
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 443 Session of
2003

INTRODUCED BY ARMSTRONG, RAFFERTY, TARTAGLIONE, KUKOVICH,
WAGNER, ORIE, LOGAN, MUSTO, COSTA, DENT, O'PAKE, TOMLINSON,
WENGER, PILEGGI, BOSCOLA, ERICKSON, CONTI, RHOADES, D. WHITE,
MADIGAN, WONDERLING, SCHWARTZ, WOZNIAK, GREENLEAF, PUNT,
LEMOND, STOUT, KITCHEN, STACK, M. WHITE AND JUBELIRER,
MARCH 13, 2003

REFERRED TO FINANCE, MARCH 13, 2003

AN ACT

1 Providing for the right of sworn members of the Pennsylvania
2 State Police to enter into the deferred retirement option
3 programs; and establishing the Deferred Retirement Option
4 Program in State government for the members of the
5 Pennsylvania State Police.

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

8 This act shall be known and may be cited as the State Police
9 Deferred Retirement Option Plan Act.

10 Section 2. Declaration of purpose.

11 The purpose of this act is to authorize the Commonwealth to
12 adopt a deferred retirement option plan (DROP) under which an
13 eligible sworn member of the Pennsylvania State Police may elect
14 to participate, defer receipt of retirement system benefits and
15 continue employment as a member of the Pennsylvania State
16 Police. Under the plan, the DROP participant's monthly
17 retirement system benefit shall be paid into the participant's

1 subsidiary DROP participant account. The account shall accrue
2 interest, compounded monthly for the period of the DROP
3 participation. Upon termination of employment, the participant
4 shall receive the balance in the participant's subsidiary DROP
5 participant account and begin to receive the previously
6 determined monthly retirement system benefit. The employment of
7 a DROP participant by the Pennsylvania State Police does not
8 guarantee the DROP participant's employment by the Pennsylvania
9 State Police until the end of the specified period of the DROP.

10 Section 3. Definitions.

11 The following words and phrases when used in this act shall
12 have the meanings given to them in this section unless the
13 context clearly indicates otherwise:

14 "Normal retirement benefit." The retirement benefit payable
15 to a Pennsylvania State Police member of the State Retirement
16 System at the point in time when the member satisfies the
17 service requirement for full, unreduced retirement benefits.

18 "Subsidiary DROP Participant Account." The separate interest
19 bearing subsidiary DROP participant account established for the
20 DROP participant.

21 Section 4. Participation in DROP.

22 (a) DROP eligibility.--An eligible active member may elect
23 to participate in a DROP for a period not in excess of five
24 years.

25 (b) DROP participation election.--Upon deciding to
26 participate in a DROP, a member of the Pennsylvania State Police
27 must submit on a form provided and required by the Retirement
28 System:

29 (1) A binding and irrevocable letter of retirement from
30 regular employment with the Pennsylvania State Police that

discloses the member's intent to retire and specifies the member's retirement date.

(2) A written election to participate in the DROP must:

(i) detail a DROP participant's rights and obligations under the DROP; and

(ii) include an agreement to forego:

(A) active membership in the retirement system;

and

(B) any growth in the salary base used for calculating the regular retirement benefit;

(iii) specify the effective date of DROP participation which shall be the day after the specified retirement date;

(iv) specify the DROP termination date that satisfies the limitation in subsection (a); and

(v) and any other information required by the retirement system.

(c) DROP termination.--

(1) A DROP participant may change the DROP termination date to an earlier date within the limitations of subsection (a). No penalty shall be imposed for early termination of DROP participation.

(2) Upon termination of DROP participation:

(i) The DROP participant shall be separated from employment by the Pennsylvania State Police.

(ii) The retirement system shall pay the balance in the DROP participant's Subsidiary DROP Participant Account to the terminating participant.

Section 5. Benefits payable under DROP.

(a) Fixing retirement benefits, retirement benefits and DROP

1 dates.--Effective with the date of retirement, which must be the
2 day before the effective date of the DROP participation, the
3 member's monthly normal retirement benefit, the member's
4 effective date of retirement and the member's effective dates
5 beginning and terminating employment as a DROP participant shall
6 be fixed.

7 (b) Effective dates of DROP participation.--

8 (1) A retired member's effective date of participation
9 in a DROP shall begin the day following the effective date of
10 the member's regular retirement.

11 (2) A retired member's participation in a DROP shall end
12 on the termination date specified in the participant's
13 written election agreement or when the DROP participant is
14 separated from employment with the Pennsylvania State Police,
15 whichever is earlier.

16 (c) Treatment of normal retirement benefit payments and
17 accruals.--All of the retired member's monthly normal retirement
18 benefit and interest thereon at the assigned rate shall be
19 credited to the DROP participant's Subsidiary DROP Participant
20 Account in the pension trust fund and a separate accounting of
21 the DROP participant's accrued benefit accumulation under the
22 DROP shall be calculated annually and provided to the
23 participant.

24 (d) Payment of DROP benefits.--On the effective date of
25 termination of a retired member's participation in a DROP, the
26 retirement system shall calculate and pay to the participant the
27 participant's total accumulated DROP benefits in the DROP
28 participant's Subsidiary DROP Participant Account subject to the
29 following provisions:

30 (1) The terminating DROP participant or if deceased the

1 participant's named beneficiary must elect on a form provided
2 by the retirement system to receive payment of the DROP
3 benefits in accordance with one of the following options:

4 (i) the balance in the DROP participant's Subsidiary
5 DROP Participant Account, less withholding taxes remitted
6 to the Internal Revenue Service, shall be paid within 45
7 days by the retirement system to the DROP participant or
8 surviving beneficiary;

9 (ii) the balance in the DROP participant's
10 Subsidiary DROP Participant Account shall be paid within
11 45 days by the retirement system directly to the
12 custodian of an eligible retirement plan as defined in
13 section 402(c)(8)(b) of the Internal Revenue Code of 1986
14 (Public Law 99-514, 26 U.S.C. § 1 et seq.) or, in the
15 case of an eligible rollover distribution to the
16 surviving spouse of a deceased participant, to an
17 eligible retirement plan that is an individual retirement
18 account or an individual retirement annuity as described
19 in section 402(c)(9) of the Internal Revenue Code of
20 1986; or

21 (iii) If the DROP participant or beneficiary fails
22 to elect a method of payment within 60 days after the
23 participant's termination date, the retirement system
24 shall pay the balance as a lump sum as provided in
25 subparagraph (i).

