member contributions in addition to
13 regular or joint coverage member contributions and Social
14 Security integration contributions, regardless of class of
15 service, shall apply to each member who first became a member of
16 the [State] Government Employees' Retirement System on or after
17 January 1, 1996, and who by reason of such fact is a noneligible
18 member subject to the application of the provisions of section
19 5506.1(a) (relating to annual compensation limit under IRC §
20 401(a)(17)).

21 "Concurrent service." Service credited in more than one
22 class of service during the same period of time.

23 "Correction officer." Any full-time State employee assigned
24 to the Department of Corrections or the Department of Public
25 Welfare whose principal duty is the care, custody and control of
26 inmates or direct therapeutic treatment, care, custody and
27 control of inmates of a penal or correctional institution,
28 community treatment center, forensic unit in a State hospital or
29 secure unit of a youth development center operated by the
30 Department of Corrections or by the Department of Public

1 Welfare.

2 "Creditable nonstate service." Service other than service as
3 a [State] government employee for which an active member may
4 obtain credit.

5 "Credited service." [State] Government or creditable
6 nonstate service for which the required contributions have been
7 made, or for which the contributions otherwise required for such
8 service were not made solely by reason of any provision of this
9 part relating to the limitation under section 401(a)(17) of the
10 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
11 401(a)(17)), or for which salary deductions or lump sum payments
12 have been agreed upon in writing.

13 "Date of termination of service." The last day of service
14 for which pickup contributions are made for an active member or
15 in the case of an inactive member on leave without pay the date
16 of his resignation or the date his employment is formally
17 discontinued by his employer.

18 "Department." The term shall include a department, agency,
19 authority, independent board or commission or a local
20 government.

21 "Disability annuitant." A member on and after the effective
22 date of disability until his annuity or the portion of his
23 annuity payments in excess of any annuity to which he may
24 otherwise be entitled is terminated.

25 "Distribution." Payment of all or any portion of a person's
26 interest in the Government Employees' Retirement Fund or the
27 State Employees' Retirement Fund which is payable under this
28 part.

29 "Domestic relations order." Any judgment, decree or order,
30 including approval of a property settlement agreement, entered

1 on or after the effective date of this definition by a court of
2 competent jurisdiction pursuant to a domestic relations law
3 which relates to the marital property rights of the spouse or
4 former spouse of a member, including the right to receive all or
5 a portion of the moneys payable to that member under this part
6 in furtherance of the equitable distribution of marital assets.
7 The term includes orders of support as that term is defined by
8 23 Pa.C.S. § 4302 (relating to definitions) and orders for the
9 enforcement of arrearages as provided in 23 Pa.C.S. § 3703
10 (relating to enforcement of arrearages).

11 "Effective date of retirement." The first day following the
12 date of termination of service of a member if he has properly
13 filed an application for an annuity within 90 days of such date;
14 in the case of a vestee or a member who does not apply for an
15 annuity within 90 days after termination of service, the date of
16 filing an application for an annuity or the date specified on
17 the application, whichever is later. In the case of a finding of
18 disability, the date certified by the board as the effective
19 date of disability.

20 "Eligibility points." Points which are accrued by an active
21 member or a multiple service member who is an active member in
22 the Public School Employees' Retirement System for credited
23 service and are used in the determination of eligibility for
24 benefits.

25 "Enforcement officer."

26 (1) Any enforcement officer or investigator of the
27 Pennsylvania Liquor Control Board who is a peace officer
28 vested with police power and authority throughout the
29 Commonwealth and any administrative or supervisory employee
30 of the Pennsylvania Liquor Control Board vested with police

1 power who is charged with the administration or enforcement
2 of the liquor laws of the Commonwealth.

3 (2) Special agents, narcotics agents, asset forfeiture
4 agents, medicaid fraud agents and senior investigators
5 hazardous waste prosecutions unit, classified as such and
6 employed by the Office of Attorney General who have within
7 the scope of their employment as law enforcement officers the
8 power to enforce the law and make arrests under the authority
9 of the act of October 15, 1980 (P.L.950, No.164), known as
10 the Commonwealth Attorneys Act.

11 (3) Parole agents, classified as such by the Executive
12 Board and employed by the Pennsylvania Board of Probation and
13 Parole.

14 "Final average salary." The highest average compensation
15 received as a member during any three nonoverlapping periods of
16 four consecutive calendar quarters during which the member was a
17 [State] government employee, with the compensation for part-time
18 service being annualized on the basis of the fractional portion
19 of the year for which credit is received; except if the employee
20 was not a member for three nonoverlapping periods of four
21 consecutive calendar quarters, the total compensation received
22 as a member, annualized in the case of part-time service,
23 divided by the number of nonoverlapping periods of four
24 consecutive calendar quarters of membership; in the case of a
25 member with multiple service, the final average salary shall be
26 determined on the basis of the compensation received by him as a
27 [State] government employee or as a school employee, or both;
28 and, in the case of a member who first became a member of the
29 Government Employees' Retirement System or the State Employees'
30 Retirement System on or after January 1, 1996, the final average

1 salary shall be determined as hereinabove provided but subject
2 to the application of the provisions of section 5506.1(a)
3 (relating to annual compensation limit under IRC § 401(a)(17)).

4 "Full coverage member." Any member for whom member pickup
5 contributions are being picked up or who has paid or has agreed
6 to pay to the fund the actuarial equivalent of regular member
7 contributions due on account of service prior to January 1,
8 1982.

9 "Fund." The State Employees' Retirement Fund or the Local
10 Government Employees' Retirement Fund.

11 "Funds." The State Employees' Retirement Fund and the Local
12 Government Employees' Retirement Fund.

13 "Government employee." A local government employee or a
14 State employee.

15 "Government service." Service rendered as a local government
16 employee or as a State employee.

17 "Head of department." The chief administrative officer of
18 the department, the chairman or executive director of the
19 agency, authority, or independent board or commission, the chief
20 administrative officer of a local government, the Court
21 Administrator of Pennsylvania, and the Chief Clerk of the
22 Senate, or the Chief Clerk of the House of Representatives.

23 "Inactive member." A member for whom no pickup contributions
24 are being made, except in the case of an active member for whom
25 such contributions otherwise required for current [State]
26 government service are not being made solely by reason of any
27 provision of this part relating to the limitation under section
28 401(a)(17) of the Internal Revenue Code of 1986 (Public Law 99-
29 514, 26 U.S.C. § 401(a)(17)), but who has accumulated deductions
30 standing to his credit in [the] either fund and who is not

1 eligible to become or has not elected to become a vestee or has
2 not filed an application for an annuity.

3 "Intervening military service." Active military service of a
4 member who was a [State] government employee immediately
5 preceding his induction into the armed services or forces of the
6 United States in order to meet a military obligation excluding
7 any voluntary extension of such service and who becomes a
8 [State] government employee within 90 days of the expiration of
9 such service.

10 "IRC." The Internal Revenue Code of 1986, as designated and
11 referred to in the Federal Tax Reform Act of 1986 (Public Law
12 99-514, § 2, 100 Stat. 2085, 2095). A reference in this part to
13 "IRC § " shall be deemed to refer to the identically numbered
14 section and subsection or other subdivision of such section in
15 26 United States Code (relating to Internal Revenue Code).

16 "Irrevocable beneficiary." The person or persons permanently
17 designated by a member in writing to the State Employees'
18 Retirement Board or the Local Government Employees' Retirement
19 Board pursuant to an approved domestic relations order to
20 receive all or a portion of the accumulated deductions or lump
21 sum benefit payable upon the death of such member.

22 "Irrevocable survivor annuitant." The person permanently
23 designated by a member in writing to the State Employees'
24 Retirement Board or the Local Government Employees' Retirement
25 Board pursuant to an approved domestic relations order to
26 receive an annuity upon the death of such member.

27 "Joint coverage member." Any member who agreed prior to
28 January 1, 1966 to make joint coverage member contributions to
29 the fund and has not elected to become a full coverage member.

30 "Joint coverage member contributions." Regular member

1 contributions reduced for a joint coverage member.

2 "Local government." The term shall mean:

3 (1) a local authority;

4 (2) a municipality, except a county, however
5 constituted, whether operating under a legislative charter,
6 municipal code, optional charter, home rule charter, optional
7 plan or other arrangement;

8 (3) an association of these local authorities or these
9 municipalities, or both, cooperating under the act of July
10 12, 1972 (P.L.762, No.180), referred to as the
11 Intergovernmental Cooperation Law; or

12 (4) a Commonwealth-created authority or governmental
13 entity whose employees are not members of the Public School
14 Employees' Retirement System or were not members of the
15 Government Employees' Retirement System before January 1,
16 1997.

17 "Local government employee." Any individual employed in any
18 capacity by a local government or holding a local government
19 office or position, except an independent contractor or any
20 individual compensated on a fee or commission basis.

21 "Local Government Employee Retirement System." An entity,
22 whether a separate entity or part of a local government entity,
23 that:

24 (1) collects retirement and other employee benefit
25 contributions from local government employees and local
26 governments;

27 (2) holds and manages the resulting assets as reserves
28 for present and future retirement benefit payments; and

29 (3) makes provision for these payments to qualified
30 retirees and beneficiaries.

1 The term does not include a county employees' retirement system
2 established under either Article XVII of the act of July 28,
3 1953 (P.L.723, No.230), known as the Second Class County Code,
4 or the act of August 31, 1971 (P.L.398, No.96), known as the
5 County Pension Law. The term does not include a plan, program or
6 arrangement that is financed solely with local government
7 employee earnings or compensation reported to the Internal
8 Revenue Service, United States Department of the Treasury, as
9 local government employee earnings or compensation on Form W-2,
10 Wage and Tax Statement, or is established under section 8.1, 8.2
11 and 8.3 of the act of March 30, 1811 (P.L.145, No.99), entitled
12 "An act to amend and consolidate the several acts relating to
13 the settlement of the public accounts and the payment of the
14 public monies, and for other purposes," or under section 408 or
15 457 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
16 U.S.C. § 408 or 457).

17 "Local government public safety employee." A local
18 government employee who holds a full-time position in the
19 firefighting service of a local government or a local government
20 employee who holds full-time position in the police service of a
21 local government and who is a peace officer vested with police
22 power.

23 "Local government public safety service." Service rendered
24 as a local government public safety employee.

25 "Local government service." Service rendered as a local
26 government employee.

27 "Member." Active member, inactive member, annuitant, or
28 vestee.

29 "Member of the judiciary." Any justice of the Supreme Court,
30 any judge of the Superior Court, the Commonwealth Court, any

1 court of common pleas, the Municipal Court and the Traffic Court
2 of Philadelphia, or any community court.

3 "Member's annuity." The single life annuity which is
4 actuarially equivalent, at the effective date of retirement, to
5 the sum of the regular accumulated deductions, the additional
6 accumulated deductions and the social security integration
7 accumulated deductions standing to the member's credit in the
8 members' savings account.

9 "Military service." All active military service for which a
10 member has received a discharge other than an undesirable, bad
11 conduct, or dishonorable discharge.

12 "Multiple service." Credited service of a member who has
13 elected to combine his credited service in both the [State]
14 Government Employees' Retirement System and the Public School
15 Employees' Retirement System.

16 "Noneligible member." For the purposes of section 5506.1
17 (relating to annual compensation limit under IRC § 401(a)(17)),
18 a member who first became a member on or after January 1, 1996.

19 "Nonstudent service." Employment in an educational
20 institution that is not contingent on the employee's enrollment
21 as a student or maintenance of student status at such
22 institution and for which only monetary compensation is
23 received, excluding tuition waivers or reimbursement, academic
24 credit, housing, meals and other in-kind compensation.

25 "Pickup contributions." Regular or joint coverage member
26 contributions, social security integration contributions and
27 additional member contributions which are made by the
28 Commonwealth or other employer for active members for current
29 service on and after January 1, 1982.

30 "Previous [State] government service." Service rendered as a

1 [State] government employee prior to his most recent entrance in
2 the system.

3 "Psychiatric security aide." Any government employee whose
4 principal duty is the care, custody and control of the
5 criminally insane inmates of a maximum security institution for
6 the criminally insane or detention facility operated by the
7 Department of Public Welfare.

8 "Public School Employees' Retirement System." The retirement
9 system established by the act of July 18, 1917 (P.L.1043,
10 No.343), and codified by the act of June 1, 1959 (P.L.350,
11 No.77) and by 24 Pa.C.S. Pt. IV (relating to retirement for
12 school employees).

13 "Regular accumulated deductions." The total of the regular
14 or joint coverage member contributions paid into the fund on
15 account of current service or previous [State] government or
16 creditable nonstate service, together with the statutory
17 interest credited thereon until the date of termination of
18 service. In the case of a vestee, statutory interest shall be
19 credited until the effective date of retirement. A member's
20 account shall not be credited with statutory interest for more
21 than two years during a leave without pay.

22 "Regular member contributions." The product of the basic
23 contribution rate, the class of service multiplier [if greater
24 than one] and the compensation of the member.

25 "Retirement counselor." The [State] Government Employees'
26 Retirement System employee whose duty it shall be to advise each
27 employee of his rights and duties as a member of the system.

28 "Salary deductions." The amounts certified by the board,
29 deducted from the compensation of an active member and paid into
30 the fund.

1 "School service." Service rendered as a public school
2 employee and credited as service in the Public School Employees'
3 Retirement System.

4 "Service connected disability." A disability resulting from
5 an injury arising in the course of [State] government
6 employment, and which is compensable under the applicable
7 provisions of the act of June 2, 1915 (P.L.736, No.338), known
8 as ["The Pennsylvania Workmen's Compensation Act,"] the Workers'
9 Compensation Act, or the act of June 21, 1939 (P.L.566, No.284),
10 known as ["]The Pennsylvania Occupational Disease Act.["]

11 "Social security integration accumulated deductions." The
12 total of the member contributions paid into the fund on account
13 of social security integration credit, together with the
14 statutory interest credited thereon until the date of
15 termination of service or until the date of withdrawal thereof,
16 whichever is earlier. In the case of a vestee statutory interest
17 shall be credited until the effective date of retirement. A
18 member's account shall not be credited with statutory interest
19 for more than two years during a leave without pay.

20 "Standard single life annuity." An annuity equal to 2% of
21 the final average salary, multiplied by the total number of
22 years and fractional part of a year of credited service of a
23 member.

24 "State employee." Any person holding a State office or
25 position under the Commonwealth, employed by the State
26 Government of the Commonwealth, in any capacity whatsoever,
27 except an independent contractor or any person compensated on a
28 fee basis, and shall include members of the General Assembly,
29 and any officer or employee of the following:

30 (1) (i) The Department of Education.

1 (ii) State-owned educational institutions.

2 (iii) Community colleges.

3 (iv) The Pennsylvania State University, except an
4 employee in the College of Agriculture who is paid wholly
5 from Federal funds or an employee who is participating in
6 the Federal Civil Service Retirement System. The
7 university shall be totally responsible for all employer
8 contributions under section 5507 (relating to
9 contributions by the Commonwealth and other employers).

10 (2) The Pennsylvania Turnpike Commission, the Delaware
11 River Port Authority, the Port Authority Transit Corporation,
12 the Philadelphia Regional Port Authority, the Delaware River
13 Joint Toll Bridge Commission, the State Public School
14 Building Authority, The General State Authority, the State
15 Highway and Bridge Authority, the Delaware Valley Regional
16 Planning Commission, the Interstate Commission of the
17 Delaware River Basin, and the Susquehanna River Basin
18 Commission any time subsequent to its creation, provided the
19 commission or authority agrees to contribute and does
20 contribute to the fund, from time to time, the moneys
21 required to build up the reserves necessary for the payment
22 of the annuities of such officers and employees without any
23 liability on the part of the Commonwealth to make
24 appropriations for such purposes, and provided in the case of
25 employees of the Interstate Commission of the Delaware River
26 Basin, that the employee shall have been a member of the
27 system for at least ten years prior to January 1, 1963.

28 (3) Any separate independent public corporation created
29 by statute, not including any municipal or quasi-municipal
30 corporation, so long as he remains an officer or employee of

1 such public corporation, and provided that such officer or
2 employee of such public corporation was an employee of the
3 Commonwealth immediately prior to his employment by such
4 corporation, and further provided such public corporation
5 shall agree to contribute and contributes to the fund, from
6 time to time, the moneys required to build up the reserves
7 necessary for the payment of the annuities of such officers
8 and employees without any liability on the part of the
9 Commonwealth to make appropriations for such purposes.

10 "State service." Service rendered as a State employee.

11 "Statutory interest." Interest at 4% per annum, compounded
12 annually.

13 "Superannuation age."

14 (1) Any age upon accrual of 35 eligibility points or age
15 60, except for a member of the General Assembly, an
16 enforcement officer, a correction officer, a psychiatric
17 security aide, a Delaware River Port Authority policeman, a
18 Class P-2 or P-3 local government public safety employee or
19 an officer of the Pennsylvania State Police, age 50.

20 (2) A Class P-1 local government public safety officer,
21 any age upon accrual of 20 eligibility points or age 50.

22 (3) A Class P-4 local government public safety employee,
23 age 55.

24 (4) A Class N-4 local government employee, age 62.

25 "Superannuation annuitant." An annuitant whose annuity first
26 became payable on or after the attainment of superannuation age
27 and who is not a disability annuitant.

28 "Survivor annuitant." The person or persons last designated
29 by a member under a joint and survivor annuity option to receive
30 an annuity upon the death of such member.

1 "System." The [State] Government Employees' Retirement
2 System of Pennsylvania as established by the act of June 27,
3 1923 (P.L.858, No.331), and codified by the act of June 1, 1959
4 (P.L.392, No.78) and the provisions of this part previously
5 known as the State Employees' Retirement System.

6 "Total accumulated deductions." The sum of the regular
7 accumulated deductions, additional accumulated deductions, the
8 social security integration accumulated deductions, and all
9 other contributions paid into the fund for the purchase of
10 credit for service or other coverage together with all statutory
11 interest credited thereon until the date of termination of
12 service. In the case of a vestee, statutory interest shall be
13 credited until the effective date of retirement. A member's
14 account shall not be credited with statutory interest for more
15 than two years during a leave without pay.

16 "Valuation interest." Interest at 5 1/2% per annum
17 compounded annually and applied to all accounts other than the
18 members' savings account.

19 "Vestee." A member with ten or more eligibility points who
20 has terminated [State] government service and has elected to
21 leave his total accumulated deductions in the fund and to defer
22 receipt of an annuity.

23 Section 4. Section 5301(d) of Title 71 is amended and the
24 section is amended by adding a subsection to read:

25 § 5301. Mandatory and optional membership.

26 * * *

27 (a.1) Mandatory membership for full-time local government
28 employees.--Membership in the system shall be mandatory as of
29 the effective date of employment for all full-time local
30 government employees whose effective dates of local government

1 employment are after December 31, 1997, and for whom retirement
2 benefits are provided except those in a particular group who are
3 covered by a collective bargaining agreement in effect on
4 December 31, 1997, that requires all full-time local government
5 employees hired during the period of the agreement to become
6 members of an existing local government employee retirement
7 system on their effective dates of local government employment.
8 For all full-time local government employees in that particular
9 group who are hired after the termination date of the collective
10 bargaining agreement in effect on December 31, 1997, membership
11 in the system shall be mandatory as of the effective date of
12 employment.

