
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 596 Session of
2007

INTRODUCED BY ORIE, BOSCOLA, LOGAN, RAFFERTY, FOLMER, GORDNER,
LAVALLE, BROWNE, COSTA, FERLO, PIPPY, BAKER, EARLL, RHOADES,
GREENLEAF, WOZNIAK, D. WHITE, SCARNATI, WONDERLING, BRUBAKER
AND McILHINNEY, MARCH 20, 2007

REFERRED TO FINANCE, MARCH 20, 2007

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 police employee retirement systems; providing for mandatory
5 membership of local government police employees; revising
6 general municipal pension system State aid; and providing for
7 supplemental local government police benefit accumulation
8 plans and for local government contributions and guarantees.

9 The General Assembly finds and declares as follows:

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

16 (2) Divergent provisions among these systems preclude
17 the opportunity of local government police employees to
18 transfer from one local government employer to another.

19 (3) Similarly situated local government police employees
20 are eligible for dissimilar retirement benefits.

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

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

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

9 (7) It is the purpose of this act to provide for the
10 systematic transition of existing individual local government
11 police 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 local government
17 police employees.

18 (iii) A properly funded local government police
19 employee retirement system.

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

21 (v) Improved public employee mobility.

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

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24 transfer of assets and liabilities from any superseded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

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

30 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 Section 1. The definitions of "eligibility points,"
3 "inactive member," "multiple service," "State Employees'
4 Retirement System" and "State service" in section 8102 of Title
5 24 of the Pennsylvania Consolidated Statutes are amended and the
6 section is amended by adding definitions to read:

7 § 8102. Definitions.

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

11 * * *

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

18 * * *

19 "Government Employees' Retirement System." The retirement
20 system established under 71 Pa.C.S. (relating to State
21 Government).

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

25 * * *

26 "Inactive member." A member for whom no pickup contributions
27 are being made, except in the case of an active member for whom
28 such contributions otherwise required for current school service
29 are not being made solely by reason of any provision of this
30 part relating to the limitations under section 401(a)(17) or

1 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,
2 26 U.S.C. § 401(a)(17) or 415(b)), who has accumulated
3 deductions standing to his credit in the fund and for whom
4 contributions have been made within the last two school years or
5 a multiple service member who is active in the [State]
6 Government Employees' Retirement System.

7 * * *

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

12 * * *

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

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

20 * * *

21 Section 2. Sections 8301(a)(1), 8303(c), 8306(a), 8346(d),
22 8501(d), 8503(c), 8504, 8505(b), 8506(d), (e), (g) and (h) and
23 8507(a), (c) and (d) of Title 24 are amended to read:

24 § 8301. Mandatory and optional membership.

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

28 (1) Any officer or employee of the Department of
29 Education, State-owned educational institutions, community
30 colleges, area vocational-technical schools, technical

1 institutes, or the Pennsylvania State University and who is a
2 member of the [State] Government Employees' Retirement System
3 or a member of another retirement program approved by the
4 employer.

5 * * *

6 § 8303. Eligibility points for retention and reinstatement of
7 service credits.

8 * * *

9 (c) Purchase of previous creditable service.--Every active
10 member of the system or a multiple service member who is an
11 active member of the [State] Government Employees' Retirement
12 System on or after the effective date of this part may purchase
13 credit and receive eligibility points:

14 (1) as a member of Class T-C for previous school service
15 or creditable nonschool service; or

16 (2) as a member of Class T-D for previous school
17 service, provided the member elects to become a Class T-D
18 member pursuant to section 8305.1 (relating to election to
19 become a class T-D member);

20 upon written agreement by the member and the board as to the
21 manner of payment of the amount due for credit for such service;
22 except, that any purchase for reinstatement of service credit
23 shall be for all service previously credited.

24 § 8306. Eligibility points.

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

1 the case of a fractional part of a year of credited service, a
2 member shall accrue the corresponding fractional portion of an
3 eligibility point.

4 * * *

5 § 8346. Termination of annuities.

6 * * *

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

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

13 (i) is a multiple service member; or

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

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

1 the higher of either:

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

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

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

1 year by the board for the calculation of the normal
2 contribution rate pursuant to section 8328(b) (relating to
3 actuarial cost method).

4 § 8501. Public School Employees' Retirement Board.

5 * * *

6 (d) Compensation and expenses.--The members of the board who
7 are members of the system shall serve without compensation.

8 Members of the board who are members of the system and who are
9 employed by a governmental entity shall not suffer loss of
10 salary or wages through serving on the board. The board, on
11 request of the employer of any member of the board who is an
12 active professional or nonprofessional member of the system, may
13 reimburse such employer for the salary or wages of the member,
14 or for the cost of employing a substitute for such member, while
15 the member is necessarily absent from employment to execute the
16 duties of the board. The members of the board who are not
17 members of either the school system or the [State] Government
18 Employees' Retirement System may be paid \$100 per day when
19 attending meetings and all board members shall be reimbursed for
20 any necessary expenses. However, when the duties of the board as
21 mandated are not executed, no compensation or reimbursement for
22 expenses of board members shall be paid or payable during the
23 period in which such duties are not executed.

24 * * *

25 § 8503. Duties of board to advise and report to employers and
26 members.

27 * * *

28 (c) Purchase of credit for previous service.--Upon receipt
29 of an application from an active member or a [State] government
30 employee with multiple service credit to purchase credit for

1 previous school or creditable nonschool service, the board shall
2 determine and certify to the member the amount required to be
3 paid by the member. When necessary, the board shall certify to
4 the proper employer the amount which would have been paid
5 together with statutory interest into the State accumulation
6 account had such employee been an active member in the system
7 during said period.

8 * * *

9 § 8504. Duties of board to report to State Employees'

10 Retirement Board and Local Government Police

11 Employees' Retirement Board.

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

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

28 (1) The total credited service in the system and the
29 number of years and fractional part of a year of service
30 credited in each class of service.

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

3 (3) The amount of the deductions and the period over
4 which they are to be made if the member has elected payroll
5 deductions pursuant to section 8323 (relating to member
6 contributions for creditable school service) or 8324
7 (relating to contributions for purchase of credit for
8 creditable nonschool service).

9 (c) Applications for benefits for [State] government
10 employees.--Upon receipt of notification and the required data
11 from the State Employees' Retirement Board or the Local
12 Government Police Employees' Retirement Board that a former
13 school employee who elected multiple service has applied for a
14 [State] government employee's retirement benefit or, in the
15 event of his death, his legally constituted representative has
16 applied for such benefit, the board shall:

17 (1) Certify to the State Employees' Retirement Board or
18 the Local Government Police Employees' Retirement Board:

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

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

26 (2) Transfer to the State Employees' Retirement Fund or
27 the Local Government Police Employees' Retirement Fund the
28 accumulated deductions standing to such member's credit and
29 the actuarial reserve required on account of the member's
30 years of credited service in the school system and his final

average salary determined on the basis of his compensation in both systems.

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

* * *

(b) [State] Government employees electing multiple service status.--Upon receipt of notification from the State Employees' Retirement Board or the Local Government Police Employees' Retirement Board that a former school employee has become an active member in the [State] Government Employees' Retirement System and has elected to become a member with multiple service status, the board shall:

(1) In case of a member who is receiving an annuity from the system:

(i) Discontinue payments, transfer the present value of the member's annuity at the time of entering State service, plus the amount withdrawn in a lump sum payment, on or after the date of entering [State] government service, pursuant to section 8345 (relating to member's options), with statutory interest to date of transfer, minus the amount to be returned to the board on account of return to service that the board has determined is to be credited in the members' savings account, from the annuity reserve account to the members' savings account and resume crediting of statutory interest on the amount restored to his credit.