26 (2) The form of payment selected by the DROP participant
27 or surviving beneficiary must comply with the minimum
28 distribution requirements of the Internal Revenue Code of
29 1986.

30 (e) Taxation, attachment and assignment of DROP

1 participant's account.--

2 (1) Except as provided in paragraphs (2), (3) and (4),
3 any benefit or right accrued or accruing under the provisions
4 of this act and the money in the participant's Subsidiary
5 DROP Participant Account is exempt from any State or
6 municipal tax, levy and sale, garnishment, attachment,
7 spouse's election or any other process whatsoever.

8 (2) Rights under this act shall be subject to forfeiture
9 as provided by the act of July 8, 1978 (P.L.752, No.140),
10 known as the Public Employee Pension Forfeiture Act.
11 Forfeitures under this subsection or under any other
12 provision of law may not be applied to increase the benefits
13 that any participant otherwise would receive under this act.

14 (3) Rights under this act shall be subject to
15 attachments resulting from an action or proceeding under 23
16 Pa.C.S. Pt. IV (relating to divorce) or for support.

17 (4) Under subsection (d)(1)(ii), a distributee may elect
18 to have an eligible rollover distribution paid directly to an
19 eligible retirement plan by way of a direct rollover. For
20 purposes of this paragraph, a "distributee" includes a DROP
21 participant, a participant's designated beneficiary and any
22 person who has an attachment as described in subsection
23 (e)(3). For purposes of this paragraph, "eligible rollover
24 distribution" has the meaning given to it in section
25 402(f)(2)(A) of the Internal Revenue Code of 1986 except that
26 a qualified trust shall be considered an eligible retirement
27 plan if it accepts the distributee's eligible rollover
28 distribution and an eligible retirement plan for an eligible
29 rollover distribution to a surviving spouse is an "individual
30 retirement account" or an "individual retirement annuity" as

defined in section 408(a) and (b) of the Internal Revenue Code of 1986.

(f) Eligibility for benefits.--A DROP participant shall be eligible for all benefits enjoyed by members of the bargaining unit except those included in the agreement to forego in section 4(b)(2)(ii)(A) and (B) whether or not they are retirement eligible or a DROP participant. These benefits shall include all benefits provided by contract or by statute, including, but not limited to, benefits under the act of June 2, 1915 (P.L.736, No.338), known as the Workers' Compensation Act, the act of June 28, 1935 (P.L.477, No.193), referred to as the Enforcement Officer Disability Benefits Law, the act of December 5, 1936 (2nd Sp.Sess., 1937 P.L.2897, No.1), known as the Unemployment Compensation Law, the act of June 24, 1976 (P.L.424, No.101), referred to as the Emergency and Law Enforcement Personnel Death Benefits Act and the Public Safety Officers' Benefit Act of 1976 (Public Law 94-430, 90 Stat. 1347).

Section 6. Death benefits under DROP.

(a) DROP benefits for named beneficiary.--If a DROP participant dies, the participant's named beneficiary shall be entitled to apply for and receive the benefits accrued in the participant's Subsidiary DROP Participant Account.

(b) Final credited monthly retirement benefit.--The monthly retirement system benefit accrued in the participant's Subsidiary DROP Participant Account during the month of a DROP participant's death shall be final monthly retirement system benefit credited for DROP participation.

(c) DROP eligibility terminates upon participant's death.--Eligibility to participate in the DROP terminates upon the death of the participant. If a DROP participant dies on or after the

1 effective date of participation in the DROP but before the
2 monthly retirement system benefit of the participant accruable
3 for the month has accrued in the participant's Subsidiary DROP
4 Participant Account, the Pennsylvania State Police shall pay the
5 monthly retirement system benefit as though the participant had
6 not elected DROP participation and had died after the member's
7 effective date of retirement but before receipt of the retired
8 member's first regular retirement benefit.

9 Section 7. Administrative provisions.

10 (a) The Subsidiary DROP Participant Account.--The account
11 shall be established as an interest-bearing, ledger account in
12 the pension trust fund. The account balance shall be accounted
13 for separately but need not be physically segregated from other
14 pension trust fund assets. A separate, interest-bearing
15 Subsidiary DROP Participant Account shall be established for
16 each DROP participant. While a retired member is employed as a
17 DROP participant, the member's monthly normal retirement benefit
18 and interest thereon shall be credited to the account. The
19 interest shall be compounded and credited monthly at the rate of
20 4.5%. When a retired member terminates participation in the
21 DROP, the participant's total accumulated benefit shall be
22 calculated, charged to the account and paid out of the pension
23 trust fund.

24 (b) Account held in trust.--The DROP participant account
25 shall be held in trust for the exclusive benefit of DROP retired
26 members who are or were DROP participants and for the
27 beneficiaries of the members.

28 Section 8. Repeals.

29 Sections 5301(d) and 5706(a) of 71 Pa.C.S. are repealed
30 insofar as they are inconsistent with this act.

1 Section 9. Effective date.

2 This act shall take effect in 60 days.