13 * * *

14 (d) Return to service.--An annuitant who returns to service
15 as a [State] government employee shall resume active membership
16 in the system as of the effective date of employment, except as
17 otherwise provided in section 5706(a) (relating to termination
18 of annuities), regardless of the optional membership category of
19 the position.

20 Section 5. Sections 5302 heading and (a), 5303(b) and (c),
21 5304(a) and (c)(2), 5305(b), 5306, 5307, 5308, 5308.1 and 5309
22 of Title 71 are amended to read:

23 § 5302. Credited [State] government service.

24 (a) Computation of credited service.--

25 (1) In computing credited State service of a member for
26 the determination of benefits, a full-time salaried State
27 employee including any member of the General Assembly, shall
28 receive credit for service in each period for which
29 contributions as required are made, or for which
30 contributions otherwise required for such service were not

1 made solely by reason of any provision of this part relating
2 to the limitation under IRC § 401(a)(17), but in no case
3 shall he receive more than one year's credit for any 12
4 consecutive months or 26 consecutive biweekly pay periods. A
5 per diem or hourly State employee shall receive one year of
6 credited service for each nonoverlapping period of 12
7 consecutive months or 26 consecutive biweekly pay periods in
8 which he is employed and for which contributions are made or
9 would have been made but for such limitation under the IRC
10 for at least 220 days or 1,650 hours of employment. If the
11 member was employed and contributions were made for less than
12 220 days or 1,650 hours, he shall be credited with a
13 fractional portion of a year determined by the ratio of the
14 number of days or hours of service actually rendered to 220
15 days or 1,650 hours, as the case may be. A part-time salaried
16 employee shall be credited with the fractional portion of the
17 year which corresponds to the number of hours or days of
18 service actually rendered in relation to 1,650 hours or 220
19 days, as the case may be.

20 (2) In computing credited local government service of a
21 member for determination of benefits, a full-time salaried
22 local government employee shall receive credit for service in
23 each period for which contributions as required are made, or
24 for which contributions otherwise required for such service
25 were not made solely by reason of any provision of this part
26 relating to the limitation under IRC § 401(a)(17), but in no
27 case shall he receive more than one year's credit for any 12
28 consecutive months, 26 consecutive biweekly pay periods or 52
29 consecutive weekly pay periods. A full-time per diem or
30 hourly local government employee shall receive one year of

1 credited service for each nonoverlapping period of 12
2 consecutive months, 26 consecutive biweekly pay periods or 52
3 consecutive weekly pay periods in which he is employed and
4 for which contributions are made or would have been made but
5 for such limitation under the IRC for at least 220 days of
6 employment in the case of a per diem employee or 1,650 hours
7 of employment in the case of an hourly employee.

8 (3) In no case shall a member who has elected multiple
9 service receive an aggregate in the two systems of more than
10 one year of credited service for any 12 consecutive months.

11 * * *

12 § 5303. Retention and reinstatement of service credits.

13 * * *

14 (b) Eligibility points for prospective credited service.--

15 (1) Every active member of the system or a multiple
16 service member who is a school employee and a member of the
17 Public School Employees' Retirement System on or after the
18 effective date of this part shall receive eligibility points
19 in accordance with section 5307 for current [State]
20 government service, previous [State] government service, or
21 creditable nonstate service upon compliance with sections
22 5501 (relating to regular member contributions for current
23 service), 5504 (relating to member contributions for the
24 purchase of credit for previous [State] government service or
25 to become a full coverage member), 5505 (relating to
26 contributions for the purchase of credit for creditable
27 nonstate service), 5505.1 (relating to additional member
28 contributions) or 5506 (relating to incomplete payments). The
29 class or classes of service in which the member may be
30 credited for previous [State] government service prior to the

1 effective date of this part shall be the class or classes in
2 which he was or could have at any time elected to be credited
3 for such service. The class of service in which a member
4 shall be credited for service subsequent to the effective
5 date of this part shall be determined in accordance with
6 section 5306 (relating to classes of service).

7 (2) A special vestee or person otherwise eligible to be
8 a special vestee who returns to State service or withdraws
9 his accumulated deductions pursuant to section 5311 (relating
10 to eligibility for refunds) or 5701 (relating to return of
11 total accumulated deductions) shall receive or retain
12 eligibility points in accordance with paragraph (1) but upon
13 subsequent termination of State service shall only be
14 eligible to be an annuitant vestee or inactive member without
15 regard to previous status as a special vestee and without
16 regard to the provisions of this part providing for special
17 vestees.

18 (3) A special vestee or person otherwise eligible to be
19 a special vestee who becomes an active member of the Public
20 School Employees' Retirement System and elects multiple
21 service shall receive or retain eligibility points as
22 otherwise provided for in this part and 24 Pa.C.S. Pt. IV
23 (relating to retirement for school employees) but upon
24 subsequent termination of school service shall only be
25 eligible to be an annuitant, vestee or inactive member as
26 otherwise eligible as a multiple service member without
27 regard to previous status as a special vestee and without
28 regard to the provisions of this part providing for special
29 vestees.

30 (c) Election for purchase of certain creditable service.--

1 Every active member of the system or a multiple service member
2 who is a school employee and a member of the Public School
3 Employees' Retirement System who was employed by the Applied
4 Research Laboratory of The Pennsylvania State University prior
5 to June 3, 1984, and did not receive or is not receiving a
6 retirement or pension benefit as a result of that service may
7 elect to have the period of employment with the Applied Research
8 Laboratory treated as previous [State] government service upon
9 compliance with sections 5504 and 5506 upon waiver in writing of
10 any benefit that he is entitled to under any other pension or
11 retirement plan by virtue of that service. If a member elects to
12 receive this previous State service credit, The Pennsylvania
13 State University shall make employer contributions equal to the
14 amount that would have been contributed had employer
15 contributions been made to the system concurrently with the
16 rendering of the service, plus valuation interest to the day of
17 the crediting of the service. Notwithstanding the provisions of
18 section 5504, the amount due as member contributions and
19 interest for an employee who is employed by the Applied Research
20 Laboratory on June 3, 1984, who elects to purchase this credit
21 with the State Employees' Retirement System shall not exceed the
22 amount of contributions and interest certified as having been
23 made to the pension plan administered by the Applied Research
24 Laboratory during his employment with the Applied Research
25 Laboratory. The Pennsylvania State University shall pay as
26 member contributions the difference between this amount and the
27 amount otherwise due under sections 5504 and 5506. The
28 additional contributions paid by The Pennsylvania State
29 University shall not be considered compensation for purposes of
30 this part.

1 * * *

2 § 5304. Creditable nonstate service.

3 (a) Eligibility.--

4 (1) An active member who is a State employee or a
5 multiple service member who is a school employee and an
6 active member of the Public School Employees' Retirement
7 System shall be eligible for Class A service credit for
8 creditable nonstate service as set forth in subsections (b)
9 and (c) except that intervening military service shall be
10 credited in the class of service for which the member was
11 eligible at the time of entering into military service and
12 for which he makes the required contributions.

13 (2) An active member who is a local government employee
14 shall be eligible for service credit for creditable nonstate
15 service as set forth in subsections (b) and (c)(1) provided
16 that the intervening military service shall be credited in
17 the class of service for which the member was eligible at the
18 time of entering into military service and for which he makes
19 the required contributions.

20 * * *

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

23 * * *

24 (2) military service other than intervening military
25 service and military service purchasable under section
26 5302(d) (relating to credited [State] government service) not
27 exceeding five years, provided that a member with multiple
28 service may not purchase more than a total of five years of
29 military service in both the system and the Public School
30 Employees' Retirement System;

1 * * *

2 § 5305. Social security integration credits.

3 * * *

4 (b) Accrual of subsequent credits.--Any member who has
5 social security integration accumulated deductions to his credit
6 or is receiving a benefit on account of social security
7 integration credits may accrue one social security integration
8 credit for each year of service as a State employee on or
9 subsequent to March 1, 1974 and a fractional credit for a
10 corresponding fractional year of service provided that
11 contributions are made in accordance with section 5502 (relating
12 to social security integration member contributions), and he:

13 (1) continues subsequent to March 1, 1974 as an active
14 member in either the [State] government or school system;

15 (2) terminates such continuous service in the [State]
16 government or school system and returns to active membership
17 in the [State] government system within six months; or

18 (3) terminates his status as a vestee or an annuitant
19 and returns to State service.

20 * * *

21 § 5306. Classes of service.

22 (a) Class A membership.--A State employee who is a member of
23 Class A on the effective date of this part or who becomes a
24 member of the system subsequent to the effective date of this
25 part shall be classified as a Class A member and receive credit
26 for Class A service upon payment of regular and additional
27 member contributions for Class A service.

28 (b) Other State employee class membership.--A State employee
29 who is a member of a class of service other than Class A on the
30 effective date of this part shall retain his membership in that

1 class until such service is discontinued; any service thereafter
2 shall be credited as Class A service.

3 (c) Local government employee class membership.--A local
4 government employee who becomes a member of the system after
5 December 31, 1996, shall be classified as a Class N-1, N-2, N-3,
6 N-4, P-1, P-2, P-3 or P-4 member as provided in section 5405
7 (relating to designation of class of service multiplier) and
8 receive credit for that class of service upon payment of regular
9 member contributions for that class of service.

10 § 5307. Eligibility points.

11 An active member of the system shall accrue one eligibility
12 point for each year of credited service as a member of the
13 [State] government or the Public School Employees' Retirement
14 System. A member shall accrue an additional two-thirds of an
15 eligibility point for each year of Class D-3 credited service.
16 In the case of a fractional part of a year of credited service,
17 a member shall accrue the corresponding fractional portion of
18 eligibility points to which the class of service entitles him.

19 § 5308. Eligibility for annuities.

20 (a) Superannuation annuity.--Attainment of superannuation
21 age by an active member or an inactive member on leave without
22 pay with three or more years of credited [State] government or
23 school service shall entitle him to receive a superannuation
24 annuity upon termination of [State] government service and
25 compliance with section 5907(f) (relating to rights and duties
26 of [State] government employees and members).

27 (b) Withdrawal annuity.--Any vestee or any active member or
28 inactive member on leave without pay who terminates [State]
29 government service having ten or more eligibility points, upon
30 compliance with section 5907(f), (g) or (h) shall be entitled to

1 receive an annuity.

2 (c) Disability annuity.--An active member or inactive member
3 on leave without pay who has credit for at least five years of
4 service or any active member or inactive member on leave without
5 pay who is a local government public safety employee, an officer
6 of the Pennsylvania State Police or an enforcement officer
7 shall, upon compliance with section 5907(k), be entitled to a
8 disability annuity if he becomes mentally or physically
9 incapable of continuing to perform the duties for which he is
10 employed and qualifies in accordance with the provisions of
11 section 5905(c)(1) (relating to duties of the [board] boards
12 regarding applications and elections of members).

13 § 5308.1. Eligibility for special early retirement.

14 Notwithstanding any provisions of this title to the contrary,
15 the following special early retirement provisions shall be
16 applicable to specified eligible members who are State employees
17 as follows:

18 (1) During the period of July 1, 1985, to September 30,
19 1991, an active member who is a State employee and who has
20 attained the age of at least 53 years and has accrued at
21 least 30 eligibility points shall be entitled, upon
22 termination of State service and compliance with section
23 5907(f) (relating to rights and duties of [State] government
24 employees and members), to receive a maximum single life
25 annuity calculated under section 5702 (relating to maximum
26 single life annuity) without a reduction by virtue of an
27 effective date of retirement which is under the
28 superannuation age.

29 (2) During the period of July 1, 1985, to September 30,
30 1991, an active member who is a State employee and has

1 attained the age of at least 50 years but not greater than 53
2 years and has accrued at least 30 eligibility points shall be
3 entitled, upon termination of State service and compliance
4 with section 5907(f), to receive a maximum single life
5 annuity calculated under section 5702 with a reduction by
6 virtue of an effective date of retirement which is under the
7 superannuation age of a percentage factor which shall be
8 determined by multiplying the number of months, including a
9 fraction of a month as a full month, by which the effective
10 date of retirement precedes the attainment of age 53 by
11 0.25%.

12 (3) During the period of October 1, 1991, to June 30,
13 1993, a member who is a State employee and has credit for at
14 least 30 eligibility points shall be entitled, upon
15 termination of service and filing of a proper application, to
16 receive a maximum single life annuity calculated pursuant to
17 section 5702 without any reduction by virtue of an effective
18 date of retirement which is under the superannuation age.

19 (4) During the period of July 1, 1993, to July 1, 1997,
20 a member who is a State employee and has credit for at least
21 30 eligibility points shall be entitled, upon termination of
22 service and filing of a proper application, to receive a
23 maximum single life annuity calculated pursuant to section
24 5702 without any reduction by virtue of an effective date of
25 retirement which is under the superannuation age.

26 § 5309. Eligibility for vesting.

27 Any member who terminates [State] government service with ten
28 or more eligibility points shall be eligible until attainment of
29 superannuation age to vest his retirement benefits.

30 Section 6. Title 71 is amended by adding a chapter to read:

CHAPTER 54

LOCAL GOVERNMENT RETIREMENT

Subchapter

A. Local Government Employee Retirement Benefits

B. Revision and Continuation of Intergovernmental Revenue

C. Supplemental Local Government Benefit Accumulation Plan

SUBCHAPTER A

LOCAL GOVERNMENT EMPLOYEE RETIREMENT BENEFITS

Sec.

5401. Provision of local government employee retirement benefits.

5402. Establishment of local government employee retirement systems restricted.

5403. Continuation of existing local government employee retirement systems.

5404. Application for participation required.

5405. Designation of class of service multiplier.

5406. Optional transfer of members and beneficiaries.

5407. Optional election of membership for certain existing employees.

5408. Service credit for prior government service.

5409. Board actions preceding transfer of members and beneficiaries to the local government employee retirement system.

5410. Provision of retirement benefits for part-time local government employees.

§ 5401. Provision of local government employee retirement benefits.

(a) General rule.--After December 31, 1996, a local government shall not provide retirement benefits to its local

1 government employees except as provided in this part.

2 (b) Definition.--As used in this section, the term
3 "retirement benefits" means an annuity, pension, health or
4 welfare benefit, insurance coverage, retirement allowance or
5 other retirement benefit provided to an annuitant or beneficiary
6 after the retirement of the annuitant except benefits provided
7 through participation in a postemployment hospital, medical,
8 surgical or major medical insurance program or a deferred
9 compensation program under sections 8.1 or 8.2 and 8.3 of the
10 act of March 30, 1811 (P.L. 145, No. 99), entitled "An act to
11 amend and consolidate the several acts relating to the
12 settlement of the public accounts and the payment of the public
13 monies, and for other purposes," or section 457 of the Internal
14 Revenue Code of 1986 (Public Law 99-154, 26 U.S.C. § 457).

15 § 5402. Establishment of local government employee retirement
16 systems restricted.

17 (a) Establishment of new retirement systems for full-time
18 local government employees prohibited.--After December 31, 1996,
19 a local government shall not establish a retirement or pension
20 fund, plan or system for its full-time employees except through
21 participation in the system as provided by this part.

22 (b) Establishment of retirement systems for part-time local
23 government employees restricted.--After December 31, 1996, a
24 local government shall not establish any retirement or pension
25 fund, plan or system for its part-time employees except through
26 the establishment of simplified employee pension individual
27 retirement accounts as provided under section 5410 (relating to
28 provision of retirement benefits for part-time local government
29 employees).

30 (c) Effective date for new retirement systems.--If a local

1 government establishes a retirement or pension fund, plan or
2 system after December 31, 1996, the local government shall
3 establish the retirement or pension fund, plan or system only as
4 of January 1 of the year in which the resolution or ordinance
5 creating the fund, plan or system is passed in final form.

6 § 5403. Continuation of existing local government employee
7 retirement systems.

8 A local government employee retirement system established and
9 maintained by a local government and created before January 1,
10 1997, may continue to operate until all its members and
11 beneficiaries have been transferred into the system under the
12 terms and conditions set forth in section 5406 (relating to
13 optional transfer of members and beneficiaries) or until it has
14 no members or beneficiaries representing actual or potential
15 liabilities, whichever occurs earlier. Upon the occurrence of
16 either circumstance, the local government employee retirement
17 system shall be terminated under section 5406(d).

18 § 5404. Application for participation required.

19 (a) Submission of application for participation.--After
20 December 31, 1996, a local government shall submit an
21 application for participation in the system no later than 15
22 days after the employment of a local government employee unless
23 no retirement system exists for previously hired employees of
24 the applicable type and the local government has no plans to
25 provide retirement benefits for employees of the applicable
26 type. Local governments shall submit separate applications for
27 participation for firefighters, nonuniformed employees and
28 police officers. Where a local government declines to submit an
29 application for participation under the provision of this
30 section and subsequently elects to provide retirement benefits

1 for employees of the applicable type, the local government shall
2 submit an application for participation in the system to be
3 effective on the following January 1 on a prospective basis for
4 all employees of the applicable type who were employed after
5 December 31, 1996.

6 (b) Designation of class of service multiplier.--Each
7 application for participation submitted by a local government
8 under this section shall designate the class of service
9 multiplier to be applied to the employees of the type specified
10 in the application for participation. A local government may
11 designate a higher class of service multiplier for the
12 applicable type of employee on any subsequent January 1 by
13 submitting a revised application for participation.

14 (c) Specification of procedures.--Local governments shall
15 adhere to the procedures adopted by the Local Government
16 Employees' Retirement Board regarding the content and submission
17 of applications for participation in the system.

18 § 5405. Designation of class of service multiplier.

19 (a) Local government employee retirement system with defined
20 benefits exists.--When a local government employee retirement
21 system for the firefighters, nonuniformed employees or police
22 officers of a local government exists on December 31, 1996, the
23 local government shall designate the class of service multiplier
24 as follows:

25 (1) If the local government transfers the members and
26 beneficiaries of a local government employee system to the
27 system under section 5406 (relating to optional transfer of
28 member and beneficiaries), the local government shall
29 designate a class of service multiplier in the system for the
30 transferred members and beneficiaries and for employees

1 entering local government service as firefighters,
2 nonuniformed employees or police officers after December 31,
3 1996, that provides aggregate benefits not less than those
4 provided under the local government employee retirement
5 system as determined under subsection (d), except as provided
6 in paragraph (3).

7 (2) If the local government does not transfer the
8 members and beneficiaries of a local government employee
9 retirement system to the system under section 5406, the local
10 government may designate any class of service multiplier in
11 the system for employees entering local government service as
12 firefighters, nonuniformed employees or police officers after
13 December 31, 1996, unless a collective bargaining agreement,
14 mediation agreement or arbitration award between the local
15 government and its employees in that particular group or
16 their collective bargaining representatives restricts the
17 class of service multiplier that may be designated for
18 employees entering local government service after December
19 31, 1996, in that particular group.