(ii) Transfer the balance of the present value of the total annuity, minus the amount to be returned to the board on account of return to service that the board has determined is to be credited in the State accumulation

1 account, from the annuity reserve account to the State
2 accumulation account.

3 (iii) Certify to the member the amount of lump sum
4 and annuity payments with statutory interest the member
5 is to return to the board and, of those amounts, which
6 amount shall be credited to the members' savings account
7 and credited with statutory interest as such payments are
8 returned and which amount shall be credited to the State
9 accumulation account.

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

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

23 * * *

24 § 8506. Duties of employers.

25 * * *

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

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

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

19 * * *

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

1 school service to date of repayment. The employer shall advise
2 the board of such election.

3 (h) Former [State] government employee annuitants.--The
4 employer shall, upon the employment of an annuitant of the
5 [State] Government Employees' Retirement System who applies for
6 membership in the system, advise such employee that he may elect
7 multiple service membership within 365 days of entry into the
8 system and that if he so elects his annuity from the [State]
9 Government Employees' Retirement System will be discontinued
10 effective upon the date of his return to school service and,
11 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 365 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. Section 5101 of Title 71 is amended to read:

26 § 5101. Short title of part.

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

29 Section 4. Section 5102 of Title 71, amended October 27,
30 2006 (P.L.1177, No.120), is amended to read:

1 § 5102. Definitions.

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

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

12 "Active member." A [State] government employee, or a member
13 on leave without pay, for whom pickup contributions are being
14 made to [the] either fund or for whom such contributions
15 otherwise required for current [State] government service are
16 not being made solely by reason of section 5502.1 (relating to
17 waiver of regular member contributions and Social Security
18 integration member contributions) or any provision of this part
19 relating to the limitations under section 401(a)(17) or section
20 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,
21 26 U.S.C. § 401(a)(17) or 415(b)).

22 "Actuarial increase factor." A factor calculated at the
23 member's birthday by dividing the cost of a dollar annuity based
24 on the age of the member on the member's immediately previous
25 birthday by the cost of a one-year deferred dollar annuity
26 calculated at that same age. Unless the member terminates State
27 or school service on the member's birthday, the actuarial
28 increase factor for the year of termination shall be adjusted
29 by:

30 (1) subtracting one from the calculated factor; then

- 1 (2) dividing the difference by twelve; then
- 2 (3) multiplying the resulting quotient by the number of
- 3 whole months between the member's immediately previous
- 4 birthday and the date of termination of service; then
- 5 (4) adding one to the resulting product.

6 "Actuarially equivalent." Equal present values, computed on

7 the basis of statutory interest and the mortality tables adopted

8 by the board.

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

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

11 (2) an individual who has demonstrated to the

12 satisfaction of the Insurance Commissioner of Pennsylvania

13 that he has the educational background necessary for the

14 practice of actuarial science and has had at least seven

15 years of actuarial experience; or

16 (3) a firm, partnership, or corporation of which at

17 least one member meets the requirements of (1) or (2).

18 "Additional accumulated deductions." The total of the

19 additional member contributions paid into the fund on account of

20 current service or previous [State] government or creditable

21 nonstate service, together with the statutory interest credited

22 thereon until the date of termination of service. In the case of

23 a vestee, statutory interest shall be credited until the

24 effective date of retirement. A member's account shall not be

25 credited with statutory interest for more than two years during

26 a leave without pay.

27 "Alternate payee." Any spouse, former spouse, child or

28 dependent of a member who is recognized by a domestic relations

29 order as having a right to receive all or a portion of the

30 moneys payable to that member under this part.

1 "Alternative investment." An investment in a private equity
2 fund, private debt fund, venture fund, real estate fund, hedge
3 fund or absolute return fund.

4 "Alternative investment vehicle." A limited partnership,
5 limited liability company or any other legal vehicle for
6 authorized investments under section 5931(i) (relating to
7 management of fund and accounts) through which the system makes
8 an alternative investment.

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

11 "Approved domestic relations order." Any domestic relations
12 order which has been determined to be approved in accordance
13 with section 5953.1 (relating to approval of domestic relations
14 orders).

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

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

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

30 "Board." The State Employees' Retirement Board [or], the

1 State Employees' Retirement Board or the Local Government Police
2 Employees' Retirement Board.

3 "Boards." The State Employees' Retirement Board and the
4 Local Government Police Employees' Retirement Board.

5 "Class of service multiplier."

6	Class of Service	Multiplier
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7	A	1
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8	AA	for all purposes
9		except
10		calculating regular
11		member contributions

12		on compensation
----	--	-----------------

13		paid prior to
----	--	---------------

14		January 1, 2002	1.25
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15	AA	for purposes
16		of calculating
17		regular member
18		contributions
19		on compensation

20		paid prior to
----	--	---------------

21		January 1, 2002	1
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22	B		.625
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23	C		1
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24	D		1.25
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25	D-1	prior to
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26		January 1, 1973	1.875
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27	D-1	on and
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28		subsequent to
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29		January 1, 1973	1.731
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30	D-2	prior to
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1		January 1, 1973	2.5	
2	D-2	on and		
3		subsequent to		
4		January 1, 1973	1.731	
5	D-3	prior to		
6		January 1, 1973	3.75	
7	D-3	on and		
8		subsequent to		
9		January 1, 1973	1.731	except prior to December
10				1, 1974 as applied to any
11				additional legislative
12				compensation as an officer
13				of the General Assembly
14			3.75	
15	D-4	for all purposes		
16		except		
17		calculating		
18		regular member		
19		contributions		
20		on compensation		
21		paid prior to		
22		July 1, 2001	1.5	
23	D-4	for purposes of		
24		calculating		
25		regular member		
26		contributions		
27		on compensation		
28		paid prior to		
29		July 1, 2001	1	
30	E, E-1	prior to		

1	January 1, 1973	2	for each of the first ten
2			years of judicial service,
3			and
4		1.5	for each subsequent year
5			of judicial service
6	E, E-1 on and		
7	subsequent to		
8	January 1, 1973	1.50	for each of the first
9			ten years of judicial
10			service and
11		1.125	for each subsequent year
12			of judicial service
13	E-2 prior to		
14	September 1, 1973	1.5	
15	E-2 on and		
16	subsequent to		
17	September 1, 1973	1.125	
18	G	0.417	
19	H	0.500	
20	I	0.625	
21	J	0.714	
22	K	0.834	
23	L	1.000	
24	M	1.100	
25	N	1.250	
26	T-C (Public School	1	
27	Employees'		
28	Retirement Code)		
29	<u>P-1</u>	<u>1.25</u>	<u>for each of the</u>
30			<u>first 20 years of</u>

1 taken into account for the purpose of member contributions,
2 including any additional member contributions in addition to
3 regular or joint coverage member contributions and Social
4 Security integration contributions, regardless of class of
5 service, shall apply to each member who first became a member of
6 the [State] Government Employees' Retirement System on or after
7 January 1, 1996, and who by reason of such fact is a noneligible
8 member subject to the application of the provisions of section
9 5506.1(a) (relating to annual compensation limit under IRC §
10 401(a)(17)).