20 (3) If the aggregate benefits provided under the local
21 government employee retirement system exceed the highest
22 applicable class of service multiplier for firefighters,
23 nonuniformed employees or police officers, the local
24 government shall designate the highest applicable class of
25 service multiplier in the system for employees entering local
26 government service in that particular group of employees
27 after December 31, 1996 and for any members and beneficiaries
28 in that particular group transferred to the system under
29 section 5406.

30 (b) No local government employee retirement system or a

1 local government employee retirement system without defined
2 benefits exists.--When a local government employee retirement
3 system for the firefighters, nonuniformed employees or police
4 officers of a local government has no defined benefits or does
5 not exist on December 31, 1996:

6 (1) The local government may designate any of the four
7 class of service multipliers in the system for employees
8 entering local government service in the particular group
9 after December 31, 1996.

10 (2) If individuals who are active, full-time employees
11 of the local government in that particular group on December
12 31, 1996, later become members of the system as employees in
13 that particular group of that local government, the local
14 government shall designate the same class of service
15 multiplier in the system for those employees as it designated
16 for employees entering local government service in that
17 particular group after December 31, 1996, under paragraph
18 (1).

19 (c) Subsequent modification of designation of class of
20 service multiplier.--After the designation of a class of service
21 multiplier under subsection (a) or (b), a local government may
22 designate a higher class of service multiplier for that
23 particular group effective on any subsequent January 1, subject
24 to any collective bargaining agreement, mediation agreement or
25 arbitration award between the local government and its employees
26 in that particular group or their collective bargaining
27 representatives, provided that the local government agrees to
28 pay an amount equal to the increase in the actuarial accrued
29 liability over not more than a 20-year period based on a level
30 dollar amortization schedule. The amortization payments so

1 incurred shall be added to the employer contributions of the
2 individual local government determined under section 5508(a.1)
3 (relating to actuarial cost method).

4 (d) Benefit structure.--Before the January 1 transfer date
5 of full-time local government employees under subsection (a)(1),
6 the Local Government Employees' Retirement Board shall cause the
7 actuary of the system to value both the benefit structure of the
8 local government employee retirement system and the benefit
9 structure of the system using the system's standard methodology
10 and the demographic data for the prospective members to
11 determine actuarial present value of future benefits under each
12 system. The resulting values shall determine the lowest class of
13 service multiplier that may be designated by the local
14 government.

15 § 5406. Optional transfer of members and beneficiaries.

16 (a) Optional transfer of members and beneficiaries
17 permitted.--On any January 1 after December 31, 1997, a local
18 government may transfer all of the members and beneficiaries of
19 one or more of its local government employee retirement systems
20 to the system under the conditions provided in subsections (b)
21 and (c).

22 (b) Conditions for optional transfer.--The optional transfer
23 of members and beneficiaries of a local government employee
24 retirement system shall require, among other conditions, all of
25 the following:

26 (1) approval by two-thirds majority of active members of
27 the local government employee retirement system in an
28 election conducted by the Local Government Employees'
29 Retirement Board;

30 (2) a duly passed resolution of the governing body of

1 the local government under which the local government
2 employee retirement system is operating declaring the
3 governing body's desire and intent to transfer all of the
4 members and beneficiaries to and to participate in the
5 system;

6 (3) prepayment to the Local Government Employees'
7 Retirement Fund by the local government of the amount equal
8 to the actuarial accrued liabilities attributable to the
9 members and beneficiaries of the local government employee
10 retirement system on the January 1 the transfer is effective
11 as determined by the actuary;

12 (4) agreement by the local government to pay to the
13 Local Government Employees' Retirement Fund the pickup
14 contributions and employer contributions under Chapter 55
15 (relating to contributions); and

16 (5) approval by the Local Government Employees'
17 Retirement Board of an application for transfer of the
18 members and beneficiaries to and participation of the local
19 government and its full-time employees in the system.

20 (c) Six months limitation of time for civil actions and
21 proceedings.--

22 (1) A civil action or proceeding at law or in equity
23 seeking to prohibit or rescind the optional transfer to or
24 subsequent participation in the system of one or more members
25 or beneficiaries of the local government employee retirement
26 system shall be commenced within 6 months of the January 1
27 the transfer is to be or was effective.

28 (2) If, as a result of a civil action or proceeding, the
29 transfer to or participation in the system of one or more
30 members or beneficiaries of the local government employee

1 retirement system is prohibited or rescinded before the
2 January 1 the transfer is to be effective, the transfer to
3 and participation in the system by all members and
4 beneficiaries of the local government employee retirement
5 system shall not occur.

6 (3) If, as a result of a civil action or proceeding, the
7 transfer to or participation in the system of one or more
8 members or beneficiaries of the local government employee
9 retirement system is prohibited or rescinded on or after the
10 January 1 the transfer was effective, the transfer to and
11 participation in the system by all members and beneficiaries
12 of the local government employee retirement system shall be
13 permanently rescinded and the assets transferred and
14 contributed by the local government and the members of the
15 local government employee retirement system shall be refunded
16 with statutory interest to the public employee pension trust
17 fund of the local government employee retirement system.

18 (4) If a civil action or proceeding at law or in equity
19 seeking to prohibit or rescind the optional transfer to or
20 subsequent participation in the system of one or more members
21 or beneficiaries of a local government employee retirement
22 system is not commenced within six months of the January 1
23 the transfer is effective, any civil action or proceeding
24 commenced against the local government, the local government
25 employee retirement system, the system, the Commonwealth or
26 their officers or employees shall be dismissed and the person
27 to whom any such cause of action accrued for any injury shall
28 be forever barred from proceeding further thereon within this
29 Commonwealth or elsewhere. As used in this paragraph, the
30 word "commenced" shall have the meaning given it under 42

1 Pa.C.S. § 5503 (relating to commencement of matters).

2 (d) Termination of local government employee retirement
3 system and reversion of assets.--After the local government
4 employee retirement system has paid the amount required under
5 subsection (b)(3) and transferred all its members and
6 beneficiaries to the system, the local government employee
7 retirement system shall pay any remaining liabilities, pay the
8 remaining fund balance to the local government and be
9 terminated. The local government shall use the moneys received
10 under this subsection for making future employer contributions
11 to the Local Government Employees' Retirement Fund under section
12 5507 (relating to contributions by the Commonwealth and other
13 employers).

14 § 5407. Optional election of membership for certain existing
15 employees.

16 (a) Optional election of membership for certain existing
17 employees permitted.--On any January 1 after December 31, 1997,
18 a local government may elect membership in the system for all of
19 its full-time employees of a particular group who on December
20 31, 1996, were active, full-time employees of the local
21 government and were not members of the local government's local
22 government employee retirement system.

23 (b) Conditions for optional election of membership.--The
24 optional election of membership in the system by a local
25 government for all the full-time employees of a particular group
26 shall require, among other conditions, all of the following:

27 (1) a duly passed resolution of the governing body of
28 the local government declaring the governing body's desire
29 and intent to elect membership in the system for all of the
30 affected employees;

1 (2) designation of the class of service multiplier for
2 that particular group of employees under section 5405(b)
3 (relating to designation of class of service multiplier);

4 (3) prepayment to the Local Government Employees'
5 Retirement Fund by the local government of the amount equal
6 to the actuarial accrued liabilities attributable to the
7 employees on the January 1 the transfer is effective as
8 determined by the actuary;

9 (4) agreement by the local government to pay to the
10 Local Government Employees' Retirement Fund the pickup
11 contributions and employer contributions under Chapter 55
12 (relating to contributions); and

13 (5) approval by the Local Government Employees'
14 Retirement Board of an application for participation of the
15 local government and its full-time employees in the system.
16 The Local Government Employees' Retirement Board may
17 establish any other conditions as it deems appropriate.

18 § 5408. Service credit for prior government service.

19 (a) New local government employees.--A full-time local
20 government employee who enters local government service and
21 joins the system after December 31, 1996, shall only receive
22 service credit in the system for local government service from
23 the date of membership in the system.

24 (b) Existing local government employee retirement system
25 members.--A full-time local government employee whose retirement
26 membership is transferred from a local government employee
27 retirement system to the system under section 5406 (relating to
28 optional transfer of members and beneficiaries) shall only
29 receive service credit in the system for the service credit the
30 employee had in the local government employee retirement system

1 on the date of transfer.

2 (c) Existing local government employees not members of a
3 local government employee retirement system.--A local government
4 electing membership in the system under section 5407 (relating
5 to optional election of membership for certain existing
6 employees) for a particular group of employees may permit
7 members of the particular group to receive service credit in the
8 system only for the full-time local government service the
9 employees had with the local government on the December 31
10 immediately before joining the system, provided the local
11 government prepays the Local Government Employees' Retirement
12 Fund the amount of the resulting actuarial accrued liabilities
13 as required under section 5406(b)(3) (relating to optional
14 transfer of members and beneficiaries).

15 § 5409. Board actions preceding transfer of members and
16 beneficiaries to the local government employee
17 retirement system.

18 Before the January 1 transfer date of members and
19 beneficiaries of the local government employee retirement system
20 under section 5406 (relating to optional transfer of members and
21 beneficiaries) or local government employees under section 5407
22 (relating to optional election of membership for certain
23 existing employees), the Local Government Employees' Retirement
24 Board shall:

25 (1) Cause its actuary to value the actuarial accrued
26 liabilities that are attributable to members and
27 beneficiaries to be transferred as of the transfer date.

28 (2) Determine the amount of accumulated member
29 contributions and interest for each active member, together
30 with statutory interest during all periods of subsequent

1 local government service to the date of transfer and credit
2 the resulting amounts to the members' savings account of the
3 Local Government Employees' Retirement Fund on the transfer
4 date.

5 § 5410. Provision of retirement benefits for part-time local
6 government employees.

7 (a) Establishment of simplified employee pension individual
8 retirement account plans for part-time employees permitted.--A
9 local government may establish eligible simplified employee
10 pension individual retirement account plans under section 408 of
11 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
12 § 408) for its part-time local government employees.

13 (b) Administration by governing body.--Any simplified
14 employee pension individual retirement account plans established
15 for the part-time local government employees of a local
16 government shall be established and administered by the
17 governing body of the local government and shall provide for
18 contributions by the local government to be specified as a
19 uniform percentage of compensation.

20 (c) Definitions.--The following words and phrases when in
21 this section shall have, unless the context clearly indicates
22 otherwise, the meanings given to them in this subsection:

23 "Compensation." Remuneration actually received as a local
24 government employee, excluding refunds for expenses, contingency
25 and accountable expense allowances and severance payments or
26 payments for unused vacation or sick leave.

27 "Part-time local government employee." Any individual
28 employed and compensated for less than 1,650 hours of employment
29 for each nonoverlapping period of 12 consecutive months, 26
30 consecutive biweekly pay periods or 52 consecutive weekly pay

1 periods. The term shall not mean an independent contractor or
2 any individual compensated on a fee or commission basis.

3 SUBCHAPTER B

4 REVISION AND CONTINUATION OF INTERGOVERNMENTAL REVENUE

5 Sec.

6 5421. Revision of general municipal pension system State aid
7 program.

8 § 5421. Revision of general municipal pension system State aid
9 program.

10 (a) Maximum allocation.--Notwithstanding the provisions of
11 section 402(e)(5) of the act of December 18, 1984 (P.L.1005,
12 No.205), known as the Municipal Pension Plan Funding Standard
13 and Recovery Act, each eligible municipality participating in
14 the distribution of general municipal pension system State aid
15 under Chapter 4 of the Municipal Pension Plan Funding Standard
16 and Recovery Act during calendar year 1986 and thereafter whose
17 allocation is capped at the aggregate actual employer financial
18 requirements of its employee pension plans under section
19 402(f)(2) of the Municipal Pension Plan Funding Standard and
20 Recovery Act shall be entitled to receive an allocation equal to
21 the lesser of its allocation of general municipal pension system
22 State aid calculated under section 402(e)(5)(ii) of the
23 Municipal Pension Plan Funding Standard and Recovery Act or its
24 State aid stabilization amount. The State aid stabilization
25 amount for each eligible municipality shall be determined on a
26 pension plan by pension plan basis by applying the employer
27 pension costs, expressed as a percentage of payroll and reported
28 under the Municipal Pension Plan Funding Standard and Recovery
29 Act in the actuarial valuation reports prepared as of the plan
30 year commencing in 1995, to the respective payrolls used in

1 calculating the allocation under section 402(e)(5) of the
2 Municipal Pension Plan Funding Standard and Recovery Act for the
3 current year and then adding the resulting employer costs for
4 all of the pension plans of the municipality. For pension plans
5 initiated after 1995, the State aid stabilization amount shall
6 be determined using the percentage of payroll cost reported in
7 the initial actuarial valuation report filed with the Public
8 Employee Retirement Commission.

9 (b) Use of allocation in excess of costs.--Notwithstanding
10 the provisions of section 402(g) of the Municipal Pension Plan
11 Funding Standard and Recovery Act, an eligible municipality that
12 receives an allocation of general municipal pension system State
13 aid determined by its State aid stabilization amount under this
14 section shall use the general municipal pension system State aid
15 in excess of its aggregate employer pension costs to offset the
16 costs of employee benefits other than pension or retirement
17 benefits. The Department of the Auditor General shall determine
18 the aggregate employer pension costs to be applied in the
19 administration of this subsection in conjunction with its
20 administration of section 402(f)(2) of the Municipal Pension
21 Plan Funding Standard and Recovery Act, and shall issue two
22 warrants for each affected municipality under section 402(i) of
23 the Municipal Pension Plan Funding Standard and Recovery Act
24 representing the municipality's annual allocation of general
25 municipal pension system State aid comprised of:

26 (1) the portion determined under section 402(f)(2) of
27 the Municipal Pension Plan Funding Standard and Recovery Act
28 to be equal to the amount of the aggregate employer pension
29 costs that shall be used under section 402(g) of the
30 Municipal Pension Plan Funding Standard and Recovery Act; and

1 (2) the portion determined under subsection (a) to be
2 equal to the amount in excess of the aggregate employer
3 pension costs that shall be used under the provisions of this
4 subsection.

5 Within 15 days of receipt, the portion of a municipality's
6 annual allocation of general municipal pension system State aid
7 that represents the amount in excess of its aggregate employer
8 pension costs shall be deposited in a restricted revenue account
9 of the general fund of the municipality. The moneys deposited in
10 the restricted revenue account shall be expended only for the
11 provision of nonpension employee benefits before December 31 of
12 the year in which they are received. All or any fractional part
13 of the portion of a municipality's annual allocation of general
14 municipal pension system State aid that represents the amount in
15 excess of its aggregate employer pension costs that is not
16 expended under the provisions of this subsection shall be
17 recouped by the Department of the Auditor General and
18 redistributed in the following year. For the purposes of this
19 subsection, the term "expended" may include a direct expenditure
20 or a reimbursement transaction to credit other accounts for
21 expenses incurred in the provision of nonpension employee
22 benefits within the portion of the calendar year elapsing prior
23 to the receipt of the general municipal pension system State
24 aid.

25 (c) Construction of section.--Nothing in this section shall
26 be construed to repeal any of the provisions of Chapters 5 and 6
27 of the Municipal Pension Plan Funding Standard and Recovery Act.

28 (d) Definition.--As used in this section, the terms
29 "municipality," "pension plan" and "plan year" have the meanings
30 given such terms by section 102 of the act of December 18, 1984

1 (P.L.1005, No.205), known as the Municipal Pension Plan Funding
2 Standard and Recovery Act.

3 SUBCHAPTER C

4 SUPPLEMENTAL LOCAL GOVERNMENT BENEFIT

5 ACCUMULATION PLAN

6 Sec.

7 5441. Definitions.

8 5442. Supplemental local government retirement benefit
9 accumulation plan.

10 5443. Contributions.

11 5444. Contributions taxable.

12 5445. Losses, expenses and obligations.

13 5446. Prompt investment.

14 5447. No assignment or alienation.

15 5448. Withdrawals.

16 5449. Eligible individual members.

17 5450. Qualified fund managers; payment of commissions.

18 5451. Eligibility for vesting.

19 5452. Benefits.

20 § 5441. Definitions.

21 The following words and phrases when used in this subchapter
22 shall have the meanings given to them in this section unless the
23 context clearly indicates otherwise:

24 "Compensation." Remuneration actually received as a local
25 government employee excluding refunds for expenses, contingency
26 and accountable expense allowances and severance payments or
27 payments for unused vacation or sick leave.

28 "Employee group." All the full-time employees of a local
29 government classified either as firefighters, nonuniformed
30 employees or police officers.

1 § 5442. Supplemental local government retirement benefit
2 accumulation plan.

3 (a) Establishment.--The Local Government Employees'
4 Retirement Board shall establish and administer a supplemental
5 local government retirement benefit accumulation plan that
6 provides for the maintenance of individual accounts for eligible
7 members who are employed by a participating local government.

8 (b) Powers and duties of the board.--In order to establish
9 and administer the supplemental local government retirement
10 benefit accumulation plan, the powers and duties of the Local
11 Government Employees' Retirement Board shall include, but not be
12 limited to:

13 (1) Entering into written agreements with one or more
14 financial or other organizations to administer the
15 supplemental local government retirement benefit accumulation
16 plan and to invest funds contributed under the plan. Any
17 written agreement and supplemental local government
18 retirement benefit accumulation plan shall conform with the
19 provisions of the Internal Revenue Code of 1986 (Public law
20 99-514, 26 U.S.C. § 1 et seq.).

21 (2) Annually reviewing all plan and fund managers for
22 the purpose of making certain they continue to meet all
23 performance standards and criteria as may be established by
24 the board.

25 (c) Rules and regulations.--In addition to the powers and
26 duties enumerated in subsection (b), the board also may
27 promulgate rules and regulations relating to the following:

28 (1) Establishing procedures whereby local governments
29 may elect or agree to participate in the plan for all the
30 individual members in any or all of its employee groups,

1 whereby local governments specify for each employee group the
2 uniform percentage of compensation to be contributed by the
3 member and the local government, whereby participating
4 individual members may elect or change their choices of
5 managers and investments on a quarterly basis, and whereby
6 participating local governments may elect to cease
7 participation at any time subject to collective bargaining
8 agreements or arbitration awards.

9 (2) Establishing standards and criteria for the
10 selection by the board of financial institutions, insurance
11 companies or other organizations that may be qualified as
12 managers of the plan and funds contributed under the plan.

13 (3) Establishing standards and criteria for the
14 provision of investment options to individual members and for
15 the disclosure of the options to the individual members.

16 (4) Establishing standards and criteria for the
17 disclosure to participating individual members of the
18 anticipated and actual income on their accounts and all fees,
19 costs and charges to be made against the contributed amounts
20 to cover the costs of administration and fund management.

21 § 5443. Contributions.

22 The contributions to the supplemental local government
23 retirement benefit accumulation plan for each employee group
24 shall be expressed and implemented as a uniform percentage of
25 compensation. The specified contributions shall be deducted from
26 the compensation of participating individual members and matched
27 by the local government. The contributions of a local government
28 to the supplemental local government retirement benefit
29 accumulation plan shall not be included in the financial
30 requirements of the local government that are certified by the

1 system for use in the allocation of general municipal pension
2 system State aid.

3 § 5444. Contributions taxable.