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

13 "Correction officer." Any full-time State employee assigned
14 to the Department of Corrections or the Department of Public
15 Welfare whose principal duty is the care, custody and control of
16 inmates or direct therapeutic treatment, care, custody and
17 control of inmates of a penal or correctional institution,
18 community treatment center, forensic unit in a State hospital or
19 secure unit of a youth development center operated by the
20 Department of Corrections or by the Department of Public
21 Welfare.

22 "County service." Service credited in a retirement system or
23 pension plan established or maintained by a county to provide
24 retirement benefits for its employees to the account of county
25 employees who are transferred to State employment and become
26 State employees pursuant to 42 Pa.C.S. § 1905 (relating to
27 county-level court administrators) regardless of whether the
28 service was performed for the county or another employer or
29 allowed to be purchased in the county retirement system or
30 pension plan.

1 "Creditable nonstate service." Service other than:

2 (1) service as a [State] government employee;

3 (2) service converted to State service pursuant to
4 section 5303.1 (relating to election to convert county
5 service to State service); or

6 (3) school service converted to State service pursuant
7 to section 5303.2 (relating to election to convert school
8 service to State service)

9 for which an active member may obtain credit.

10 "Credited service." State or creditable nonstate service for
11 which the required contributions have been made or for which the
12 contributions otherwise required for such service were not made
13 solely by reason of section 5502.1 (relating to waiver of
14 regular member contributions and Social Security integration
15 member contributions) or any provision of this part relating to
16 the limitations under section 401(a)(17) or 415(b) of the
17 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
18 401(a)(17) or 415(b)), or for which salary deductions or lump
19 sum payments have been agreed upon in writing.

20 "Date of termination of service." The last day of service
21 for which pickup contributions are made for an active member or
22 in the case of an inactive member on leave without pay the date
23 of his resignation or the date his employment is formally
24 discontinued by his employer.

25 "Department." Any department, agency, authority, independent
26 board or commission or a local government.

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

1 "Distribution." Payment of all or any portion of a person's
2 interest in the Government Employees' Retirement Fund or the
3 State Employees' Retirement Fund which is payable under this
4 part.

5 "Domestic relations order." Any judgment, decree or order,
6 including approval of a property settlement agreement, entered
7 on or after the effective date of this definition by a court of
8 competent jurisdiction pursuant to a domestic relations law
9 which relates to the marital property rights of the spouse or
10 former spouse of a member, including the right to receive all or
11 a portion of the moneys payable to that member under this part
12 in furtherance of the equitable distribution of marital assets.
13 The term includes orders of support as that term is defined by
14 23 Pa.C.S. § 4302 (relating to definitions) and orders for the
15 enforcement of arrearages as provided in 23 Pa.C.S. § 3703
16 (relating to enforcement of arrearages).

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

26 "Eligibility points." Points which are accrued by an active
27 member or a multiple service member who is an active member in
28 the Public School Employees' Retirement System for credited
29 service and are used in the determination of eligibility for
30 benefits.

1 "Enforcement officer."

2 (1) Any enforcement officer or investigator of the
3 Pennsylvania Liquor Control Board who is a peace officer
4 vested with police power and authority throughout the
5 Commonwealth and any administrative or supervisory employee
6 of the Pennsylvania Liquor Control Board vested with police
7 power who is charged with the administration or enforcement
8 of the liquor laws of the Commonwealth.

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

17 (3) Parole agents, classified as such by the Executive
18 Board and employed by the Pennsylvania Board of Probation and
19 Parole.

20 (4) Waterways conservation officers and other
21 commissioned law enforcement personnel employed by the
22 Pennsylvania Fish and Boat Commission who have and exercise
23 the same law enforcement powers as waterways conservation
24 officers. This paragraph shall not apply to deputy waterways
25 conservation officers.

26 "Final average salary." The highest average compensation
27 received as a member during any three nonoverlapping periods of
28 four consecutive calendar quarters during which the member was a
29 [State] government employee, with the compensation for part-time
30 service being annualized on the basis of the fractional portion

1 of the year for which credit is received; except if the employee
2 was not a member for three nonoverlapping periods of four
3 consecutive calendar quarters, the total compensation received
4 as a member, annualized in the case of part-time service,
5 divided by the number of nonoverlapping periods of four
6 consecutive calendar quarters of membership; in the case of a
7 member with multiple service, the final average salary shall be
8 determined on the basis of the compensation received by him as a
9 [State] government employee or as a school employee, or both;
10 and, in the case of a member who first became a member of the
11 Government Employees' Retirement System or the State Employees'
12 Retirement System on or after January 1, 1996, the final average
13 salary shall be determined as hereinabove provided but subject
14 to the application of the provisions of section 5506.1(a)
15 (relating to annual compensation limit under IRC § 401(a)(17)).

16 "Full coverage member." Any member for whom member pickup
17 contributions are being picked up or who has paid or has agreed
18 to pay to the fund the actuarial equivalent of regular member
19 contributions due on account of service prior to January 1,
20 1982.

21 "Fund." The State Employees' Retirement Fund[.] or the Local
22 Government Police Employees' Retirement Fund.

23 "Funds." The State Employees' Retirement Fund and the Local
24 Government Police Employees' Retirement Fund.

25 "Government employee." A local government police employee or
26 a State employee.

27 "Government service." Service rendered as a local government
28 police employee or as a State employee.

29 "Head of department." The chief administrative officer of
30 the department, the chairman or executive director of the

1 agency, authority, or independent board or commission, the chief
2 administrative officer of a local government, the Court
3 Administrator of Pennsylvania, and the Chief Clerk of the
4 Senate, or the Chief Clerk of the House of Representatives.

5 "Inactive member." A member for whom no pickup contributions
6 are being made, except in the case of an active member for whom
7 such contributions otherwise required for current [State]
8 government service are not being made solely by reason of
9 section 5502.1 (relating to waiver of regular member
10 contributions and Social Security integration member
11 contributions) or any provision of this part relating to the
12 limitations under section 401(a)(17) or 415(b) of the Internal
13 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17)
14 or 415(b)), but who has accumulated deductions standing to his
15 credit in [the] either fund and who is not eligible to become or
16 has not elected to become a vestee or has not filed an
17 application for an annuity.

18 "Intervening military service." Active military service of a
19 member who was a [State] government employee immediately
20 preceding his induction into the armed services or forces of the
21 United States in order to meet a military obligation excluding
22 any voluntary extension of such service and who becomes a
23 [State] government employee within 90 days of the expiration of
24 such service.

25 "IRC." The Internal Revenue Code of 1986, as designated and
26 referred to in section 2 of the Tax Reform Act of 1986 (Public
27 Law 99-514, 100 Stat. 2085, 2095). A reference in this part to
28 "IRC § " shall be deemed to refer to the identically numbered
29 section and subsection or other subdivision of such section in
30 26 United States Code (relating to Internal Revenue Code).

1 "Irrevocable beneficiary." The person or persons permanently
2 designated by a member in writing to the State Employees'
3 Retirement Board or the Local Government Police Employees'
4 Retirement Board pursuant to an approved domestic relations
5 order to receive all or a portion of the accumulated deductions
6 or lump sum benefit payable upon the death of such member.

7 "Irrevocable survivor annuitant." The person permanently
8 designated by a member in writing to the State Employees'
9 Retirement Board or the Local Government Police Employees'
10 Retirement Board pursuant to an approved domestic relations
11 order to receive an annuity upon the death of such member.

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

15 "Joint coverage member contributions." Regular member
16 contributions reduced for a joint coverage member.