4 All amounts contributed under the supplemental local
5 government retirement benefit accumulation plan shall constitute
6 taxable income for purposes of the act of March 4, 1971 (P.L.6,
7 No.2), known as the Tax Reform Code of 1971, and shall
8 constitute taxable income for State and local earned income
9 taxes.

10 § 5445. Losses, expenses and obligations.

11 Neither the Commonwealth, the Local Government Employees'
12 Retirement Board nor any local government shall be responsible
13 for any investment loss incurred in the plan or for the failure
14 of any investment to earn any specific or expected return or to
15 earn as much as any other investment opportunity, whether such
16 other investment opportunity was offered to participants in the
17 plan. The expenses arising from allowing individual members to
18 elect to participate in the supplemental local government
19 retirement benefit accumulation plan, to choose a fund manager,
20 to deduct from compensation amounts contributed under a plan and
21 to transfer to the fund manager amounts to be contributed shall
22 be borne by the participating local government. All other
23 expenses arising from the administration of the supplemental
24 local government retirement benefit accumulation plan shall be
25 assessed against the accounts created on behalf of participating
26 individual members either by the fund managers or by the board.
27 The obligation of the local government employee shall be a
28 contractual obligation only with no preferred or special
29 interest in contributed funds to such employee.

30 § 5446. Prompt investment.

1 Investment of contributed funds by any corporation,
2 institution, insurance company or custodial bank that the Local
3 Government Employees' Retirement Board has approved shall not be
4 unreasonably delayed and in no case shall the investment of
5 contributed funds be delayed more than 30 days from the date
6 that the payroll deductions or local government contributions
7 are received by the system to the date that funds are invested.
8 Any interest earned on such funds pending investment shall be
9 allocated to the Local Government Employees' Retirement Board
10 and credited to the accounts of individual members who are then
11 participating in the plan unless such interest is used to defray
12 administrative costs and fees that would otherwise be required
13 to be borne by individual members who are then participating in
14 the plan.

15 § 5447. No assignment or alienation.

16 Except as provided in section 5953 (relating to taxation,
17 attachment and assignment of funds), no participating member or
18 beneficiary shall have the right to commute, sell, assign or
19 otherwise transfer or convey the rights to receive any payments
20 under agreements entered into under this section, and such
21 payments and rights are expressly declared to be nonassignable
22 and nontransferable.

23 § 5448. Withdrawals.

24 A participating individual member may withdraw from the
25 agreement in accordance with the plan by notice, in writing,
26 signed by the member and chief administrative officer of the
27 local government. Such withdrawal shall discontinue future
28 withholdings from the individual member's compensation by the
29 local government and future contributions by the local
30 government, but shall not operate to withdraw any funds

1 theretofore contributed, except as provided under section 5452
2 (relating to benefits).

3 § 5449. Eligible individual members.

4 Every full-time employee of a local government who, upon the
5 effective date of the local government's participation in the
6 plan, either is in office or employed by the local government
7 shall immediately be eligible for participation in the
8 supplemental local government retirement benefit accumulation
9 plan. Thereafter, every full-time employee of a local government
10 shall become eligible upon employment by a participating local
11 government.

12 § 5450. Qualified fund managers; payment of commissions.

13 For the purposes of this subchapter only, notwithstanding the
14 provisions of the act of April 9, 1929 (P.L.177, No.175), known
15 as The Administrative Code of 1929, or the act of September 26,
16 1961 (P.L.1661, No.692), known as the State Employees Group Life
17 Insurance Law, insurance companies selected as qualified fund
18 managers by eligible individual members may pay commissions to
19 agents or brokers licensed to transact business in this
20 Commonwealth in accordance with their standard practice followed
21 in other similar plans as if the premium had been paid by such
22 eligible individual member.

23 § 5451. Eligibility for vesting.

24 Any participant who terminates local government service with
25 ten or more eligibility points shall be eligible until
26 attainment of superannuation age to vest his supplemental local
27 government benefit accumulation plan benefits.

28 § 5452. Benefits.

29 A participating individual member shall receive the total
30 account value of his individual account in a lump sum upon

1 termination of service or retirement unless the individual
2 member elects to vest his benefits under section 5451 (relating
3 to eligibility for vesting).

4 Section 7. Sections 5504 heading and (a), 5505(c) and (e),
5 5506, 5507, 5508 and 5509 of Title 71 are amended to read:

6 § 5504. Member contributions for the purchase of credit for
7 previous [State] government service or to
8 become a full coverage member.

9 (a) Amount of contributions.--The contributions to be paid
10 by an active member or eligible school employee for credit for
11 total previous [State] government service or to become a full
12 coverage member shall be sufficient to provide an amount equal
13 to the regular and additional accumulated deductions which would
14 have been standing to the credit of the member for such service
15 had regular and additional member contributions been made with
16 full coverage in the class of service and at the rate of
17 contribution applicable during such period of previous service
18 and had his regular and additional accumulated deductions been
19 credited with statutory interest during all periods of
20 subsequent [State] government and school service up to the date
21 of purchase.

22 * * *

23 § 5505. Contributions for the purchase of credit for creditable
24 nonstate service.

25 * * *

26 (c) Intervening military service.--Contributions on account
27 of credit for intervening military service shall be determined
28 by the member's contribution rate, the additional contribution
29 rate which shall be applied only to those members who began
30 service on or after the effective date of this amendatory act

1 and compensation at the time of entry of the member into active
2 military service, together with statutory interest during all
3 periods of subsequent [State] government and school service to
4 date of purchase. Upon application for such credit the amount
5 due shall be certified in the case of each member by the board
6 in accordance with methods approved by the actuary, and
7 contributions may be made by:

8 (1) regular monthly payments during active military
9 service; or

10 (2) a lump sum payment within 30 days of certification;
11 or

12 (3) salary deductions in amounts agreed upon by the
13 member and the board.

14 * * *

15 (e) Philadelphia magisterial service.--Contributions on
16 account of credit for service as a magistrate of the City of
17 Philadelphia shall be determined by the board to be equal to the
18 amount he would have paid as employee contributions together
19 with statutory interest to date of purchase had he been a State
20 employee during his period of service as a magistrate of the
21 City of Philadelphia. The amount so determined by the State
22 Employees' Retirement Board or the Local Government Employees'
23 Retirement Board to be paid into the [State] Government
24 Employees' Retirement System shall be the obligation of the
25 judge who requested credit for previous service as a magistrate
26 of the City of Philadelphia; in no event shall such amount be an
27 obligation of the City of Philadelphia or the City of
28 Philadelphia retirement system.

29 * * *

30 § 5506. Incomplete payments.

1 In the event that a member terminates [State] government
2 service before the agreed upon payments for credit for previous
3 [State] government service, creditable nonstate service, social
4 security integration, or full coverage membership have been
5 completed, the member shall have the right to pay within 30 days
6 of termination of [State] government service the balance due,
7 including interest, in a lump sum and the annuity shall be
8 calculated including full credit for the previous [State]
9 government service, creditable nonstate service, [social
10 security] Social Security integration, or full coverage
11 membership. In the event a member does not pay the balance due
12 within 30 days of termination of [State] government service or
13 in the event a member dies in [State] government service or
14 within 30 days of termination of [State] government service and
15 before the agreed upon payments have been completed, the present
16 value of the benefit otherwise payable shall be reduced by the
17 balance due, including interest, and the benefit payable shall
18 be calculated as the actuarial equivalent of such reduced
19 present value.

20 § 5507. Contributions by the Commonwealth and other employers.

21 (a) Contributions on behalf of active members.--The
22 Commonwealth and other employers whose employees are members of
23 the system shall make contributions to the fund on behalf of all
24 active members in such amounts as shall be certified by the
25 board as necessary to provide, together with the members' total
26 accumulated deductions, annuity reserves on account of
27 prospective annuities other than those provided in section 5708
28 (relating to supplemental annuities) in accordance with the
29 actuarial cost method provided in section 5508(a), (a.1), (b),
30 (c), (d) and (f) (relating to actuarial cost method).

(b) Contributions on behalf of annuitants.--The Commonwealth shall make contributions on behalf of annuitants in such amounts as shall be certified by the board as necessary to fund the liabilities for supplemental annuities in accordance with the actuarial cost method provided in sections 5508(e) (relating to actuarial cost method), 5708.3(f) (relating to supplemental annuities commencing 1994) and 5708.5(f) (relating to supplemental annuities commencing 1998).

§ 5508. Actuarial cost method.

(a) Employer contribution rate on behalf of active members in State service.--The amount of the Commonwealth and other employer contributions on behalf of all active members in State service shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the [board] State Employees' Retirement Board. The total employer contribution rate on behalf of all active members in State service shall consist of the employer normal contribution rate, as defined in subsection (b), and the accrued liability contribution rate as defined in subsection (c). The total employer contribution rate for the Commonwealth and other employers, except for local governments, shall be modified by the experience adjustment factor as calculated in subsection (f) but in no case shall it be less than zero.

(a.1) Employer contribution rate on behalf of active members in local government service.--The amount of the local government employer contributions on behalf of all active members in local government service shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall

1 be so certified by the Local Government Employees' Retirement
2 Board. The total employer contribution rate on behalf of all
3 active members in local government service shall consist of the
4 employer normal contribution rate, as defined in subsection (b)
5 and the accrued liability contribution rate as defined in
6 subsection (c). The total employer contribution rate for local
7 governments shall be modified by the experience adjustment
8 factor as calculated in subsection (f) for amortization payments
9 beginning after December 31, 1996, but in no case shall it be
10 less than zero.

11 (b) Employer normal contribution [rate] rates.--The employer
12 normal contribution [rate] rates shall be determined after each
13 actuarial valuation on the basis of an annual interest rate and
14 such mortality and other tables as shall be adopted by the
15 [board] boards in accordance with generally accepted actuarial
16 principles. The employer normal contribution [rate] rates shall
17 be determined as a level percentage of the compensation of the
18 average [new] active member, which percentage, if contributed on
19 the basis of his [prospective] compensation through his entire
20 period of active [State] government service, would be sufficient
21 to fund the liability for any prospective benefit payable to
22 him, except for the supplemental benefits provided for in
23 sections 5708 (relating to supplemental annuities), 5708.1
24 (relating to additional supplemental annuities), 5708.2
25 (relating to further additional supplemental annuities) and
26 5708.3 (relating to supplemental annuities commencing 1994), in
27 excess of that portion funded by his [prospective] member
28 contributions.

29 (c) Accrued liability contribution rate.--For the fiscal
30 year beginning July 1, 1991, the accrued liability contribution

1 rate shall be computed as the rate of total compensation of all
2 active members which shall be certified by the actuary as
3 sufficient to fund over a period of 20 years from July 1, 1991,
4 the present value of the liabilities for all prospective
5 benefits, except for the supplemental benefits as provided in
6 sections 5708, 5708.1, 5708.2 and 5708.3, in excess of the total
7 assets in the fund (calculated recognizing all investment gains
8 and losses over a five-year period), excluding the balance in
9 the supplemental annuity account, and the present value of
10 employer normal contributions and of member contributions
11 payable with respect to all active members on July 1, 1991. The
12 amount of each annual accrued liability contribution shall be 5%
13 greater than the amount of such contribution for the previous
14 fiscal year, except that, if the accrued liability is increased
15 by legislation enacted subsequent to July 1, 1991, such
16 additional liability shall be funded over a period of 20 years
17 from the first day of July, coincident with or next following
18 the effective date of the increase, provided that the liability
19 for any additional benefits created by this act shall be funded
20 over a period of 20 years commencing July 1, 1992. The amount of
21 each annual accrued liability contribution for such additional
22 legislative liabilities shall be 5% greater than the amount of
23 such contribution for the previous fiscal year.

24 (d) Special provisions on calculating contributions.--In
25 calculating the contributions required by subsections (a), (b)
26 and (c), the active members of Class C shall be considered to be
27 members of Class A. In addition, the actuary shall determine the
28 Commonwealth or other employer contributions required for active
29 members of Class C and officers of the Pennsylvania State Police
30 and enforcement officers and investigators of the Pennsylvania

1 Liquor Control Board who are members of Class A to finance their
2 benefits in excess of those to which other members of Class A
3 are entitled. Such additional contributions shall be determined
4 separately for officers and employees of the Pennsylvania State
5 Police and for enforcement officers and investigators of the
6 Pennsylvania Liquor Control Board. Such contributions payable on
7 behalf of officers and employees of the Pennsylvania State
8 Police shall include the amounts received by the system under
9 the provisions of the act of May 12, 1943 (P.L.259, No.120),
10 referred to as the Foreign Casualty Insurance Premium Tax
11 Allocation Law, and on behalf of enforcement officers or
12 investigators of the Pennsylvania Liquor Control Board, the
13 amounts received by the system under the provisions of the act
14 of April 12, 1951 (P.L.90, No.21), known as the Liquor Code.

15 (e) Supplemental annuity contribution rate.--Contributions
16 from the Commonwealth required to provide for the payment of
17 supplemental annuities as provided in sections 5708, 5708.1 and
18 5708.2 shall be paid over a period of 20 years from July 1,
19 1991. The amount of each annual supplemental annuities
20 contribution shall be 5% greater than the amount of such
21 contribution for the previous fiscal year. In the event that
22 supplemental annuities are increased by legislation enacted
23 subsequent to July 1, 1991, the additional liability for the
24 increase in benefits shall be funded in annual installments
25 increasing by 5% each year over a period of 20 years from the
26 July first, coincident with or next following the effective date
27 of such legislation. Notwithstanding the preceding, the funding
28 for the supplemental annuities commencing 1994 provided for in
29 section 5708.3 shall be as provided in section 5708.3(f).

30 (f) Experience adjustment factor.--For each year after the

1 establishment of the accrued liability contribution rate for the
2 fiscal year beginning July 1, 1991, any increase or decrease in
3 the accrued liability, including liability for supplemental
4 annuities, due to actual experience differing from assumed
5 experience, changes in actuarial assumptions, changes in the
6 terms and conditions of the benefits provided by the system by
7 judicial, administrative or other processes other than
8 legislation, including, but not limited to, reinterpretation of
9 the provisions of this part, shall be amortized in annual
10 installments increasing by 5% each year over a period of 20
11 years beginning with the July 1 succeeding the actuarial
12 valuation.

13 (g) Determination of liability for special vestee.--
14 Notwithstanding any other provision of this part or other law,
15 the total additional accrued actuarial liability resulting from
16 eligibility of special vestees for benefits upon the attainment
17 of superannuation age shall be determined by the actuary as part
18 of the first annual valuation made after June 30, 1997. The
19 resulting additional accrued actuarial liability shall be paid
20 by The Pennsylvania State University to the board in one lump
21 sum payment within 90 days of the board's certification of the
22 amount to The Pennsylvania State University.

23 § 5509. Appropriations and assessments by the Commonwealth.

24 (a) Annual submission of budget.--The [board] boards shall
25 prepare and submit annually an itemized budget consisting of the
26 amounts necessary to be appropriated by the Commonwealth out of
27 the General Fund and special operating funds and the amounts to
28 be assessed the other employers required to meet the obligations
29 accruing during the fiscal period beginning the first day of
30 July of the following year.

1 (b) Appropriation and payment.--The General Assembly shall
2 make an appropriation sufficient to provide for the obligations
3 of the Commonwealth. Such amount shall be paid by the State
4 Treasurer through the Department of Revenue into the [fund]
5 State Employees' Retirement Fund in accordance with requisitions
6 presented by the [board] State Employees' Retirement Board. The
7 contributions by the Commonwealth on behalf of active members
8 who are officers of the Pennsylvania State Police shall be
9 charged to the General Fund and to the Motor License Fund in the
10 same ratios as used to apportion the appropriations for salaries
11 of members of the Pennsylvania State Police. The contributions
12 by the Commonwealth on behalf of active members who are
13 enforcement officers and investigators of the Pennsylvania
14 Liquor Control Board shall be charged to the General Fund and to
15 the State Stores Fund.

16 (c) Contributions from funds other than General Fund.--The
17 amounts assessed other employers, except for local governments,
18 who are required to make the necessary contributions out of
19 funds other than the General Fund shall be paid by such
20 employers into the [fund] State Employees' Retirement Fund in
21 accordance with requisitions presented by the [board] State
22 Employees' Retirement Board. The General Fund of the
23 Commonwealth shall not be held liable to appropriate the moneys
24 required to build up the reserves necessary for the payment of
25 benefits to employees of such other employers. In case any such
26 other employer shall fail to provide the moneys necessary for
27 such purpose, then the service of such members for such period
28 for which money is not so provided shall be credited and pickup
29 contributions with respect to such members shall continue to be
30 credited to the members' savings account. The annuity to which

1 such member is entitled shall be determined as actuarially
2 equivalent to the present value of the maximum single life
3 annuity of each such member reduced by the amount of employer
4 contributions payable on account and attributable to his
5 compensation during such service.

6 Section 8. Title 71 is amended by adding sections to read:
7 § 5510. Payments by local governments.

8 (a) General rule.--Not later than 30 days after the end of
9 the quarter, each local government shall make payments to the
10 Local Government Employees' Retirement Fund each quarter in an
11 amount equal to the percentages, as determined under section
12 5508 (relating to actuarial cost method), applied to the total
13 compensation during the pay periods in the preceding quarter of
14 all its employees who were members of the system during such
15 period.

16 (b) Deduction from intergovernmental revenue.--To facilitate
17 the payment of amounts due from any local government to the
18 Local Government Employees' Retirement Fund through the State
19 Treasurer and to permit the exchange of credits between the
20 State Treasurer and any local government, the Local Government
21 Employees' Retirement Board and the State Treasurer shall cause
22 to be deducted and paid into the Local Government Employees'
23 Retirement Fund from any moneys due to any local government from
24 the Commonwealth such amount due to the Local Government
25 Employees' Retirement Fund adjusted at the valuation interest
26 rate as certified by the Local Government Employees' Retirement
27 Board and as remains unpaid for a period of 90 days on the date
28 such intergovernmental revenue would otherwise be paid to the
29 local government, and such amount shall be credited to the local
30 government's account in the Local Government Employees'

1 Retirement Fund. The General Fund shall not be held liable to
2 appropriate the moneys required to build up the reserves
3 necessary for the payment of benefits to employees of such local
4 governments.

5 (c) Exceptions to the deductions from Commonwealth
6 intergovernmental revenue.--Notwithstanding the provisions of
7 subsection (b), deductions shall not be made from the following
8 intergovernmental revenues due to a local government:

9 (1) Capital projects under contract in progress.

10 (2) Moneys received by a local government from an agency
11 of the Commonwealth or the Federal Government under a
12 declaration of a disaster resulting from a catastrophe.

13 § 5511. Enforcement of local government contributions or
14 payments by mandamus action.

15 (a) Legislative finding and declaration.--The General
16 Assembly finds and declares that any actual or potential failure
17 by a local government to make contributions or payments
18 established by section 5405 (relating to designation of class of
19 service multiplier), 5501 (relating to regular member
20 contributions for current service), 5502 (relating to Social
21 Security integration member contributions), 5503 (relating to
22 joint coverage member contributions), 5503.1 (relating to pickup
23 contributions), 5504 (relating to member contributions for the
24 purchase of credit for previous government service or to become
25 a full coverage member), 5505 (relating to contributions for the
26 purchase of credit for creditable nonstate service), 5505.1
27 (relating to additional member contributions), 5507 (relating to
28 contributions by the Commonwealth and other employers), 5508
29 (relating to actuarial cost method), 5509 (relating to
30 appropriations and assessments by the Commonwealth) or 5510

(relating to payments by local governments) threatens serious injury to the affected local government employees, the system and the Commonwealth itself. By expressly authorizing the remedy of mandamus in this section, the General Assembly intends to assist all persons with a beneficial or special interest in the system in addition to all persons or entities with a special responsibility or duty in relation to the system in securing that compliance.