17 "Local government." The term shall mean:

18 (1) a municipality, except a county, however
19 constituted, whether operating under a legislative charter,
20 municipal code, optional charter, home rule charter, optional
21 plan or other arrangement; or

22 (2) an association of these municipalities cooperating
23 under 53 Pa.C.S. Ch. 23 Subch. A (relating to
24 intergovernmental cooperation).

25 "Local Government Police Employees' Retirement System." An
26 entity, whether a separate entity or part of a local government
27 entity, that:

28 (1) collects retirement and other employee benefit
29 contributions from local government police employees and
30 local governments;

1 (2) holds and manages the resulting assets as reserves
2 for present and future retirement benefit payments; and
3 (3) makes provisions for these payments to qualified
4 retirees and beneficiaries.

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

21 "Local government police employee." An employee of a local
22 government who holds a full-time position in the police service
23 of a local government and who is a peace officer vested with
24 police power.

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

27 "Member." Active member, inactive member, annuitant, vestee
28 or special 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 24 Pa.C.S. Pt. IV (relating to retirement for school
12 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 or a special vestee, statutory
19 interest shall be credited until the effective date of
20 retirement. A member's account shall not be credited with
21 statutory interest for more than two years during a leave
22 without pay.

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

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

29 "Salary deductions." The amounts certified by the board,
30 deducted from the compensation of an active member, or the

1 school service compensation of a multiple service member who is
2 an active member of the Public School Employees' Retirement
3 System, and paid into the fund.

4 "School service." Service rendered as a public school
5 employee and credited as service in the Public School Employees'
6 Retirement System.

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

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

23 "Special vestee." An employee of The Pennsylvania State
24 University who is a member of the [State] Government Employees'
25 Retirement System with five or more but less than ten
26 eligibility points and who has a date of termination of service
27 from The Pennsylvania State University of June 30, 1997, because
28 of the transfer of his job position or duties to a controlled
29 organization of the Penn State Geisinger Health System or
30 because of the elimination of his job position or duties due to

1 the transfer of other job positions or duties to a controlled
2 organization of the Penn State Geisinger Health System, provided
3 that:

4 (1) subsequent to termination of State service as an
5 employee of The Pennsylvania State University, the member has
6 not returned to State service in any other capacity or
7 position as a State employee;

8 (2) The Pennsylvania State University certifies to the
9 board that the member is eligible to be a special vestee;

10 (3) the member files an application to vest the member's
11 retirement rights pursuant to section 5907(f) (relating to
12 rights and duties of State employees and members) on or
13 before September 30, 1997; and

14 (4) the member elects to leave the member's total
15 accumulated deductions in the fund and to defer receipt of an
16 annuity until attainment of superannuation age.

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

21 "State employee." Any person holding a State office or
22 position under the Commonwealth, employed by the State
23 Government of the Commonwealth, in any capacity whatsoever,
24 except an independent contractor or any person compensated on a
25 fee basis or any person paid directly by an entity other than a
26 [State] Government Employees' Retirement System employer, and
27 shall include members of the General Assembly, and any officer
28 or employee of the following:

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

30 (ii) State-owned educational institutions.

1 (iii) Community colleges.

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

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

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

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

9 "State police officer." Any officer or member of the
10 Pennsylvania State Police who, on or after July 1, 1989, shall
11 have been subject to the terms of a collective bargaining
12 agreement or binding interest arbitration award established
13 pursuant to the act of June 24, 1968 (P.L.237, No.111), referred
14 to as the Policemen and Firemen Collective Bargaining Act.

15 "State service." Service converted from county service
16 pursuant to section 5303.1 (relating to election to convert
17 county service to State service), converted from school service
18 pursuant to section 5303.2 (relating to election to convert
19 school service to State service) or rendered as a State
20 employee.

21 "Statutory interest." Interest at 4% per annum, compounded
22 annually.

23 "Superannuation age."

24 (1) Any age upon accrual of 35 eligibility points or age
25 60, except for a member of the General Assembly, an
26 enforcement officer, a correction officer, a psychiatric
27 security aide, a Delaware River Port Authority policeman, a
28 Class P-2 or P-3 local government police employee or an
29 officer of the Pennsylvania State Police, age 50, and, except
30 for a member with Class G, Class H, Class I, Class J, Class

1 K, Class L, Class M or Class N service, age 55 upon accrual
2 of 20 eligibility points.

3 (2) A Class P-1 local government police officer, any age
4 upon accrual of 20 eligibility points or age 50.

5 (3) A Class P-4 local government police employee, age
6 55.

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

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

13 "System." The [State] Government Employees' Retirement
14 System of Pennsylvania as established by the act of June 27,
15 1923 (P.L.858, No.331), and codified by the act of June 1, 1959
16 (P.L.392, No.78) and the provisions of this part.

17 "Total accumulated deductions." The sum of the regular
18 accumulated deductions, additional accumulated deductions, the
19 social security integration accumulated deductions, and all
20 other contributions paid into the fund for the purchase,
21 transfer or conversion of credit for service or other coverage
22 together with all statutory interest credited thereon until the
23 date of termination of service. In the case of a vestee or a
24 special vestee, statutory interest shall be credited until the
25 effective date of retirement. A member's account shall not be
26 credited with statutory interest for more than two years during
27 a leave without pay.

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

1 "Vestee." A member with five or more eligibility points, or
2 a member with Class G, Class H, Class I, Class J, Class K, Class
3 L, Class M or Class N service with five or more eligibility
4 points, who has terminated [State] government service and has
5 elected to leave his total accumulated deductions in the fund
6 and to defer receipt of an annuity.

7 Section 5. Section 5301(d) of Title 71 is amended and the
8 section is amended by adding a subsection to read:

9 § 5301. Mandatory and optional membership.

10 * * *

11 (a.1) Mandatory membership for full-time local government
12 police employees.--Membership in the system shall be mandatory
13 as of the effective date of employment for all full-time local
14 government police employees whose effective dates of local
15 government employment are after December 31, 2005, and for whom
16 retirement benefits are provided except those in a particular
17 group who are covered by a collective bargaining agreement in
18 effect on December 31, 2005, that requires all full-time local
19 government police employees hired during the period of the
20 agreement to become members of an existing local government
21 police employee retirement system on their effective dates of
22 local government employment. For all full-time local government
23 police employees in that particular group who are hired after
24 the termination date of the collective bargaining agreement in
25 effect on December 31, 2005, membership in the system shall be
26 mandatory as of the effective date of employment.

27 * * *

28 (d) Return to service.--An annuitant who returns to service
29 as a [State] government employee shall resume active membership
30 in the system as of the effective date of employment, except as

1 otherwise provided in section 5706(a) (relating to termination
2 of annuities), regardless of the optional membership category of
3 the position.

4 * * *

5 Section 6. Sections 5302 heading and (a), 5303(b)(1), (c)
6 and (g), 5304(a) and (c)(2) and 5305(b) of Title 71 are amended
7 to read:

8 § 5302. Credited [State] government service.