(b) Generally.--In the event that a local government fails to comply with its duty to pay the full amount of the contributions or payments as specified in Chapter 54 (relating to local government retirement) or this chapter, the failure may be remedied by the institution of legal proceedings for mandamus. Every local government is by this part on notice as to its duty to make its contributions or payments to the system. The provisions of this part shall be deemed to be sufficient demand to the local government for it to comply with its duty, and the failure by the local government to pay the full amount of the contribution or payment to the system shall be deemed to be sufficient refusal by the local government to comply with its duty antecedent to the commencement of the action. No other remedy at law shall be deemed to be sufficiently adequate and appropriate to bar the commencement of this action. The system shall be deemed to have been damaged by the failure of the local government to comply with its legal duty to make its contribution or payment to the system and that damage shall be deemed to be immediate. No issuance of mandamus in connection with the legal duty of a local government to make its contribution or payment to the system shall be deemed to threaten the creation of confusion, disorder or excessive burden

1 on the local government or to threaten a result that is
2 detrimental to the public interest.

3 (c) Boards beneficially interested.--The boards are
4 beneficially interested in the affairs of the system and either
5 or both shall have standing to institute a legal proceeding for
6 mandamus as provided in this section.

7 (d) Scope of remedy.--Any mandamus under this section shall
8 compel the payment of any delinquent contribution or payment to
9 the system with interest at the applicable compound rate.

10 Section 9. Sections 5702(a)(1), 5704(a), (c) and (e),
11 5705(a), 5706, 5707(c), 5708.1(a) and (f), 5708.2(f), 5708.3(g)
12 and 5901(a) of Title 71 are amended to read:

13 § 5702. Maximum single life annuity.

14 (a) General rule.--Any full coverage member who is eligible
15 to receive an annuity pursuant to the provisions of section
16 5308(a) or (b) (relating to eligibility for annuities) shall be
17 entitled to receive a maximum single life annuity attributable
18 to his credited service and equal to the sum of the following
19 single life annuities beginning at the effective date of
20 retirement:

21 (1) A standard single life annuity multiplied by the sum
22 of the products, determined separately for each class of
23 service, obtained by multiplying the appropriate class of
24 service multiplier by the ratio of years of service credited
25 in that class to the total credited service. In case the
26 member on the effective date of retirement is under
27 superannuation age for any service, a reduction factor
28 calculated to provide benefits actuarially equivalent to an
29 annuity starting at superannuation age shall be applied to
30 the product determined for that service. The class of service

multiplier for any period of concurrent service shall be multiplied by the proportion of total [State] government and school compensation during such period attributable to [State] government service. In the event a member has two multipliers for one class of service the class of service multiplier to be used for calculating benefits for that class shall be the average of the two multipliers weighted by the proportion of compensation attributable to each multiplier during the three years of highest annual compensation in that class of service: Provided, That in the case of a member of Class E-1, a portion but not all of whose three years of highest annual judicial compensation is prior to January 1, 1973, two class of service multipliers shall be calculated on the basis of his entire judicial service, the one applying the judicial class of service multipliers effective prior to January 1, 1973 and the second applying the class of service multipliers effective subsequent to January 1, 1973. The average class of service multiplier to be used for calculating benefits for his judicial service shall be the average of the two calculated multipliers weighted by the proportion of compensation attributable to each of the calculated multipliers during the three years of highest annual compensation in that class of service.

* * *

§ 5704. Disability annuities.

(a) Amount of annuity.--A member who has made application for a disability annuity and has been found to be eligible in accordance with the provisions of section 5905(c)(1) (relating to duties of the [board] boards regarding applications and elections of members) shall receive a disability annuity payable

1 from the effective date of disability as determined by the board
2 and continued until a subsequent determination by the board that
3 the annuitant is no longer entitled to a disability annuity. The
4 disability annuity shall be equal to a standard single life
5 annuity multiplied by the class of service multiplier applicable
6 to the class of service at the time of disability if the product
7 of such class of service multiplier and the total number of
8 years of credited service is greater than 16.667, otherwise the
9 standard single life annuity shall be multiplied by the lesser
10 of the following ratios:

11
$$MY^*/Y \text{ or } 16.667/Y$$

12 where Y = number of years of credited service, Y* = total years
13 of credited service if the member were to continue as a [State]
14 government employee until attaining superannuation age as
15 applicable at the time of disability, or if the member has
16 attained superannuation age, as applicable at the time of
17 disability, then the number of years of credited service and M =
18 the class of service multiplier as applicable at the effective
19 date of disability. A member of Class C shall receive, in
20 addition, any annuity to which he may be eligible under section
21 5702(a)(3) (relating to maximum single life annuity). The member
22 shall be entitled to the election of a joint and survivor
23 annuity on that portion of the disability annuity to which he is
24 entitled under section 5702.

25 * * *

26 (c) Reduction on account of earned income.--Subsequent to
27 January 1, 1972, payments on account of disability shall be
28 reduced by that amount by which the earned income of the
29 annuitant, as reported in accordance with section 5908(b)
30 (relating to rights and duties of annuitants), for the preceding

1 calendar quarter together with the disability annuity payments
2 provided in this section other than subsection (b), for the
3 quarter, exceeds the product of:

4 (i) the greater of \$1,250 or one-quarter of the last
5 year's salary of the annuitant as a [State] government
6 employee;

7 (ii) the ratio of the current monthly payment to the
8 monthly payment at the effective date of disability; and

9 (iii) the percentage factor determined by the
10 following table for the calendar year of the member's
11 effective date of disability:

12	Calendar Year of	
13	Effective Date of	Percentage
14	Disability	Factor
15	1966 or earlier	135%
16	1967	130%
17	1968	125%
18	1969	120%
19	1970	115%
20	1971	110%
21	1972	105%

22 Provided, That the annuitant shall not receive less than his
23 member's annuity or the amount to which he may be entitled under
24 section 5702 whichever is greater.

25 * * *

26 (e) Termination of [State] government service.--Upon
27 termination of disability annuity payments in excess of an
28 annuity calculated in accordance with section 5702, a disability
29 annuitant who does not return to [State] government service may
30 file an application with the board for an amount equal to the

1 excess, if any, of the sum of the regular and additional
2 accumulated deductions standing to his credit at the effective
3 date of disability over one-third of the total disability
4 annuity payments received. If the annuitant on the date of
5 termination of service was eligible for an annuity as provided
6 in section 5308(b) (relating to eligibility for annuities), he
7 may file an application with the board for an election of an
8 optional modification of his annuity.

9 * * *

10 § 5705. Member's options.

11 (a) General rule.--Any special vestee who has attained
12 superannuation age, any vestee having ten or more eligibility
13 points or any other eligible member upon termination of State
14 service who has not withdrawn his total accumulated deductions
15 as provided in section 5701 (relating to return of total
16 accumulated deductions) may apply for and elect to receive
17 either a maximum single life annuity, as calculated in
18 accordance with the provisions of section 5702 (relating to
19 maximum single life annuity), or a reduced annuity certified by
20 the actuary to be actuarially equivalent to the maximum single
21 life annuity and in accordance with one of the following
22 options; except that no member shall elect an annuity payable to
23 one or more survivor annuitants other than his spouse or
24 alternate payee of such a magnitude that the present value of
25 the annuity payable to him for life plus any lump sum payment he
26 may have elected to receive is less than 50% of the present
27 value of his maximum single life annuity:

28 (1) Option 1.--A life annuity to the member with a
29 guaranteed total payment equal to the present value of the
30 maximum single life annuity on the effective date of

1 retirement with the provision that, if, at his death, he has
2 received less than such present value, the unpaid balance
3 shall be payable to his beneficiary.

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

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

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

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

18 (ii) the sum of all annuities payable to the
19 designated survivor annuitants shall not be greater than
20 one and one-half times the annuity payable to the member;
21 and

22 (iii) a portion of the benefit may be payable as a
23 lump sum, except that such lump sum payment shall not
24 exceed an amount equal to the total accumulated
25 deductions standing to the credit of the member. The
26 balance of the present value of the maximum single life
27 annuity adjusted in accordance with section 5702(b) shall
28 be paid in the form of an annuity with a guaranteed total
29 payment, a single life annuity, or a joint and survivor
30 annuity or any combination thereof but subject to the

1 restrictions of subparagraphs (i) and (ii) under this
2 option.

3 * * *

4 § 5706. Termination of annuities.

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

1 (a.1) Return to [State] government service during
2 emergency.--When, in the judgment of the employer, an emergency
3 creates an increase in the work load such that there is serious
4 impairment of service to the public, an annuitant may be
5 returned to [State] government service for a period not to
6 exceed 95 days in any fiscal year without loss of his annuity.
7 In computing the number of days an annuitant has returned to
8 [State] government service, any amount of time less than one-
9 half of a day shall be counted as one-half of a day. For
10 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 (b) Subsequent discontinuance of service.--Upon subsequent
15 discontinuance of service, such member other than a former
16 annuitant who had the effect of his frozen present value
17 eliminated in accordance with subsection (c) or a former
18 disability annuitant shall be entitled to an annuity which is
19 actuarially equivalent to the sum of the present value as
20 determined under subsection (a) and the present value of a
21 maximum single life annuity based on years of service credited
22 subsequent to reentry in the system and his final average salary
23 computed by reference to his compensation during his entire
24 period of [State] government and school service.

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

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

1 (i) is a multiple service member; or
2 (ii) who elects multiple service membership, and
3 earns three eligibility points by performing credited [State]
4 government service or credited school service following the
5 most recent period of receipt of an annuity under this part,
6 and who had the present value of his annuity frozen in
7 accordance with subsection (a), shall qualify to have the
8 effect of the frozen present value resulting from all
9 previous periods of retirement eliminated, provided that all
10 payments under Option 4 and annuity payments payable during
11 previous periods of retirement plus interest as set forth in
12 paragraph (3) shall be returned to the fund from which they
13 were paid in the form of an actuarial adjustment to his
14 subsequent benefits or in such form as the board may
15 otherwise direct.

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

21 (i) an annuity (prior to optional modification)
22 calculated as if the freezing of the former annuitant's
23 account pursuant to subsection (a) had not occurred,
24 adjusted according to paragraph (3), provided that a
25 former annuitant of the system or a former annuitant of
26 the Public School Employees' Retirement System who
27 retired under a provision of law granting additional
28 service credit if termination of [State] government or
29 school service or retirement occurred during a specific
30 period of time shall not be permitted to retain the

1 additional service credit under the prior law when the
2 annuity is computed for his most recent retirement; or
3 (ii) an annuity (prior to optional modification)
4 calculated as if the former annuitant did not qualify to
5 have the effect of the frozen present value eliminated,
6 unless the former annuitant notifies the board in writing by
7 the later of the date the application for annuity is filed or
8 the effective date of retirement that the former annuitant
9 wishes to receive the lower annuity.

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

22 § 5707. Death benefits.

23 * * *

24 (c) Disability annuitants eligible for withdrawal annuity.--
25 In the event of the death of a disability annuitant who has
26 elected to receive a maximum disability annuity before he has
27 received in annuity payments an amount equal to the present
28 value, on the effective date of disability, of the benefits to
29 which he would have been entitled under subsection (a) had he
30 died while in [State] government service, the balance of such

1 amount shall be paid to his designated beneficiary.

2 * * *

3 § 5708.1. Additional supplemental annuities.

4 (a) Benefits.--Commencing with the first monthly annuity
5 payment after July 1, 1984, any eligible benefit recipient shall
6 be entitled to receive an additional monthly supplemental
7 annuity from the [State] Government Employees' Retirement
8 System.

9 * * *

10 (f) Funding.--The actuary shall annually certify the amount
11 of appropriations for the next fiscal year needed to fund, over
12 a period of 20 years from July 1, 1991, the additional monthly
13 supplemental annuity provided for in this section. The [board]
14 State Employees' Retirement Board shall submit the actuary's
15 certification to the Secretary of the Budget on or before
16 November 1 of each year. If, in any year after 1984, the amount
17 certified is disapproved under section 610 of the act of April
18 9, 1929 (P.L.177, No.175), known as The Administrative Code of
19 1929, as insufficient to meet the funding requirements of this
20 subsection or is not appropriated on or before July 1, the
21 additional supplemental annuity provided for in this section
22 shall be suspended until such time as an amount certified and
23 approved as sufficient is appropriated.

24 * * *

25 § 5708.2. Further additional supplemental annuities.

26 * * *

27 (f) Funding.--The actuary shall annually estimate the amount
28 of Commonwealth appropriations for the next fiscal year needed
29 to fund, over a period of 20 years from July 1, 1991, the
30 additional monthly supplemental annuity provided for in this

1 section. The [board] State Employees' Retirement Board shall
2 submit the actuary's estimation to the Secretary of the Budget
3 on or before November 1 of each year. If, in any year after
4 1988, the amount estimated is disapproved under section 610 of
5 the act of April 9, 1929 (P.L.177, No.175), known as The
6 Administrative Code of 1929, as insufficient to meet the funding
7 requirements of this subsection or is not appropriated on or
8 before July 1, the additional supplemental annuity provided for
9 in this section shall be suspended until such time as an amount
10 certified and approved as sufficient is appropriated.

11 * * *

12 § 5708.3. Supplemental annuities commencing 1994.

13 * * *

14 (g) Definitions.--As used in this section, the following
15 words and phrases shall have the meanings given to them in this
16 subsection:

17 "Eligible benefit recipient." A person who is receiving a
18 superannuation, withdrawal or disability annuity and who
19 commenced receipt of that annuity on or prior to June 30, 1992,
20 but the supplemental annuities shall not be payable to an
21 annuitant receiving a withdrawal annuity prior to the first day
22 of July coincident with or following the annuitant's attainment
23 of superannuation age. Notwithstanding the preceding, the term
24 "eligible benefit recipient" shall not include those annuitants
25 who were and currently are credited with an additional 10% of
26 their Class A or Class C service under section 5302(c) (relating
27 to credited [State] government service).

28 "Years on retirement." The number of full years as of July
29 1, 1989, which have elapsed since the eligible benefit recipient
30 most recently commenced the receipt of an annuity and during

1 which the eligible benefit recipient received an annuity.

2 § 5901. The State Employees' Retirement Board.

3 (a) Status and membership.--The [board] State Employees'
4 Retirement Board shall be an independent administrative board
5 and consist of 11 members: the State Treasurer, ex officio, two
6 Senators or former Senators, two members or former members of
7 the House of Representatives and six members appointed by the
8 Governor, one of whom shall be an annuitant of the system, for
9 terms of four years, subject to confirmation by the Senate. At
10 least five board members shall be active members of the system,
11 and at least two shall have ten or more years of credited State
12 service. The chairman of the board shall be designated by the
13 Governor from among the members of the board. Each member of the
14 board who is a member of the General Assembly may appoint a duly
15 authorized designee to act in his stead.

16 * * *

17 Section 10. Title 71 is amended by adding a section to read:

18 § 5901.1. Local Government Employees' Retirement Board.

19 (a) Status and membership.--The Local Government Employees'
20 Retirement Board shall be an independent administrative board
21 and consist of 14 members:

22 (1) Two members of the Senate.

23 (2) Two members of the House of Representatives.

24 (3) Five local government officials or employees.

25 (4) Five active or retired local government employees.

26 The board shall elect its officers every year at the first board
27 meeting of the year, and the officers may succeed themselves.

28 Each member of the board may formally designate one duly
29 authorized designee to act in the member's stead.

30 (b) Legislative member.--

1 (1) The President pro tempore of the Senate shall
2 appoint one member of the Senate from the majority.

3 (2) The Minority Leader of the Senate shall appoint one
4 member of the Senate from the minority.

5 (3) The Speaker of the House of Representatives shall
6 appoint one member of the House of Representatives from the
7 majority.

8 (4) The Minority Leader of the House of Representatives
9 shall appoint one member of the House of Representatives from
10 the minority.

11 (5) The legislative members of the board shall serve on
12 the board for the duration of the terms for which they were
13 elected.

14 (c) Local government officer or employee members.--

15 (1) With the advice and consent of a majority of the
16 Senate under section 207.1 of the act of April 9, 1929
17 (P.L.177, No.175), known as The Administrative Code of 1929,
18 the Governor shall appoint five members who are local
19 government officers or employees, one nominated by the
20 Pennsylvania League of Cities and Municipalities, one
21 nominated by the Pennsylvania Municipal Authorities
22 Association, one nominated by the Pennsylvania State
23 Association of Boroughs, one nominated by the Pennsylvania
24 State Association of Township Commissioners and one nominated
25 by the Pennsylvania State Association of Township
26 Supervisors.

27 (2) The members appointed by the Governor under this
28 subsection shall serve terms of five years each and until
29 their successors are appointed and qualified, except those
30 members initially appointed, one of whom shall serve for one

1 year, one of whom shall serve for two years, one of whom
2 shall serve for three years, one of whom shall serve for four
3 years and one of whom shall serve for five years.

4 (d) Local government employee members.--

5 (1) With the advice and consent of a majority of the
6 Senate under section 207.1 of The Administrative Code of
7 1929, the Governor shall appoint four members who are active
8 or retired local government employees, one nominated by the
9 American Federation of State, County and Municipal Employees,
10 one nominated by the Pennsylvania Chiefs of Police
11 Association, one nominated by the Pennsylvania Fraternal
12 Order of Police and one nominated by the Pennsylvania State
13 Firefighters Association.

14 (2) With the advice and consent of a majority of the
15 Senate under section 207.1 of The Administrative Code of
16 1929, the Governor shall appoint one member who is an active
17 or retired local government employee nominated by the four
18 members appointed under paragraph (1).

19 (3) The members appointed by the Governor under this
20 subsection shall serve terms of five years each and until
21 their successors are appointed and qualified, except those
22 members initially appointed, one of whom shall serve for one
23 year, one of whom shall serve for two years, one of whom
24 shall serve for three years, one of whom shall serve for four
25 years and one of whom shall serve for five years.

26 (e) Vacancies.--Vacancies in office shall be filled by the
27 appointing authority for the balance of the unexpired term.

28 (f) Oath of office.--Each member of the board and each
29 designee shall take an oath of office that he will, so far as it
30 devolves upon him, diligently and honestly administer the

1 affairs of the board and that he will not knowingly violate or
2 willfully permit to be violated any of the provisions of law
3 applicable to this part. Such oath shall be subscribed by the
4 individual taking it and certified by the officer before whom it
5 is taken and shall be immediately filed in the Office of the
6 Secretary of the Commonwealth.

7 (g) Compensation and expenses.--The members of the board or
8 their designees who are active members of the system shall serve
9 without compensation but shall not suffer loss of salary or
10 wages through serving on the board. The members of the board or
11 their designees who are not members of the system shall be
12 entitled to receive \$100 a day when attending meetings, and all
13 board members or their designees shall be reimbursed for any
14 necessary expenses. When the duties of the board as mandated are
15 not executed, however, no compensation or reimbursement for
16 expenses of board members or their designees shall be paid or
17 payable during the period in which such duties are not executed.

18 (h) Corporate power and legal advisor.--For purposes of this
19 part, the board shall possess the power and privileges of a
20 corporation. The Attorney General of the Commonwealth shall be
21 the legal advisor of the board.

22 Section 11. Sections 5902, 5903, 5904, 5905, 5905.1(b),
23 5906, 5907, 5908, 5931 and 5932 of Title 71 are amended to read:
24 § 5902. Administrative duties of the [board] boards.

25 (a) Employees.--The secretary, clerical, and other employees
26 of the [board] boards and their successors whose positions on
27 the effective date of this part are under the classified service
28 provisions of the act of August 5, 1941 (P.L.752, No.286), known
29 as the Civil Service Act, shall continue under such provisions.
30 Notwithstanding any other provisions of law, the compensation

1 shall be established by the [board] boards for the secretary,
2 the assistant secretary, investment professionals and other
3 professionals designated by the [board] boards who are not
4 covered by a collective bargaining agreement. The secretary
5 shall act as chief administrative officer for the [board]
6 boards. In addition to other powers and duties conferred upon
7 and delegated to the secretary by the [board] boards, the
8 secretary shall:

9 (1) Serve as the administrative agent of the [board]
10 boards.

11 (2) Serve as liaison between the [board] boards and
12 applicable legislative committees, the Treasury Department,
13 the Department of the Auditor General, and between the
14 [board] boards and the investment counsel and the mortgage
15 supervisor in arranging for investments to secure maximum
16 returns to the fund.

17 (3) Review and analyze proposed legislation and
18 legislative developments affecting the system and present
19 findings to the [board] boards, legislative committees, and
20 other interested groups or individuals.

21 (4) Direct the maintenance of files and records and
22 preparation of periodic reports required for actuarial
23 evaluation studies.

24 (5) Receive inquiries and requests for information
25 concerning the system from the press, Commonwealth officials,
26 local government officials, State employees, local government
27 employees, the general public, research organizations, and
28 officials and organizations from other states, and provide
29 information as authorized by the [board] boards.

30 (6) Supervise a staff of administrative, technical, and

1 clerical employees engaged in record-keeping and clerical
2 processing activities in maintaining files of members,
3 accounting for contributions, processing payments to
4 annuitants, preparing required reports, and retirement
5 counseling.

6 (b) Professional personnel.--The [board] boards shall
7 contract for the services of a chief medical examiner, an
8 actuary, investment advisors and counselors, and such other
9 professional personnel as [it deems] they deem advisable. The
10 [board] boards may, with the approval of the Attorney General,
11 contract for legal services.

12 (c) Expenses.--The [board] boards shall, through the
13 Governor, submit to the General Assembly annually a budget
14 covering the administrative expenses of this part. Such expenses
15 as approved by the General Assembly in an appropriation bill
16 shall be paid from investment earnings of the [fund] funds.
17 Concurrently with its administrative budget, the [board] boards
18 shall also submit to the General Assembly annually a list of
19 proposed expenditures which the [board intends] boards intend to
20 pay through the use of directed commissions, together with a
21 list of the actual expenditures from the past year actually paid
22 by the [board] boards through the use of directed commissions.
23 All such directed commission expenditures shall be made by the
24 [board] boards for the exclusive benefit of the system and its
25 members.

26 (d) Meetings.--[The] Each board shall hold at least six
27 regular meetings annually and such other meetings as it may deem
28 necessary.

29 (e) Records.--[The] Each board shall keep a record of all
30 its proceedings which shall be open to inspection by the public.

1 (f) Functions.--The [board] boards shall perform such other
2 functions as are required for the execution of the provisions of
3 this part.

4 (g) Performance of departmental duties.--In the event the
5 head of the department fails to comply with the procedures as
6 mandated in section 5906 (relating to duties of heads of
7 departments), the appropriate board shall perform such duties
8 and bill the department for the cost of same.

9 (h) Regulations and procedures.--The [board] boards shall,
10 with the advice of the Attorney General and the actuary, adopt
11 and promulgate rules and regulations for the uniform
12 administration of the system. The actuary shall approve in
13 writing all computational procedures used in the calculation of
14 contributions and benefits, and the [board] boards shall by
15 resolution adopt such computational procedures, prior to their
16 application by the [board] boards. Such rules, regulations and
17 computational procedures as so adopted from time to time and as
18 in force and effect at any time, together with such tables as
19 are adopted pursuant to subsection (j) as necessary for the
20 calculation of annuities and other benefits, shall be as
21 effective as if fully set forth in this part. Any actuarial
22 assumption specified in or underlying any such rule, regulation
23 or computational procedure and utilized as a basis for
24 determining any benefit shall be applied in a uniform manner.

25 (i) Data.--The [board] boards shall keep in convenient form
26 such data as are stipulated by the actuary in order that an
27 annual actuarial valuation of the various accounts can be
28 completed within six months of the close of each calendar year.

29 (j) Actuarial investigation and valuation.--The [board]
30 boards shall have the actuary make an annual valuation of the

1 various accounts within six months of the close of each calendar
2 year. In the year 1975 and in every fifth year thereafter the
3 board shall have the actuary conduct an actuarial investigation
4 and evaluation of the system based on data including the
5 mortality, service, and compensation experience provided by the
6 [board] boards annually during the preceding five years
7 concerning the members and beneficiaries. The boards shall have
8 a separate annual valuation and a separate five-year actuarial
9 investigation made for each fund by the actuary. The [board]
10 boards shall by resolution adopt such tables as are necessary
11 for the actuarial valuation of the [fund] funds and calculation
12 of contributions, annuities and other benefits based on the
13 reports and recommendations of the actuary. Within 30 days of
14 their adoption, the secretary of [the] each board shall cause
15 those tables which relate to the calculation of annuities and
16 other benefits to be published in the Pennsylvania Bulletin in
17 accordance with the provisions of 45 Pa.C.S. § 725(a) (relating
18 to additional contents of Pennsylvania Bulletin) and, unless
19 [the] a board specifies therein a later effective date, such
20 tables shall become effective on such publication. [The] A board
21 shall include a report on the significant facts, recommendations
22 and data developed in each five-year actuarial investigation and
23 evaluation of the system in the annual financial statement
24 published pursuant to the requirements of subsection (m) for the
25 fiscal year in which such investigation and evaluation were
26 concluded.

27 (k) Certification of employer contributions.--The [board]
28 boards shall, each year in addition to the itemized budget
29 required under section 5509 (relating to appropriations and
30 assessments by the Commonwealth), certify to the Commonwealth,

1 local governments and other employers, as a percentage of the
2 members' payroll, the employers' contributions as determined
3 pursuant to section 5508 (relating to actuarial cost method)
4 necessary for the funding of prospective annuities for active
5 members and the annuities of annuitants and certify the rates
6 and amounts of the employers' normal contributions as determined
7 pursuant to section 5508(b), accrued liability contributions as
8 determined pursuant to section 5508(c), supplemental annuities
9 contribution rate as determined pursuant to section 5508(e) and
10 the experience adjustment factor as determined pursuant to
11 section 5508(f), which shall be paid to the [fund] funds and
12 credited to the appropriate accounts. These certifications shall
13 be regarded as final and not subject to modification by the
14 Budget Secretary or local governments.

15 (l) Member contributions.--The [board] boards shall cause
16 all pickup contributions made on behalf of a member to be
17 credited to the account of the member and credit to his account
18 any other payment made by such member and shall pay all such
19 amounts into the [fund] funds.

20 (m) Annual financial statement.--The [board] boards shall
21 prepare and have published, on or before July 1 of each year, a
22 financial statement as of the calendar year ending December 31
23 of the previous year showing the condition of the [fund] funds
24 and the various accounts, including, but not limited to, the
25 board's accrual and expenditure of directed commissions, and
26 setting forth such other facts, recommendations, and data as may
27 be of use in the advancement of knowledge concerning annuities
28 and other benefits provided by this part. The [board] boards
29 shall submit said financial statement to the Governor and shall
30 file copies with the head of each department for the use of the

1 [State] government employees and the public.

2 (n) Independent audit.--The [board] boards shall provide for
3 an annual audit of the system by an independent certified public
4 accountant, which audit shall include the [board's] boards'
5 accrual and expenditure of directed commissions.

6 § 5903. Duties of the [board] boards to advise and report to
7 heads of departments and members.

8 (a) Manual of regulations.--The [board] boards shall, with
9 the advice of the Attorney General and the actuary, prepare and
10 provide, within 90 days of the effective date of this part, or,
11 in the case of a local government, within 90 days of a local
12 government employee becoming a member, a manual incorporating
13 rules and regulations consistent with the provisions of this
14 part to the heads of departments who shall make the information
15 contained therein available to the general membership. The
16 [board] boards shall thereafter advise the heads of departments
17 within 90 days of any changes in such rules and regulations due
18 to changes in the law or due to changes in administrative
19 policies. As soon as practicable after the commissioner's
20 announcement with respect thereto, [the] a board shall also
21 advise the heads of departments as to any cost-of-living
22 adjustment for the succeeding calendar year in the amount of the
23 limitation under IRC § 401(a)(17).

24 (b) Member status statements and certifications.--The
25 [board] boards shall furnish annually to the head of each
26 department on or before April 1, a statement for each member
27 employed in such department showing the total accumulated
28 deductions standing to his credit as of December 31 of the
29 previous year and requesting the member to make any necessary
30 corrections or revisions regarding his designated beneficiary.

1 In addition, for each member employed in any department and for
2 whom the department has furnished the necessary information, the
3 [board] boards shall certify the number of years and fractional
4 part of a year of credited service attributable to each class of
5 service, the number of years and fractional part of a year
6 attributable to social security integration credits in each
7 class of service and, in the case of a member eligible to
8 receive an annuity, the benefit to which he is entitled upon the
9 attainment of superannuation age.

10 (c) Purchase of credit and full coverage membership
11 certifications.--Upon receipt of an application from an active
12 member or eligible school employee to purchase credit for
13 previous State or creditable nonstate service, or an election to
14 become a full coverage member, the appropriate board shall
15 determine and certify to the member the amount required to be
16 paid by the member. When necessary, the appropriate board shall
17 certify to the previous employer the amount due in accordance
18 with sections 5504 (relating to member contributions for the
19 purchase of credit for previous [State] government service or to
20 become a full coverage member) and 5505 (relating to
21 contributions for the purchase of credit for creditable nonstate
22 service).

23 (d) Transfer from joint coverage membership
24 certifications.--Upon receipt of an application from a joint
25 coverage member who elects to become a full coverage member, the
26 appropriate board shall certify to the member the effective date
27 of such transfer and the prospective rate for regular and
28 additional member contributions.

29 § 5904. Duties of the [board] boards to report to the Public
30 School Employees' Retirement Board.

1 (a) Multiple service membership of [State] government
2 employees.--Upon receipt of an application for membership in the
3 system of a [State] government employee who is a former public
4 school employee and who has elected multiple service membership,
5 the appropriate board shall advise the Public School Employees'
6 Retirement Board accordingly.

7 (b) Multiple service membership of school employees.--Upon
8 receipt of notification from the Public School Employees'
9 Retirement Board that a former [State] government employee has
10 become an active member in the Public School Employees'
11 Retirement System and has elected to receive credit for multiple
12 service, the appropriate board shall certify to the Public
13 School Employees' Retirement Board and concurrently to the
14 member:

15 (1) the total credited service in the system and the
16 number of years and fractional part of a year of service
17 credited in each class of service;

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

20 (3) the social security integration credited service to
21 which the member is entitled and the average noncovered
22 salary upon which the single life annuity attributable to
23 such service will be computed.

24 (c) Applications for benefits for school employees.--Upon
25 receipt of notification and the required data from the Public
26 School Employees' Retirement Board that a former [State]
27 government employee who elected multiple service has applied for
28 a public school employees' retirement benefit or, in the event
29 of his death, his legally constituted representative has applied
30 for such benefit, the appropriate board shall:

(1) certify to the Public School Employees' Retirement Board;

(i) the salary history as a member of the [State] Government Employees' Retirement System and the final average salary as calculated on the basis of the compensation received as a [State] government and school employee; and

(ii) the annuity or benefit to which the member or his beneficiary is entitled as modified according to the option selected; and

(2) transfer to the Public School Employees' Retirement Fund the total accumulated deductions standing to such member's credit and the actuarial reserve required on account of years of credited service in the [State] government system, final average salary determined on the basis of his compensation in both systems and the average noncovered salary to be charged to the State accumulation account, the State Police benefit account or the enforcement officers' benefit account, as each case may require.

§ 5905. Duties of the [board] boards regarding applications and elections of members.

(a) Statement to new members.--As soon as practicable after each member shall have become an active member in the system, the appropriate board shall issue to the member a statement certifying his class of service, his member contribution rate, and the aggregate length of total previous [State] government service and creditable nonstate service for which he may receive credit.

(b) School employees electing multiple service status.--Upon receipt of notification from the Public School Employees'

1 Retirement Board that a former [State] government employee has
2 become an active member in the Public School Employees'
3 Retirement System and has elected to become a member with
4 multiple service status the appropriate board shall:

5 (1) in case of a member receiving an annuity from the
6 system, discontinue payments, transfer the present value, at
7 that time, of the member's annuity from the annuity reserve
8 account to the members' savings account and resume crediting
9 of statutory interest on the amount restored to his credit
10 and transfer the balance of the present value of the total
11 annuity from the annuity reserve account to the State
12 accumulation account; or

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

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

28 (c) Disability annuities.--In every case where the
29 appropriate board has received an application duly executed by
30 the member or by a person legally authorized to act in his

1 behalf for a disability annuity based upon the member's physical
2 or mental incapacity for the performance of the job for which he
3 is employed, with or without a supplement for a service-

4 connected disability, taking into account relevant decisions by
5 The Pennsylvania Workmen's Compensation Board, the board shall:

6 (1) through the medical examiner, have the application
7 and any supporting medical records and other documentation
8 submitted with the application reviewed and on the basis of
9 said review, and the subsequent recommendation by the medical
10 examiner regarding the applicant's medical qualification for
11 a disability annuity along with such other recommendations
12 which he may make with respect to the permanency of
13 disability or the need for subsequent reviews, make a finding
14 of disability and whether or not the disability is service
15 connected or nondisability and in the case of disability
16 establish an effective date of disability and the terms and
17 conditions regarding subsequent reviews;

18 (2) upon the recommendation of the medical examiner on
19 the basis of a review of subsequent medical reports submitted
20 with an application for continuance of disability, make a
21 finding of continued disability and whether or not the
22 disability continues to be service connected, or a finding of
23 nondisability; and in the case of a finding that the
24 disability is no longer service connected, discontinue any
25 supplemental payments on account of such service connected
26 disability as of the date of the finding; and in the case of
27 a finding of nondisability establish the date of termination
28 of disability and at that time discontinue any annuity
29 payments in excess of an annuity calculated in accordance
30 with section 5702 (relating to maximum single life annuity);

1 and

2 (3) upon receipt of a written statement from a
3 disability annuitant of his earned income of the previous
4 quarter, adjust the payments of the disability annuity for
5 the following quarter in accordance with the provisions of
6 section 5704(c) (relating to disability annuities).

7 (c.1) Termination of service.--In the case of any member
8 terminating [State] government service who is entitled to an
9 annuity and who is not then a disability annuitant, the
10 appropriate board shall advise such member in writing of any
11 benefits to which he may be entitled under the provisions of
12 this part and shall have the member prepare, on or before the
13 date of termination of [State] government service, one of the
14 following three forms, a copy of which shall be given to the
15 member and the original of which shall be filed with the board:

16 (1) an application for the return of total accumulated
17 deductions;

18 (2) an election to vest his retirement rights and, if he
19 is a joint coverage member and so desires, elect to become a
20 full coverage member and agree to pay within 30 days of the
21 date of termination of service the lump sum required; or

22 (3) an application for an immediate annuity and, if he
23 desires:

24 (i) if he is a State employee, an election to
25 convert his medical, major medical and hospitalization
26 insurance coverage to the plan for State annuitants; and

27 (ii) if he is a joint coverage member, an election
28 to become a full coverage member and an agreement to pay
29 within 30 days of date of termination of service the lump
30 sum required.

(e) Certification to vestees and special vestees terminating service.--The appropriate board shall certify to a vestee within one year of termination of [State] government service of such member:

(1) the total accumulated deductions standing to his credit at the date of termination of service;

(2) the number of years and fractional part of a year of credit in each class of service; and

(3) the maximum single life annuity to which the vestee or special vestee shall become entitled upon the attainment of superannuation age and the filing of an application for such annuity.

(e.1) Notification to vestees and special vestees approaching superannuation age.--The appropriate board shall notify each vestee and special vestee in writing 90 days prior to his attainment of superannuation age that he shall apply for his annuity within 90 days of attainment of superannuation age; that, if he does so apply, his effective date of retirement will be the date of attainment of superannuation age; that, if he does not so apply but defers his application to a later date, his effective date of retirement will be the date of filing such application or the date specified on the application, whichever is later; and that, if he does not file an application within seven years after attaining superannuation age, he shall be deemed to have elected to receive his total accumulated deductions upon attainment of superannuation age.

(f) Initial annuity payment and certification.--The appropriate board shall make the first monthly payment to a member who is eligible for an annuity within 60 days of the filing of his application for an annuity or, in the case of a

1 vestee or special vestee who has deferred the filing of his
2 application to a date later than 90 days following attainment of
3 superannuation age, within 60 days of the effective date of
4 retirement, and receipt of the required data from the head of
5 the department. Concurrently the board shall certify to such
6 member:

7 (1) the total accumulated deductions standing to his
8 credit showing separately the amount contributed by the
9 member, the pickup contribution and the interest credited to
10 the date of termination of service;

11 (2) the number of years and fractional part of a year
12 credited in each class of service;

13 (3) the final average salary on which his annuity is
14 based as well as any applicable reduction factors due to age
15 and/or election of an option; and

16 (4) the total annuity payable under the option elected
17 and the amount and effective date of any future reduction
18 under section 5703 (relating to reduction of annuities on
19 account of social security old-age insurance benefits).

20 (g) Death benefits.--Upon receipt of notification from the
21 head of a department of the death of an active member or a
22 member on leave without pay, the appropriate board shall advise
23 the designated beneficiary of the benefits to which he is
24 entitled, and shall make the first payment to the beneficiary
25 within 60 days of receipt of certification of death and other
26 necessary data. If no beneficiary designation is in effect at
27 the date of the member's death or no notice has been filed with
28 the board to pay the amount of the benefits to the member's
29 estate, the board is authorized to pay the benefits to the
30 executor, administrator, surviving spouse or next of kin of the

1 deceased member, and payment pursuant hereto shall fully
2 discharge the fund from any further liability to make payment of
3 such benefits to any other person. If the surviving spouse or
4 next of kin of the deceased member cannot be found for the
5 purpose of paying the benefits for a period of seven years from
6 the date of death of the member, then the benefits shall be
7 escheated to the Commonwealth for the benefit of the fund.