9 (a) Computation of credited service.--

10 (1) In computing credited [State] government service of
11 a member for the determination of benefits, a full-time
12 salaried [State] government employee, including any member of
13 the General Assembly, shall receive credit for service in
14 each period for which contributions as required are made, or
15 for which contributions otherwise required for such service
16 were not made solely by reason of section 5502.1 (relating to
17 waiver of regular member contributions and Social Security
18 integration member contributions) or any provision of this
19 part relating to the limitations under IRC § 401(a)(17) or
20 415(b), but in no case shall he receive more than one year's
21 credit for any 12 consecutive months or 26 consecutive
22 biweekly pay periods. A per diem or hourly [State] government
23 employee shall receive one year of credited service for each
24 nonoverlapping period of 12 consecutive months or 26
25 consecutive biweekly pay periods in which he is employed and
26 for which contributions are made or would have been made but
27 for such waiver under section 5502.1 or limitations under the
28 IRC for at least 220 days or 1,650 hours of employment. If
29 the member was employed and contributions were made for less
30 than 220 days or 1,650 hours, he shall be credited with a

1 fractional portion of a year determined by the ratio of the
2 number of days or hours of service actually rendered to 220
3 days or 1,650 hours, as the case may be. A part-time salaried
4 employee shall be credited with the fractional portion of the
5 year which corresponds to the number of hours or days of
6 service actually rendered in relation to 1,650 hours or 220
7 days, as the case may be.

8 (2) In computing credited local government police
9 service of a member for determination of benefits, a full-
10 time salaried local government police employee shall receive
11 credit for service in each period for which contributions as
12 required are made or for which contributions otherwise
13 required for such service were not made solely by reason of
14 any provision of this part relating to the limitation under
15 IRC § 401(a)(17), but in no case shall he receive more than
16 one year's credit for any 12 consecutive months, 26
17 consecutive biweekly pay periods or 52 consecutive weekly pay
18 periods. A full-time per diem or hourly local government
19 police employee shall receive one year of credited service
20 for each nonoverlapping period of 12 consecutive months, 26
21 consecutive biweekly pay periods or 52 consecutive weekly pay
22 periods in which he is employed and for which contributions
23 are made or would have been made but for such limitation
24 under the IRC for at least 220 days of employment in the case
25 of a per diem employee or 1,650 hours of employment in the
26 case of an hourly employee.

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

30 * * *

1 § 5303. Retention and reinstatement of service credits.

2 * * *

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

4 (1) Every active member of the system or a multiple
5 service member who is a school employee and a member of the
6 Public School Employees' Retirement System on or after the
7 effective date of this part shall receive eligibility points
8 in accordance with section 5307 for current [State]
9 government service, previous [State] government service, or
10 creditable nonstate service upon compliance with sections
11 5501 (relating to regular member contributions for current
12 service), 5504 (relating to member contributions for the
13 purchase of credit for previous [State] government service or
14 to become a full coverage member), 5505 (relating to
15 contributions for the purchase of credit for creditable
16 nonstate service), 5505.1 (relating to additional member
17 contributions) or 5506 (relating to incomplete payments).
18 Subject to the limitations in sections 5306.1 (relating to
19 election to become a Class AA member) and 5306.2 (relating to
20 elections by members of the General Assembly), the class or
21 classes of service in which the member may be credited for
22 previous [State] government service prior to the effective
23 date of this part shall be the class or classes in which he
24 was or could have at any time elected to be credited for such
25 service. The class of service in which a member shall be
26 credited for service subsequent to the effective date of this
27 part shall be determined in accordance with section 5306
28 (relating to classes of service).

29 * * *

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 service upon compliance
9 with sections 5504 and 5506 upon waiver in writing of any
10 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] Government Employees' Retirement System shall
22 not exceed the amount of contributions and interest certified as
23 having been made to the pension plan administered by the Applied
24 Research Laboratory during his employment with the Applied
25 Research Laboratory. The Pennsylvania State University shall pay
26 as member contributions the difference between this amount and
27 the 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 (g) Credit for employees of Juvenile Court Judges'
3 Commission.--An employee of the Juvenile Court Judges'
4 Commission who elects membership in an independent retirement
5 program approved by the employer under section 5301(f) shall
6 have all service credited pursuant to section 5302(a) (relating
7 to credited [State] government service) for State service with
8 the Juvenile Court Judges' Commission on or after the effective
9 date of the interagency transfer canceled and thereafter
10 ineligible to be credited as State service. Additionally, all
11 creditable State service and nonstate service reinstated or
12 purchased while an employee of the Juvenile Court Judges'
13 Commission shall be canceled. Such employees shall be prohibited
14 from receiving credited service for State service performed
15 while a member of an alternate retirement system approved by an
16 employer.

17 * * *

18 § 5304. Creditable nonstate service.

19 (a) Eligibility.--

20 (1) An active member who is a government employee or a
21 multiple service member who is a school employee and an
22 active member of the Public School Employees' Retirement
23 System shall be eligible for Class A service credit for
24 creditable nonstate service as set forth in subsections (b)
25 and (c) except that intervening military service shall be
26 credited in the class of service for which the member was
27 eligible at the time of entering into military service and
28 for which he makes the required contributions and except that
29 a multiple service member who is a school employee and an
30 active member of the Public School Employees' Retirement

System shall not be eligible to purchase service credit for creditable nonstate service set forth in subsection (c)(5).

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

* * *

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

* * *

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

* * *

§ 5305. Social security integration credits.

* * *

(b) Accrual of subsequent credits.--Any member who has social security integration accumulated deductions to his credit or is receiving a benefit on account of social security integration credits may accrue one social security integration credit for each year of service as a State employee on or subsequent to March 1, 1974 and a fractional credit for a corresponding fractional year of service provided that

1 contributions are made, or would have been made but for section
2 5502.1 (relating to waiver of regular member contributions and
3 Social Security integration member contributions) or the
4 limitations under IRC § 401(a)(17) or 415(b), in accordance with
5 section 5502 (relating to Social Security integration member
6 contributions), and he:

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

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

12 (3) terminates his status as a vestee or an annuitant
13 and returns to [State] government service.

14 * * *

15 Section 7. Section 5306 of Title 71, amended November 29,
16 2006 (P.L.1628, No.188), is amended to read:

17 § 5306. Classes of service.

18 (a) Class A membership.--A State employee who is a member of
19 Class A on the effective date of this part or who becomes a
20 member of the system subsequent to the effective date of this
21 part shall be classified as a Class A member and receive credit
22 for Class A service upon payment of regular and additional
23 member contributions for Class A service, provided that the
24 State employee does not become a member of Class AA pursuant to
25 subsection (a.1) or a member of Class D-4 pursuant to subsection
26 (a.2).

27 (a.1) Class AA membership.--

28 (1) A person who becomes a State employee and an active
29 member of the system after June 30, 2001, and who is not a
30 State police officer and not employed in a position for which

1 a class of service other than Class A is credited or could be
2 elected shall be classified as a Class AA member and receive
3 credit for Class AA State service upon payment of regular
4 member contributions for Class AA service and, subject to the
5 limitations contained in paragraph (7), if previously a
6 member of Class A or previously employed in a position for
7 which Class A service could have been earned, shall have all
8 Class A State service (other than State service performed as
9 a State police officer or for which a class of service other
10 than Class A was earned or could have been elected)
11 classified as Class AA service.

12 (2) A person who is a State employee on June 30, 2001,
13 and July 1, 2001, but is not an active member of the system
14 because membership in the system is optional or prohibited
15 pursuant to section 5301 (relating to mandatory and optional
16 membership) and who becomes an active member after June 30,
17 2001, and who is not a State police officer and not employed
18 in a position for which a class of service other than Class A
19 is credited or could be elected shall be classified as a
20 Class AA member and receive credit for Class AA State service
21 upon payment of regular member contributions for Class AA
22 service and, subject to the limitations contained in
23 paragraph (7), if previously a member of Class A or
24 previously employed in a position for which Class A service
25 could have been earned, shall have all Class A State service
26 (other than State service performed as a State Police officer
27 or for which a class of service other than Class A was earned
28 or could have been elected) classified as Class AA service.