8 (h) Medical insurance coverage.--Upon receipt of the
9 election by an eligible member to convert his medical, major
10 medical, and hospitalization insurance coverage to the plan for
11 State annuitants, the [board] State Employees' Retirement Board
12 shall notify the insurance carrier of such election and shall
13 deduct the appropriate annual charges in equal monthly
14 installments. Such deductions shall be transmitted to the
15 designated fiscal officer of the Commonwealth having
16 jurisdiction over the payment of such group charges on behalf of
17 the annuitant.

18 (i) Joint coverage annuitants.--The [board] State Employees'
19 Retirement Board shall notify in writing each joint coverage
20 annuitant who retired prior to July 1, 1962 that he may elect
21 any time prior to July 1, 1974 to receive his annuity without
22 reduction attributable to social security coverage upon payment
23 in a lump sum of the amount which shall be certified by the
24 board within 60 days of such election. Upon receipt of such
25 payment the board shall recompute the annuity payable to such
26 annuitant and the annuity and/or lump sum, if any, payable upon
27 his death to his beneficiary or survivor annuitant as though he
28 had been a full coverage member on the effective date of
29 retirement. Such recomputed annuity shall be paid beginning with
30 the second monthly payment next following the month in which the

1 lump sum payment is received.

2 § 5905.1. Installment payments of accumulated deductions.

3 * * *

4 (b) Payment of first installment.--The payment of the first
5 installment shall be made in the amount and within seven days of
6 the date specified by the member, except as follows:

7 (1) Upon receipt of a member's application to withdraw
8 his total accumulated deductions as provided in section
9 5311(a) or 5701 and upon receipt of all required data from
10 the head of the department, the appropriate board shall not
11 be required to pay the first installment prior to 45 days
12 after the filing of the application and the receipt of the
13 data or the date of termination of service, whichever is
14 later.

15 (2) In the case of an election as provided in section
16 5705(a)(4)(iii) by a member terminating service within 60
17 days prior to the end of a calendar year and upon receipt of
18 all required data from the head of the department, the
19 appropriate board shall not be required to pay the first
20 installment prior to 21 days after the later of the filing of
21 the application and the receipt of the data or the date of
22 termination of service, but, unless otherwise directed by the
23 member, the payment shall be made no later than 45 days after
24 the filing of the application and the receipt of the data or
25 the date of termination of service, whichever is later.

26 (3) In the case of an election as provided in section
27 5705(a)(4)(iii) by a member who is not terminating service
28 within 60 days prior to the end of a calendar year and upon
29 receipt of all required data from the head of the department,
30 the appropriate board shall not be required to pay the first

installment prior to 45 days after the filing of the application and the receipt of the data or the date of termination of service, whichever is later.

* * *

§ 5906. Duties of heads of departments.

(a) Status of members.--The head of department shall, at the end of each pay period, notify the appropriate board in a manner prescribed by the board of salary changes effective during that period for any members of the department, the date of all removals from the payroll, and the type of leave of any members of the department who have been removed from the payroll for any time during that period, and:

(1) if the removal is due to leave without pay, he shall furnish the board with the date of beginning leave and the date of return to service, and the reason for leave; or

(2) if the removal is due to a transfer to another department, he shall furnish such department and the board with a complete [State] government service record, including past [State] government service in other departments or agencies, or creditable nonstate service; or

(3) if the removal is due to termination of [State] government service, he shall furnish the board with a complete [State] government service record, including service in other departments or agencies, or creditable nonstate service and;

(i) in the case of death of the member the head of the department shall so notify the board;

(ii) in the case of a service connected disability the head of department shall, to the best of his ability, investigate the circumstances surrounding the disablement

1 of the member and submit in writing to the board
2 information which shall include but not necessarily be
3 limited to the following: date, place and time of
4 disablement to the extent ascertainable; nature of duties
5 being performed at such time; and whether or not the
6 duties being performed were authorized and included among
7 the member's regular duties. In addition, the head of
8 department shall furnish in writing to the board all such
9 other information as may be related to the member's
10 disablement.

11 (b) Records and information.--At any time at the request of
12 the appropriate board and at termination of service of a member,
13 the head of department shall furnish service and compensation
14 records and such other information as the board may require and
15 shall maintain and preserve such records as the board may direct
16 for the expeditious discharge of its duties.

17 (c) Member contributions.--The head of department shall
18 cause the required pickup contributions for current service to
19 be made and shall cause to be deducted any other required member
20 contributions from each payroll. The head of department shall
21 notify the appropriate board at times and in a manner prescribed
22 by the board of the compensation of any noneligible member to
23 whom the limitation under IRC § 401(a)(17) either applies or is
24 expected to apply and shall cause such member's contributions
25 deducted from payroll to cease at the limitation under IRC §
26 401(a)(17) on the payroll date if and when such limit shall be
27 reached. The head of department shall certify to the State
28 Treasurer the amounts picked up and deducted and shall send the
29 total amount picked up and deducted together with a duplicate of
30 such voucher to the secretary of the appropriate board every

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

26 (d) New employees subject to mandatory membership.--Upon the
27 assumption of duties of each new [State] government employee
28 whose membership in the system is mandatory, the head of
29 department shall cause an application for membership and a
30 nomination of beneficiary to be made by such employee and filed

1 with the appropriate board and shall make pickup contributions
2 from the effective date of [State] government employment.

3 (e) New employees subject to optional membership.--The head
4 of department shall, upon the employment or entering into office
5 of any [State] government employee whose membership in the
6 system is not mandatory, inform such employee of his opportunity
7 to become a member of the system. If such employee so elects,
8 the head of department shall cause an application for membership
9 and a nomination of beneficiary to be made by him and filed with
10 the board and shall cause proper contributions to be made from
11 the effective date of membership.

12 (f) Retirement counselor.--(Deleted by amendment).

13 (g) Former school employee contributors.--The head of
14 department shall, upon the employment of a former contributor to
15 the Public School Employees' Retirement System who is not an
16 annuitant of the Public School Employees' Retirement System,
17 advise such employee of his right to elect within 30 days of
18 entry into the system to become a multiple service member, and
19 in the case of any such employee who so elects and has withdrawn
20 his accumulated deductions, require him to reinstate his credit
21 in the Public School Employees' Retirement System. The head of
22 the department shall advise the appropriate board of such
23 election.

24 (h) Former school employee annuitants.--The head of
25 department shall, upon the employment of an annuitant of the
26 Public School Employees' Retirement System who applies for
27 membership in the system, advise such employee that he may elect
28 multiple service membership within 30 days of entry into the
29 system and if he so elects his public school employee's annuity
30 will be discontinued and, upon termination of [State] government

1 service and application for an annuity, the annuity will be
2 adjusted in accordance with section 5706 (relating to
3 termination of annuities). The head of department shall advise
4 the appropriate board of such election.

5 (i) Annual statement to members.--Annually, upon receipt
6 from the appropriate board, the head of department shall furnish
7 to each member the statement specified in section 5903(b)
8 (relating to duties of the [board] boards to advise and report
9 to heads of departments and members).

10 (j) Termination of service.--The head of department shall,
11 in the case of any member terminating [State] government service
12 who is ineligible for an annuity, advise such member in writing
13 of any benefits to which he may be entitled under the provisions
14 of this part and shall have the member prepare, on or before the
15 date of termination of [State] government service, an
16 application for the return of total accumulated deduction.

17 (k) Date of application for benefits.--Any application
18 properly executed and filed under subsection (j) with the
19 department and not filed with the appropriate board within 30
20 days shall be deemed to have been filed with the board on the
21 date filed with the department and in such case all required
22 data shall be furnished to the board immediately.

23 § 5907. Rights and duties of [State] government employees and
24 members.

25 (a) Information on new employees.--Upon his assumption of
26 duties each new [State] government employee shall furnish the
27 head of department with a complete record of his previous
28 [State] government service, his school service or creditable
29 nonstate service, and proof of his date of birth and current
30 status in the system and in the Public School Employees'

1 Retirement System. Willful failure to provide the information
2 required by this subsection to the extent available upon
3 entrance into the system shall result in the forfeiture of the
4 right of the member to subsequently assert any right to benefits
5 based on any of the required information which he failed to
6 provide. In any case in which the appropriate board finds that a
7 member is receiving an annuity based on false information, the
8 total amount received predicated on such false information
9 together with statutory interest doubled and compounded shall be
10 deducted from the present value of any remaining benefits to
11 which the member is legally entitled.

12 (b) Application for membership.--In the case of a new
13 employee who is not currently a member of the system, and whose
14 membership is mandatory or in the case of a new employee whose
15 membership in the system is not mandatory but who desires to
16 become a member of the system, the new employee shall execute an
17 application for membership and a nomination of beneficiary.

18 (c) Multiple service membership.--Any active member who was
19 formerly an active member in the Public School Employees'
20 Retirement System may elect to become a multiple service member.
21 Such election shall occur no later than 30 days after becoming
22 an active member in this system.

23 (d) Credit for previous service or change in membership
24 status.--Any active member or eligible school employee who
25 desires to receive credit for his total previous [State]
26 government service or creditable nonstate service to which he is
27 entitled, or a joint coverage member who desires to become a
28 full coverage member, shall so notify the appropriate board and
29 upon written agreement by the member and the appropriate board
30 as to the manner of payment of the amount due, the member shall

1 receive credit for such service as of the date of such
2 agreement.

3 (e) Beneficiary for death benefits.--Every member shall
4 nominate a beneficiary by written designation filed with the
5 appropriate board as provided in section 5906(d) or (e)
6 (relating to duties of heads of departments) to receive the
7 death benefit payable under section 5707 (relating to death
8 benefits) or the benefit payable under the provisions of Option
9 1 of section 5705(a)(1) (relating to member's options). Such
10 nomination may be changed at any time by the member by written
11 designation filed with the board. A member may also nominate a
12 contingent beneficiary or beneficiaries to receive the death
13 benefit provided under section 5707 or the benefit payable under
14 the provisions of Option 1 of section 5705(a)(1).

15 (f) Termination of service.--Each member who terminates
16 [State] government service and who is not then a disability
17 annuitant shall execute on or before the date of termination of
18 service the appropriate application, duly attested by the member
19 or his legally constituted representative, electing to:

20 (1) withdraw his total accumulated deductions; or

21 (2) vest his retirement rights; and if he is a joint
22 coverage member, and so desires, elect to become a full
23 coverage member and agree to pay within 30 days of the date
24 of termination of service the lump sum required; or

25 (3) receive an immediate annuity and may,

26 (i) if eligible, elect to convert his medical, major
27 medical, and hospitalization coverage to the plan for
28 State annuitants; and

29 (ii) if he is a joint coverage member, elect to
30 become a full coverage member and agree to pay within 30

1 days of date of termination of service the lump sum
2 required.

3 (g) Vesting of retirement rights.--If a member elects to
4 vest his retirement rights he shall nominate a beneficiary by
5 written designation filed with the appropriate board and he may
6 anytime thereafter, withdraw the total accumulated deductions
7 standing to his credit or apply for an annuity.

8 (h) Vestees and special vestees attaining superannuation
9 age.--Upon attainment of superannuation age a vestee or special
10 vestee shall execute and file an application for an annuity. Any
11 such application filed within 90 days after attaining
12 superannuation age shall be effective as of the date of
13 attainment of superannuation age. Any application filed after
14 such period shall be effective as of the date it is filed with
15 the board, subject to the provisions of section 5905(f)
16 (relating to duties of the board regarding applications and
17 elections of members). If a vestee or special vestee does not
18 file an application within seven years after attaining
19 superannuation age, he shall be deemed to have elected to
20 receive his total accumulated deductions upon attainment of
21 superannuation age.

22 (i) Failure to apply for annuity.--If a member is eligible
23 to receive an annuity and does not file a proper application
24 within 90 days of termination of service, his annuity will
25 become effective as of the date the application is filed with
26 the appropriate board or the date designated on the application
27 whichever is later.

28 (j) Nomination of beneficiary or survivor annuitant.--A
29 member who is eligible and elects to receive a reduced annuity
30 under Option 1, 2, 3, or 4, shall nominate a beneficiary or a

1 survivor annuitant, as the case may be, by written designation
2 filed with the appropriate board at the time of his retirement.
3 A member who has elected Option 1 may change his designated
4 beneficiary at any time. A member having designated a survivor
5 annuitant at the time of retirement shall not be permitted to
6 nominate a new survivor annuitant unless such survivor annuitant
7 predeceases him or unless the member is awarded a divorce or
8 becomes married subsequent to the election of the option. In
9 such cases, the annuitant shall have the right to reelect an
10 option and to nominate a beneficiary or a new survivor annuitant
11 and to have his annuity recomputed to be actuarially equivalent
12 as of the date of recomputation to the annuity in effect
13 immediately prior to the recomputation. In no other case shall a
14 benefit plan be changed by an annuitant.

15 (k) Disability annuities.--If service of a member is
16 terminated due to his physical or mental incapacity for the
17 performance of duty, in lieu of an application and election
18 under subsection (f), an application for a disability annuity
19 with or without a supplement for a service connected disability
20 may be executed by him or by a person legally authorized to act
21 on his behalf.

22 § 5908. Rights and duties of annuitants.

23 (a) Election by joint coverage annuitants.--Any annuitant
24 who is a joint coverage member who was receiving an annuity
25 prior to July 1, 1962, may elect to receive his annuity without
26 reduction on account of [social security] Social Security old-
27 age insurance benefits: Provided, That he shall file such
28 election with the [board] State Employees' Retirement Board
29 prior to July 1, 1974 and shall make a lump sum payment within
30 60 days of receipt of the certification of the amount due.

1 (b) Periodic earnings statements by disability annuitants.--
2 It shall be the duty of an annuitant receiving a disability
3 annuity prior to the attainment of superannuation age to furnish
4 a written statement within 30 days of the close of each calendar
5 quarter of all earned income during that quarter and information
6 showing whether or not he is able to engage in a gainful
7 occupation and such other information as may be required by the
8 appropriate board. On failure, neglect, or refusal to furnish
9 such information for the period of the preceding quarter, the
10 board may refuse to make further payments due to disability to
11 such annuitant until he has furnished such information to the
12 satisfaction of the board. Should such refusal continue for six
13 months, all of his rights to the disability annuity payments in
14 excess of any annuity to which he is otherwise entitled shall be
15 forfeited from the date of his last written statement to the
16 board. Any moneys received in excess of those to which he was
17 entitled shall be deducted from the present value of the annuity
18 to which he is otherwise entitled.

19 (c) Medical examinations of disability annuitants.--Should
20 any disability annuitant refuse to submit to a medical
21 examination by a physician or physicians at the request of the
22 appropriate board, his payments due to disability shall be
23 discontinued until the withdrawal of such refusal. Should such
24 refusal continue for a period of six months, all of his rights
25 to the disability annuity payments in excess of any annuity to
26 which he is otherwise entitled shall be forfeited.

27 (d) Continuances of disability annuities.--In all instances,
28 the member shall have the burden of establishing continued
29 disability.

30 § 5931. Management of [fund] funds and accounts.

1 (a) Control and management of [fund.--The members of the
2 board shall be the trustees of the fund] funds.-- The members of
3 the Local Government Employees' Retirement Board shall be the
4 trustees of the Local Government Employees' Retirement Fund and
5 the members of the State Employees' Retirement Board shall be
6 the trustees of the State Employees' Retirement Fund. Regardless
7 of any other provision of law governing the investments of funds
8 under the control of an administrative board of the State
9 government, the trustees shall have exclusive control and
10 management of the said [fund] funds and full power to invest the
11 same in accordance with the provisions of this section, subject,
12 however, to the exercise of that degree of judgment, skill and
13 care under the circumstances then prevailing which persons of
14 prudence, discretion and intelligence, who are familiar with
15 such matters, exercise in the management of their own affairs
16 not in regard to speculation, but in regard to the permanent
17 disposition of the funds, considering the probable income to be
18 derived therefrom as well as the probable safety of their
19 capital. The trustees shall have the power to hold, purchase,
20 sell, lend, assign, transfer or dispose of any of the securities
21 and investments in which any of the moneys in the [fund] funds
22 shall have been invested as well as of the proceeds of said
23 investments, including any directed commissions which have
24 accrued to the benefit of the [fund] funds as a consequence of
25 the investments, and of any moneys belonging to said [fund]
26 funds, subject in every case to meeting the standard of prudence
27 set forth in this subsection.

28 (b) Crediting of interest.--The [board] boards, annually,
29 shall allow the required interest on the mean amount for the
30 preceding year to the credit of each of the accounts. The amount

1 so allowed shall be credited thereto by the [board] boards and
2 transferred from the interest reserve account.

3 (c) Custodian of [fund] funds.--The State Treasurer shall be
4 the custodian of the [fund] funds.

5 (d) Payments from [fund] funds.--All payments from the
6 [fund] funds shall be made by the State Treasurer in accordance
7 with requisitions signed by the secretary of the appropriate
8 board, or his designee, and ratified by resolution of the
9 appropriate board.

10 (e) Fiduciary status of [board] boards.--The members of
11 [the] a board, employees of the board and agents thereof shall
12 stand in a fiduciary relationship to the members of the system
13 regarding the investments and disbursements of any of the moneys
14 of the fund and shall not profit either directly or indirectly
15 with respect thereto. [The] A board may, when possible and
16 consistent with its fiduciary duties imposed by this subsection
17 or other law, including its obligation to invest and manage the
18 fund for the exclusive benefit of the members of the system,
19 consider whether an investment in any project or business
20 enhances and promotes the general welfare of this Commonwealth
21 and its citizens, including, but not limited to, investments
22 that increase and enhance the employment of Commonwealth
23 residents, encourage the construction and retention of adequate
24 housing and stimulate further investment and economic activity
25 in this Commonwealth. The [board] boards shall, through the
26 Governor, submit to the General Assembly annually, at the same
27 time the [board submits its] boards submit their budget covering
28 administrative expenses, a report identifying the nature and
29 amount of all existing investments made pursuant to this
30 subsection.

1 (f) Name for transacting business.--By the name of ["The
2 State Employees' Retirement System or "The State Employees'
3 Retirement System"] the Government Employees' Retirement System
4 all of the business of the system shall be transacted, its
5 [fund] funds invested, all requisitions for money drawn and
6 payments made, and all of its cash and securities and other
7 property shall be held, except that, any other law to the
8 contrary notwithstanding, [the] a board may establish a nominee
9 registration procedure for the purpose of registering securities
10 in order to facilitate the purchase, sale or other disposition
11 of securities pursuant to the provisions of this law.

12 (g) Deposits in banks and trust companies.--For the purpose
13 of meeting disbursements for annuities and other payments in
14 excess of the receipts, there shall be kept available by the
15 State Treasurer an amount, not exceeding 10% of the total amount
16 in [the] a fund, on deposit in any bank or banks in this
17 Commonwealth organized under the laws thereof or under the laws
18 of the United States or with any trust company or companies
19 incorporated by any law of this Commonwealth, provided any of
20 such banks or trust companies shall furnish adequate security
21 for said deposit, and provided that the sum so deposited in any
22 one bank or trust company shall not exceed 25% of the paid-up
23 capital and surplus of said bank or trust company.

24 (h) Venture capital.--Venture capital investments shall be
25 limited to not more than 2% of the book value of the total
26 assets of [the] a fund as determined for financial statement
27 purposes as of December 31 next preceding the date of
28 investment. An investment shall be deemed a venture capital
29 investment if it results in the acquisition of equity interests
30 or a combination of debt and equity interests in a business

1 which is expected to grow substantially in the future and in
2 which the expected return on investment is to come predominantly
3 from an increase in value of the equity interests and are not
4 interests in or secured by real estate. A venture capital
5 investment may be made only if, in the judgment of [the] a
6 board, the investment is reasonably likely to enhance the
7 general welfare of this Commonwealth and its citizens and meets
8 the standard of prudence set forth in subsection (a). In
9 determining whether the investment meets the standard of
10 prudence, [the] a board may consider, together with the expected
11 return on and the risk characteristics of the particular
12 investment, the actual and expected future returns and the risk
13 characteristics of the total venture capital investments held by
14 the board at the time and the degree to which the proposed new
15 investment would promote further diversification within the
16 venture capital asset class.

17 (i) Vehicles for authorized investments.--[The] A board in
18 its prudent discretion may make any investments which meet the
19 standard of prudence set forth in subsection (a) by becoming a
20 limited partner in partnerships that will hold such investments;
21 or by acquiring shares or units of participation or otherwise
22 participating beneficially in bank collective trusts or in the
23 separate accounts of any insurance company authorized to do
24 business in this Commonwealth; or by acquiring stocks or shares
25 or units of participation or otherwise participating
26 beneficially in the fund of any corporation or trust organized
27 or created and existing under the laws of the United States or
28 of any state, district or territory thereof, which fund is
29 maintained for and consists of assets of employees' benefit
30 trusts, including governmental plans as defined in IRC § 414(d)

1 or which meet the requirements for qualification under IRC §
2 401, provided that, in any such case, the liability of the Local
3 Government Employees' Retirement Fund or the State Employees'
4 Retirement Fund shall be limited to the amount of its
5 investment.

6 (j) Legislative declaration concerning certain authorized
7 investments.--The General Assembly finds and declares that
8 authorized investments of [the] a fund made by or on behalf of
9 [the] a board under this section whereby [the] a board becomes a
10 joint owner or stockholder in any company, corporation or
11 association are outside the scope of the original intent of and
12 therefore do not violate the prohibition set forth in section 8
13 of Article VIII of the Constitution of Pennsylvania.

14 § 5932. State Employees' Retirement Fund.

15 The [fund] State Employees' Retirement Fund shall consist of
16 all balances in the several separate accounts set apart to be
17 used under the direction of the [board] State Employees'
18 Retirement Board for the benefit of members of the system; and
19 the Treasury Department shall credit to the fund all moneys
20 received from the Department of Revenue arising from the
21 contributions required under the provisions of Chapter 55
22 (relating to contributions), and any income earned by the
23 investments or moneys of said fund. There shall be established
24 and maintained by the board the several ledger accounts
25 specified in sections 5933 (relating to members' savings
26 account), 5934 (relating to State accumulation account), 5935
27 (relating to annuity reserve account), 5936 (relating to State
28 Police benefit account), 5937 (relating to enforcement officers'
29 benefit account), 5938 (relating to supplemental annuity
30 account) and 5939 (relating to interest reserve account).

1 Section 12. Title 71 is amended by adding a section to read:

2 § 5932.1. Local Government Employees' Retirement Fund.

3 The Local Government Employees' Retirement Fund shall be a
4 pension trust fund comprising a fiscal and accounting entity
5 with a self-balancing set of accounts recording cash and other
6 financial resources, together with all related liabilities, and
7 residual equities or balances, and changes therein segregated
8 for the purpose of accounting for assets held by and used under
9 the direction of the Local Government Employees' Retirement
10 Board in a trustee capacity for the members and beneficiaries of
11 the system. The Treasury Department shall credit to the fund all
12 moneys received from the Department of Revenue arising from the
13 contributions required under the provisions of Chapter 55
14 (relating to contributions), and any income earned by the
15 investments or moneys of said fund. There shall be established
16 and maintained in the fund by the board the several ledger
17 accounts specified in sections 5933 (relating to members'
18 savings account), 5934(b) (relating to employers accumulation
19 accounts), 5935 (relating to annuity reserve account), 5938
20 (relating to supplemental annuity account) and 5939 (relating to
21 interest reserve account).

22 Section 13. Sections 5934, 5935(b), 5936(b), 5937(b), 5939,
23 5940, 5951, 5952, 5953, 5955 and 5955.1 of Title 71 are amended
24 to read:

25 § 5934. [State] Employers accumulation [account] accounts.

26 (a) State accumulation account.--The State accumulation
27 account shall be the ledger account to which shall be credited
28 all contributions of the Commonwealth or other employers other
29 than local governments whose employees are members of the system
30 and made in accordance with the provisions of section 5507(a)

1 (relating to contributions by the Commonwealth and other
2 employers) except that the amounts received under the provisions
3 of the act of May 12, 1943 (P.L.259, No.120), and the amounts
4 received under the provisions of the Liquor Code, act of April
5 12, 1951 (P.L.90, No.21), shall be credited to the State Police
6 benefit account or the enforcement officers' benefit account as
7 the case may be. The State accumulation account shall be
8 credited with valuation interest. The reserves necessary for the
9 payment of annuities and death benefits as approved by the
10 [board] State Employees' Retirement Board and as provided in
11 Chapter 57 (relating to benefits) shall be transferred from the
12 State accumulation account to the annuity reserve account
13 provided for in section 5935 (relating to annuity reserve
14 account), except that the reserves necessary on account of a
15 member who is an officer of the Pennsylvania State Police or an
16 enforcement officer shall be transferred from the State
17 accumulation account to the State Police benefit account
18 provided for in section 5936 (relating to State Police benefit
19 account) or to the enforcement officers' benefit account as
20 provided for in section 5937 (relating to enforcement officers'
21 benefit account) as the case may be.

22 (b) Local government accumulation account.--The local
23 government accumulation account shall be the ledger account to
24 which shall be credited all contributions of local government
25 employers whose employees are members of the system and made in
26 accordance with the provisions of section 5507(a). The local
27 government accumulation account shall be credited with valuation
28 interest. The reserves necessary for the payment of annuities
29 and death benefits as approved by the Local Government
30 Employees' Retirement Board and as provided in Chapter 57 shall

1 be transferred from the local government accumulation account to
2 the annuity reserve account provided for in section 5935.

3 § 5935. Annuity reserve account.

4 * * *

5 (b) Transfers from account.--Should an annuitant other than
6 a member who was retired as an officer of the Pennsylvania State
7 Police or an enforcement officer be subsequently restored to
8 active service, the present value of his member's annuity at the
9 time of reentry into [State] government service shall be
10 transferred from the annuity reserve account and placed to his
11 individual credit in the members' savings account. In addition,
12 the actuarial reserve for his annuity less the amount
13 transferred to the members' savings account shall be transferred
14 from the annuity reserve account to the State accumulation
15 account.

16 § 5936. State Police benefit account.

17 * * *

18 (b) Transfers from account.--Should the said annuitant be
19 subsequently restored to active service, the present value of
20 the member's annuity at the time of reentry into [State]
21 government service shall be transferred from the State Police
22 benefit account and placed to his individual credit in the
23 members' savings account. In addition, the actuarial reserve for
24 his annuity calculated as if he had been a member of Class A
25 less the amount transferred to the members' savings account
26 shall be transferred from the State Police benefit account to
27 the State accumulation account. Upon subsequent retirement other
28 than as an officer of the Pennsylvania State Police the
29 actuarial reserve remaining in the State Police benefit account
30 shall be transferred to the appropriate reserve account.

1 § 5937. Enforcement officers' benefit account.

2 * * *

3 (b) Transfers from account.--Should the said annuitant be
4 subsequently restored to active service, the present value of
5 the member's annuity at the time of reentry into [State]
6 government service shall be transferred from the enforcement
7 officers' benefit account and placed to his individual credit in
8 the members' savings account. In addition, the actuarial reserve
9 for his annuity calculated as if he had been a member of Class A
10 less the amount transferred to the members' savings account
11 shall be transferred from the enforcement officers' benefit
12 account to the State accumulation account. Upon subsequent
13 retirement other than as an enforcement officer the actuarial
14 reserve remaining in the enforcement officers' benefit account
15 shall be transferred to the appropriate reserve account.

16 § 5939. Interest reserve account.

17 The interest reserve account shall be the ledger account to
18 which shall be credited all income earned by the fund and to
19 which shall be charged all administrative and investment
20 expenses incurred by [the] a fund. At the end of each year the
21 required interest shall be transferred from the interest reserve
22 account to the credit of each of the accounts in accordance with
23 the provisions of this subchapter. In addition, at the end of
24 each accounting period, the interest reserve account shall be
25 credited or charged with all recognized changes in the market
26 valuation of the investments of [the] a fund. The administrative
27 and investment expenses of the trustee board shall be paid from
28 the fund out of earnings. Any surplus or deficit in the interest
29 reserve account at the end of each year shall be transferred to
30 the State accumulation account.

1 § 5940. Northern Ireland-related investments.

2 (a) General rule.--Notwithstanding any other provision of
3 law, on and after the effective date of this section, any moneys
4 or assets of the [fund] funds which shall remain or be invested
5 in the stocks, securities or other obligations of any
6 institution or company doing business in or with Northern
7 Ireland or with agencies or instrumentalities thereof shall be
8 invested subject to the provisions of subsection (c).

9 (b) Annual review.--On or before January 1 of each year,
10 [the] each board shall determine the existence of affirmative
11 action taken by institutions or companies doing business in
12 Northern Ireland to eliminate ethnic or religious discrimination
13 based on actions taken for:

14 (1) Increasing the representation of individuals from
15 underrepresented religious groups in the work force,
16 including managerial, supervisory, administrative, clerical
17 and technical jobs.

18 (2) Providing adequate security for the protection of
19 minority employees, both at the workplace and while traveling
20 to and from work.

21 (3) The banning of provocative religious or political
22 emblems from the workplace.

23 (4) Publicly advertising all job openings and making
24 special recruitment efforts to attract applicants from
25 underrepresented religious groups.

26 (5) Providing that layoff, recall and termination
27 procedures should not in practice favor particular religious
28 groupings.

29 (6) The abolition of job reservations, apprenticeship
30 restrictions and differential employment criteria which

1 discriminate on the basis of religion or ethnic origin.

2 (7) The development of training programs that will
3 prepare substantial numbers of current minority employees for
4 skilled jobs, including the expansion of existing programs
5 and the creation of new programs to train, upgrade and
6 improve the skills of minority employees.

7 (8) The establishment of procedures to assess, identify
8 and actively recruit minority employees with potential for
9 further advancement.

10 (9) The appointment of senior management staff members
11 to oversee affirmative action efforts and the setting up of
12 timetables to carry out affirmative action principles.

13 (c) Investments.--Consistent with sound investment policy,
14 [the] each board shall invest the assets of [the] its fund in
15 such a manner that the investments in institutions doing
16 business in or with Northern Ireland shall reflect the advances
17 made by such institutions in eliminating discrimination as
18 established pursuant to subsection (b).

19 § 5951. [State guarantee] Employer guarantees.

20 (a) State guarantee.--The required interest charges payable,
21 the maintenance of reserves in the [fund] State Employees'
22 Retirement Fund, and the payment of all annuities and other
23 benefits granted by the [board] State Employees' Retirement
24 Board under the provisions of this part as to State service in
25 accordance with this part are hereby made obligations of the
26 Commonwealth.

27 (b) Local government guarantee.--The required interest
28 charges payable, the maintenance of reserves in the Local
29 Government Employees' Retirement Fund and the payment of all
30 annuities and other benefits granted by the Local Government

1 Employees' Retirement Board under the provisions of this part,
2 as to local government service in accordance with this part, are
3 hereby made obligations of the local government.

4 (c) Use of income interest and dividends.--All income,
5 interest, and dividends derived from deposits and investments
6 authorized by this part shall be used for the payment of the
7 said obligations of the Commonwealth and local governments.

8 § 5952. State supervision.

9 The [fund] funds and ledger accounts provided for by this
10 part shall be subject to the supervision of the State Insurance
11 Department.

12 § 5953. Taxation, attachment and assignment of funds.

13 (a) General rule.--

14 (1) Except as provided in paragraphs (2), (3) and (4),
15 the right of a person to any benefit or right accrued or
16 accruing under the provisions of this part and the moneys in
17 the [fund] funds are hereby exempt from any State or
18 municipal tax, levy and sale, garnishment, attachment,
19 spouse's election, or any other process whatsoever except for
20 a set-off by the Commonwealth in the case provided in
21 subparagraph (i) or a local government in the case provided
22 in subparagraph (iii), and shall be unassignable except:

23 (i) To the Commonwealth in the case of a member who
24 is terminating State service and has been determined to
25 be obligated to the Commonwealth for the repayment of
26 money owed on account of his employment or to the fund on
27 account of a loan from a credit union which has been
28 satisfied by the board from the fund.

29 (ii) To a credit union as security for a loan not to
30 exceed \$750 and interest not to exceed 6% per annum

1 discounted and/or fines thereon if the credit union is
2 now or hereafter organized and incorporated under the
3 laws of this Commonwealth and the membership of such
4 credit union is limited solely to officials and employees
5 of the Commonwealth or the officer or employees of a
6 local government and if such credit union has paid to the
7 fund \$3 for each such assignment.

8 (iii) To a local government in the case of a member
9 who is terminating local government service and has been
10 determined to be obligated to the local government for
11 the repayment of money owed on account of his employment
12 or to either fund on account of a loan from a credit
13 union which has been satisfied by the board from the
14 fund.

15 (2) Rights under this part shall be subject to
16 forfeiture as provided by the act of July 8, 1978 (P.L.752,
17 No.140), known as the Public Employee Pension Forfeiture Act,
18 and by or pursuant to section 16(b) of Article V of the
19 Constitution of Pennsylvania. Forfeitures under this
20 subsection or under any other provision of law may not be
21 applied to increase the benefits that any member would
22 otherwise receive under this part.

23 (3) Rights under this part shall be subject to
24 attachment in favor of an alternate payee as set forth in an
25 approved domestic relations order.

26 (4) Effective with distributions made on or after
27 January 1, 1993, and notwithstanding any other provision of
28 this part to the contrary, a distributee may elect, at the
29 time and in the manner prescribed by the appropriate board,
30 to have any portion of an eligible rollover distribution paid

1 directly to an eligible retirement plan by way of a direct
2 rollover. For purposes of this paragraph, a "distributee"
3 includes a member and a member's surviving spouse and a
4 member's former spouse who is an alternate payee under an
5 approved domestic relations order. For purposes of this
6 paragraph, the term "eligible rollover distribution" has the
7 meaning given such term by IRC § 402(f)(2)(A), and "eligible
8 retirement plan" has the meaning given such term by IRC §
9 402(c)(8)(B), except that a qualified trust shall be
10 considered an eligible retirement plan only if it accepts the
11 distributee's eligible rollover distribution; however, in the
12 case of an eligible rollover distribution to a surviving
13 spouse, an eligible retirement plan is an "individual
14 retirement account" or an "individual retirement annuity" as
15 those terms are defined in IRC § 408(a) and (b).

16 (b) Authorized payments from [fund] funds.--[The] A board
17 shall be authorized to pay from [the] its fund:

18 (1) In the case of a member who is terminating service,
19 the amount determined after certification by the head of the
20 department that the member is so obligated, and after review
21 and approval by the department or agency's legal
22 representative or upon receipt of an assignment from the
23 member in the amount so certified.

24 (2) In the case of a loan the amount of the loan and any
25 fine or interest due thereon to the credit union except 5% of
26 the total amount due which is to be retained in the fund as a
27 collection fee:

28 (i) if the member obtaining the loan shall have been
29 in default in required payments for a period of not less
30 than two years; or

(ii) at such time as the Department of Banking shall require the credit union to charge the amount of the loan against the reserve fund of such credit union.

Any member who shall have pledged such rights as security for a loan from a credit union and, on whose behalf [the] a board shall have made any payment by reason of that member's default, may not thereafter pledge or assign such rights to a credit union.

§ 5955. Construction of part.

Regardless of any other provision of law, pension rights of [State] government employees shall be determined solely by this part or any amendment thereto, and no collective bargaining agreement nor any arbitration award between the Commonwealth and its employees or their collective bargaining representatives or between a local government and its employees or their collective bargaining representatives shall be construed to change any of the provisions herein, to require the board to administer pension or retirement benefits not set forth in this part, or otherwise require action by any other government body pertaining to pension or retirement benefits or rights of [State] government employees. Notwithstanding the foregoing, any pension or retirement benefits or rights previously so established by or as a result of an arbitration award shall remain in effect after the expiration of the current collective bargaining agreement between the State employees so affected and the Commonwealth. The provisions of this part insofar as they are the same as those of existing law are intended as a continuation of such laws and not as new enactments. The provisions of this part shall not affect any act done, liability incurred, right accrued or vested, or any suit or prosecution pending or to be

1 instituted to enforce any right or penalty or to punish any
2 offense under the authority of any repealed laws.
3 § 5955.1. Construction of part with respect to older workers
4 protection.

5 It is hereby found and declared that the provisions of this
6 part constitute a bona fide retirement or pension plan within
7 the meaning of the Age Discrimination in Employment Act of 1967
8 (Public Law 90-202, 29 U.S.C. § 621 et seq.) and the act of
9 October 27, 1955 (P.L.744, No.222), known as the Pennsylvania
10 Human Relations Act, and that the intent of section 5955
11 (relating to construction of part) as originally enacted and as
12 subsequently amended is to require the pension rights of [State]
13 government employees to be determined solely by this part and
14 any amendments thereto, regardless of any other provision of
15 State law, subject only to such further requirements, exceptions
16 or limitations as may be set forth in section 5955 or as may be
17 imposed by reason of any provision of the Federal or State
18 Constitution. Any provision of this part which is not
19 inconsistent with the provisions of the Age Discrimination in
20 Employment Act of 1967 as amended by the Older Workers Benefit
21 Protection Act (Public Law 101-433, 104 Stat. 978) and the rules
22 and regulations of the Federal Equal Employment Opportunity
23 Commission under such Federal laws shall be deemed not
24 inconsistent with such provisions of the Pennsylvania Human
25 Relations Commission Act as relate to discrimination on the
26 basis of age with respect to the terms, conditions or privileges
27 of employment.

28 Section 14. This act shall be construed and administered in
29 such manner that the Government Employees' Retirement System
30 will satisfy the requirements necessary to qualify as a

1 qualified pension plan under section 401(a)(8), (17) and (25) of
2 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
3 § 401(a)(8), (17) and (25). The rules, regulations and
4 procedures adopted and promulgated by the Local Government
5 Employees' Retirement Board and the State Employees' Retirement
6 Board under 71 Pa.C.S. § 5902(h) shall include those necessary
7 to accomplish the purpose of this section.

8 Section 15. This act shall take effect in 60 days.