29 (3) Provided that an election to become a Class AA
30 member is made pursuant to section 5306.1 (relating to

1 election to become a Class AA member), a State employee,
2 other than a State employee who is a State police officer on
3 or after July 1, 1989, who on June 30, 2001, and July 1,
4 2001, is:

5 (i) a member of Class A, other than a member of
6 Class A who could have elected membership in a Class C,
7 Class D-3, Class E-1 or Class E-2; or

8 (ii) an inactive member on a leave without pay from
9 a position in which the State employee would be a Class A
10 active member if the employee was not on leave without
11 pay, other than a position in which the State employee
12 could elect membership in Class C, Class D-3, Class E-1
13 or Class E-2;

14 shall be classified as a Class AA member and receive credit
15 for Class AA State service performed after June 30, 2001,
16 upon payment of regular member contributions for Class AA
17 service and, subject to the limitations contained in
18 paragraph (7), shall receive Class AA service credit for all
19 Class A State service, other than State service performed as
20 a State police officer or as a State employee in a position
21 for which the member could have elected membership in Class
22 C, Class D-3, Class E-1 or Class E-2, performed before July
23 1, 2001.

24 (4) Provided that an election to become a Class AA
25 member is made pursuant to section 5306.1, a former State
26 employee, other than a former State employee who was a State
27 police officer on or after July 1, 1989, who on June 30,
28 2001, and July 1, 2001, is a multiple service member and a
29 school employee and a member of the Public School Employees'
30 Retirement System, subject to the limitations contained in

1 paragraph (7), shall receive Class AA service credit for all
2 Class A State service, other than State service performed as
3 a State police officer or as a State employee in a position
4 in which the former State employee could have elected a class
5 of service other than Class A, performed before July 1, 2001.

6 (5) A former State employee, other than a former State
7 employee who was a State police officer on or after July 1,
8 1989, who is a school employee and who on or after July 1,
9 2001, becomes a multiple service member, subject to the
10 limitations contained in paragraph (7), shall receive Class
11 AA service credit for all Class A State service other than
12 State service performed as a State employee in a position in
13 which the former State employee could have elected a class of
14 service other than Class A.

15 (6) A State employee who after June 30, 2001, becomes a
16 State police officer or who is employed in a position in
17 which the member could elect membership in a class of service
18 other than Class AA or Class D-4 shall retain any Class AA
19 service credited prior to becoming a State police officer or
20 being so employed but shall be ineligible to receive Class AA
21 credit thereafter and instead shall receive Class A credit
22 unless a class of membership other than Class A is elected.

23 (7) (i) State service performed as Class A service
24 before July 1, 2001, and State service for which Class A
25 service could have been credited but was not credited
26 because membership in the system was optional or
27 prohibited pursuant to section 5301 shall be credited as
28 Class AA service only upon the completion of all acts
29 necessary for the State service to be credited as Class A
30 service had this subsection not been enacted and upon

1 payment of required Class AA member contributions as
2 provided in section 5504 (relating to member
3 contributions for the purchase of credit for previous
4 [State] government service or to become a full coverage
5 member).

6 (ii) A person who is not a State employee or a
7 school employee on June 30, 2001, and July 1, 2001, and
8 who has previous State service (except a disability
9 annuitant who returns to State service after June 30,
10 2001, upon termination of the disability annuity) shall
11 not receive Class AA service credit for State service
12 performed before July 1, 2001, until such person becomes
13 an active member, or an active member of the Public
14 School Employees' Retirement System and a multiple
15 service member, and earns three eligibility points by
16 performing credited State service or credited school
17 service after June 30, 2001.

18 (a.2) Class of membership for members of the General
19 Assembly.--

20 (1) A person who:

21 (i) becomes a member of the General Assembly and an
22 active member of the system after June 30, 2001; or

23 (ii) is a member of the General Assembly on July 1,
24 2001, but is not an active member of the system because
25 membership in the system is optional pursuant to section
26 5301 and who becomes an active member after June 30,
27 2001;

28 and who was not a State police officer on or after July 1,
29 1989, shall be classified as a Class D-4 member and receive
30 credit as a Class D-4 member for all State service as a

1 member of the General Assembly upon payment of regular member
2 contributions for Class D-4 service and, subject to the
3 limitations contained in subsection (a.1)(7), if previously a
4 member of Class A or employed in a position for which Class A
5 service could have been earned, shall receive Class AA
6 service credit for all Class A State service, other than
7 State service performed as a State police officer or for
8 which a class of service other than Class A or Class D-4 was
9 or could have been elected or credited.

10 (2) Provided an election to become a Class D-4 member is
11 made pursuant to section 5306.2 (relating to elections by
12 members of the General Assembly), a State employee who was
13 not a State police officer on or after July 1, 1989, who on
14 July 1, 2001, is a member of the General Assembly and an
15 active member of the system and not a member of Class D-3
16 shall be classified as a Class D-4 member and receive credit
17 as a Class D-4 member for all State service performed as a
18 member of the General Assembly not credited as another class
19 other than Class A upon payment of regular member
20 contributions for Class D-4 service and, subject to the
21 limitations contained in paragraph (a.1)(7), shall receive
22 Class AA service credit for all Class A State service, other
23 than State service performed as a State police officer or as
24 a State employee in a position in which the member could have
25 elected a class of service other than Class A, performed
26 before July 1, 2001.

27 (3) A member of the General Assembly who after June 30,
28 2001, becomes a State police officer shall retain any Class
29 AA service or Class D-4 service credited prior to becoming a
30 State police officer or being so employed but shall be

ineligible to receive Class AA or Class D-4 credit thereafter and instead shall receive Class A credit.

(b) Other State employee class membership.--

(1) A State employee who is a member of a class of service other than Class A on the effective date of this part shall retain his membership in that class until such service is discontinued; any service thereafter shall be credited as Class A service, Class AA service or Class D-4 service as provided for in this section.

(2) Notwithstanding any other provision of this section, a State employee who is appointed bail commissioner of the Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction and venue) may, within 30 days of the effective date of this sentence or within 30 days of his initial appointment as a bail commissioner, whichever is later, elect Class E-2 service credit for service performed as a bail commissioner. This class of service multiplier for E-2 service as a bail commissioner shall be 1.5.

(c) Class membership for county service.--Notwithstanding subsection (a), county service that is converted to State service pursuant to section 5303.1 (relating to election to convert county service to State service) shall be credited as the following class of service:

Class of service in a county of the second class A, third class, fourth class, fifth class, sixth class, seventh class or eighth class maintaining a retirement system or pension plan under the act of August 31, 1971 (P.L.398, No.96), known as

1 the County Pension Law

2 System Class of
3 Service

4 Class 1-120 G

5 Class 1-100 H

6 Class 1-80 I

7 Class 1-70 J

8 Class 1-60 K

9 Rate of accrual of benefit for each

10 year of service in a county of the

11 first class or second class or

12 credited in the Pennsylvania

13 Municipal Retirement System

14 System Class of
15 Service

16 .833% G

17 1.00% H

18 1.250% I

19 1.428% J

20 1.667% K

21 2.000% L

22 2.200% M

23 2.500% N

24 (d) Class of service for converted school service and
25 nonschool service.--If a member elects to convert credited
26 service from the Public School Employees' Retirement System to
27 the system pursuant to section 5303.2 (relating to election to
28 convert school service to State service), then Class T-C school
29 service and all nonschool service credited in the Public School
30 Employees' Retirement System shall be converted to credited

1 service in the system and credited as Class A State service or
2 nonstate service respectively, and Class T-D school service
3 credited in the Public School Employees' Retirement System shall
4 be converted to credited service in the system and credited as
5 Class AA State service.

6 (e) Local government police employee class membership.--A
7 local government police employee who becomes a member of the
8 system after December 31, 2005, shall be classified as a Class
9 P-1, P-2, P-3 or P-4 member as provided in section 5405
10 (relating to designation of class of service multiplier) and
11 receive credit for that class of service upon payment of regular
12 member contributions for that class of service.

13 Section 8. Sections 5307(a), 5308, 5308.1 and 5309 of Title
14 71 are amended to read:

15 § 5307. Eligibility points.

16 (a) General rule.--An active member of the system shall
17 accrue one eligibility point for each year of credited service
18 as a member of the [State] system or the Public School
19 Employees' Retirement System. A member shall accrue an
20 additional two-thirds of an eligibility point for each year of
21 Class D-3 credited service. In the case of a fractional part of
22 a year of credited service, a member shall accrue the
23 corresponding fractional portion of eligibility points to which
24 the class of service entitles him.

25 * * *

26 § 5308. Eligibility for annuities.

27 (a) Superannuation annuity.--Attainment of superannuation
28 age by an active member or an inactive member on leave without
29 pay with three or more years of credited [State] government or
30 school service shall entitle him to receive a superannuation

1 annuity upon termination of [State] government service and
2 compliance with section 5907(f) (relating to rights and duties
3 of [State] government employees and members).

4 (b) Withdrawal annuity.--Any vestee or any active member or
5 inactive member on leave without pay who terminates [State]
6 government service having five or more eligibility points, or
7 who has Class G, Class H, Class I, Class J, Class K, Class L,
8 Class M or Class N service and terminates State service having
9 five or more eligibility points, upon compliance with section
10 5907(f), (g) or (h) shall be entitled to receive an annuity.

11 (c) Disability annuity.--An active member or inactive member
12 on leave without pay who has credit for at least five years of
13 service or any active member or inactive member on leave without
14 pay who is a local government police employee, an officer of the
15 Pennsylvania State Police or an enforcement officer shall, upon
16 compliance with section 5907(k), be entitled to a disability
17 annuity if he becomes mentally or physically incapable of
18 continuing to perform the duties for which he is employed and
19 qualifies in accordance with the provisions of section
20 5905(c)(1) (relating to duties of the [board] boards regarding
21 applications and elections of members).

22 § 5308.1. Eligibility for special early retirement.

23 Notwithstanding any provisions of this title to the contrary,
24 the following special early retirement provisions shall be
25 applicable to specified eligible members who are State employees
26 as follows:

27 (1) During the period of July 1, 1985, to September 30,
28 1991, an active member who has attained the age of at least
29 53 years and has accrued at least 30 eligibility points shall
30 be entitled, upon termination of State service and compliance

1 with section 5907(f) (relating to rights and duties of
2 [State] government employees and members), to receive a
3 maximum single life annuity calculated under section 5702
4 (relating to maximum single life annuity) without a reduction
5 by virtue of an effective date of retirement which is under
6 the superannuation age.

7 (2) During the period of July 1, 1985, to September 30,
8 1991, an active member who is a State employee and has
9 attained the age of at least 50 years but not greater than 53
10 years and has accrued at least 30 eligibility points shall be
11 entitled, upon termination of State service and compliance
12 with section 5907(f), to receive a maximum single life
13 annuity calculated under section 5702 with a reduction by
14 virtue of an effective date of retirement which is under the
15 superannuation age of a percentage factor which shall be
16 determined by multiplying the number of months, including a
17 fraction of a month as a full month, by which the effective
18 date of retirement precedes the attainment of age 53 by
19 0.25%.

20 (3) During the period of October 1, 1991, to June 30,
21 1993, a member who is a State employee and has credit for at
22 least 30 eligibility points shall be entitled, upon
23 termination of service and filing of a proper application, to
24 receive a maximum single life annuity calculated pursuant to
25 section 5702 without any reduction by virtue of an effective
26 date of retirement which is under the superannuation age.

27 (4) During the period of July 1, 1993, to July 1, 1997,
28 a member who is a State employee and has credit for at least
29 30 eligibility points shall be entitled, upon termination of
30 service and filing of a proper application, to receive a

maximum single life annuity calculated pursuant to section 5702 without any reduction by virtue of an effective date of retirement which is under the superannuation age.

§ 5309. Eligibility for vesting.

Any member who terminates [State] government service with five or more eligibility points, or any member with Class G, Class H, Class I, Class J, Class K, Class L, Class M or Class N service with five or more eligibility points, shall be eligible until attainment of superannuation age to vest his retirement benefits.

Section 9. Title 71 is amended by adding a chapter to read:

CHAPTER 54

LOCAL GOVERNMENT RETIREMENT

Subchapter

A. Local Government Police Employee Retirement Benefits

B. Revision and Continuation of Intergovernmental Revenue

C. Supplemental Local Government Benefit Accumulation Plan

SUBCHAPTER A

LOCAL GOVERNMENT POLICE EMPLOYEE RETIREMENT BENEFITS

Sec.

5401. Provision of local government police employee retirement benefits.

5402. Establishment of local government police employee retirement systems restricted.

5403. Continuation of existing local government police 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

1 police employees.

2 5408. Service credit for prior government service.

3 5409. Board actions preceding transfer of members and
4 beneficiaries to local government police employee
5 retirement system.

6 5410. Provision of retirement benefits for part-time local
7 government police employees.

8 § 5401. Provision of local government police employee
9 retirement benefits.

10 (a) General rule.--After December 31, 1996, a local
11 government shall not provide retirement benefits to its local
12 government police employees except as provided in this part.

13 (b) Definition.--As used in this section, the term
14 "retirement benefits" means an annuity, pension, health or
15 welfare benefit, insurance coverage, retirement allowance or
16 other retirement benefit provided to an annuitant or beneficiary
17 after the retirement of the annuitant except benefits provided
18 through participation in a postemployment hospital, medical,
19 surgical or major medical insurance program or a deferred
20 compensation program under sections VIII.1 or VIII.2 and VIII.3
21 of the act of March 30, 1811 (P.L. 145, No. 99), entitled "An
22 act to amend and consolidate the several acts relating to the
23 settlement of the public accounts and the payment of the public
24 monies, and for other purposes," or section 457 of the Internal
25 Revenue Code of 1986 (Public Law 99-154, 26 U.S.C. § 457).

26 § 5402. Establishment of local government police employee
27 retirement systems restricted.

28 (a) Establishment of new retirement systems for full-time
29 local government police employees prohibited.--After December
30 31, 2005, a local government shall not establish a retirement or

1 pension fund, plan or system for its full-time police employees
2 except through participation in the system as provided by this
3 part.

4 (b) Establishment of retirement systems for part-time local
5 government police employees restricted.--After December 31,
6 2005, a local government shall not establish any retirement or
7 pension fund, plan or system for its part-time police employees
8 except through the establishment of simplified employee pension
9 individual retirement accounts as provided under section 5410
10 (relating to provision of retirement benefits for part-time
11 local government employees).

12 (c) Effective date for new retirement systems.--If a local
13 government establishes a retirement or pension fund, plan or
14 system after December 31, 2005, the local government shall
15 establish the retirement or pension fund, plan or system only as
16 of January 1 of the year in which the resolution or ordinance
17 creating the fund, plan or system is passed in final form.

18 § 5403. Continuation of existing local government police
19 employee retirement systems.

20 A local government police employee retirement system
21 established and maintained by a local government and created
22 before January 1, 2006, may continue to operate until all its
23 members and beneficiaries have been transferred into the system
24 under the terms and conditions set forth in section 5406
25 (relating to optional transfer of members and beneficiaries) or
26 until it has no members or beneficiaries representing actual or
27 potential liabilities, whichever occurs earlier. Upon the
28 occurrence of either circumstance, the local government police
29 employee retirement system shall be terminated under section
30 5406(d).

1 § 5404. Application for participation required.

2 (a) Submission of application for participation.--After
3 December 31, 2005, a local government shall submit an
4 application for participation in the system no later than 15
5 days after the employment of a local government police employee
6 unless no retirement system exists for previously hired police
7 employees and the local government has no plans to provide
8 retirement benefits for police employees. Where a local
9 government declines to submit an application for participation
10 under the provision of this section and subsequently elects to
11 provide retirement benefits for police employees, the local
12 government shall submit an application for participation in the
13 system to be effective on the following January 1 on a
14 prospective basis for all police employees who were employed
15 after December 31, 2005.

16 (b) Designation of class of service multiplier.--Each
17 application for participation submitted by a local government
18 under this section shall designate the class of service
19 multiplier to be applied to the police employees. A local
20 government may designate a higher class of service multiplier
21 for police employees on any subsequent January 1 by submitting a
22 revised application for participation.

23 (c) Specification of procedures.--Local governments shall
24 adhere to the procedures adopted by the Local Government Police
25 Employees' Retirement Board regarding the content and submission
26 of applications for participation in the system.

27 § 5405. Designation of class of service multiplier.

28 (a) Local government police employee retirement system with
29 defined benefits exists.--When a local government police
30 employee retirement system for the police employees of a local

government exists on December 31, 2005, the local government shall designate the class of service multiplier as follows:

(1) If the local government transfers the members and beneficiaries of a local government police employee retirement system to the system under section 5406 (relating to optional transfer of member and beneficiaries), the local government shall designate a class of service multiplier in the system for the transferred members and for police employees entering local government service after December 31, 2005, that provides aggregate benefits not less than those provided under the local government police employee retirement system as determined under subsection (d), except as provided in paragraph (3).

(2) If the local government does not transfer the members and beneficiaries of a local government police employee retirement system to the system under section 5406, the local government may designate any class of service multiplier in the system for employees entering local government service as police employees after December 31, 2005, unless a collective bargaining agreement, mediation agreement or arbitration award between the local government and its police employees or their collective bargaining representatives restricts the class of service multiplier that may be designated for police employees entering local government service after December 31, 2005.

(3) If the aggregate benefits provided under the local government police employee retirement system exceed the highest applicable class of service multiplier for police employees, the local government shall designate the highest applicable class of service multiplier in the system for

1 police employees entering local government service after
2 December 31, 2005, and for any members in that particular
3 group transferred to the system under section 5406.

4 (b) No local government police employee retirement system or
5 a local government police employee retirement system without
6 defined benefits exists.--When a local government police
7 employee retirement system for police employees of a local
8 government has no defined benefits or does not exist on December
9 31, 2005:

10 (1) The local government may designate any of the four
11 class of service multipliers in the system for police
12 employees entering local government service after December
13 31, 2005.

14 (2) If individuals who are active, full-time police
15 employees of the local government on December 31, 2005, later
16 become members of the system as police employees of that
17 local government, the local government shall designate the
18 same class of service multiplier in the system for those
19 police employees as it designated for police employees
20 entering local government service after December 31, 2005,
21 under paragraph (1).

22 (c) Subsequent modification of designation of class of
23 service multiplier.--After the designation of a class of service
24 multiplier under subsection (a) or (b), a local government may
25 designate a higher class of service multiplier effective on any
26 subsequent January 1, subject to any collective bargaining
27 agreement, mediation agreement or arbitration award between the
28 local government and its police employees or their collective
29 bargaining representatives, provided that the local government
30 agrees to pay an amount equal to the increase in the actuarial

1 accrued liability over not more than a 20-year period based on a
2 level dollar amortization schedule. The amortization payments so
3 incurred shall be added to the employer contributions of the
4 individual local government determined under section 5508(a.1)
5 (relating to actuarial cost method).

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

17 § 5406. Optional transfer of members and beneficiaries.

18 (a) Optional transfer of members and beneficiaries
19 permitted.--On any January 1 after December 31, 2006, a local
20 government may transfer all of the members and beneficiaries of
21 its local government police employee retirement system to the
22 system under the conditions provided in subsections (b) and (c).

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

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

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

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

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

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

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

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

29 (2) If, as a result of a civil action or proceeding, the
30 transfer to or participation in the system of one or more

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

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

20 (4) If a civil action or proceeding at law or in equity
21 seeking to prohibit or rescind the optional transfer to or
22 subsequent participation in the system of one or more members
23 or beneficiaries of a local government police employee
24 retirement system is not commenced within six months of the
25 January 1 the transfer is effective, any civil action or
26 proceeding commenced against the local government, the local
27 government police employee retirement system, the system, the
28 Commonwealth or their officers or employees shall be
29 dismissed and the person to whom any such cause of action
30 accrued for any injury shall be forever barred from

proceeding further thereon within this Commonwealth or
elsewhere. As used in this paragraph, the word "commenced"
shall have the meaning given it under 42 Pa.C.S. § 5503
(relating to commencement of matters).

(d) Use of residual assets and termination of local
government police employee retirement system.--After the local
government police employee retirement system has paid the amount
required under subsection (b)(3) and transferred all its members
and beneficiaries to the system, the local government police
employee retirement system shall use the residual assets of the
police pension fund to pay any remaining liabilities and to make
future employer contributions to the Local Government Police
Employees' Retirement Fund under section 5507 (relating to
contributions by the Commonwealth and other employers). When the
residual assets of the police pension fund of the municipality
are depleted, the local government police employee retirement
system shall be then terminated.

§ 5407. Optional election of membership for certain existing
police employees.

(a) Optional election of membership for certain existing
police employees permitted.--On any January 1 after December 31,
2006, a local government may elect membership in the system for
all of its full-time police employees who on December 31, 2006,
were active, full-time police employees of the local government
and were not members of the local government's local government
police employee retirement system.

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

1 (1) a duly passed resolution of the governing body of
2 the local government declaring the governing body's desire
3 and intent to elect membership in the system for all of the
4 affected local government police employees;

5 (2) designation of the class of service multiplier for
6 its local government police employees under section 5405(b)
7 (relating to designation of class of service multiplier);

8 (3) prepayment to the Local Government Police Employees'
9 Retirement Fund by the local government of the amount equal
10 to the actuarial accrued liabilities attributable to the
11 local government police employees on the January 1 the
12 transfer is effective as determined by the actuary;

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

17 (5) approval by the Local Government Police Employees'
18 Retirement Board of an application for participation of the
19 local government and its full-time police employees in the
20 system. The Local Government Police Employees' Retirement
21 Board may establish any other conditions as it deems
22 appropriate.

23 § 5408. Service credit for prior government service.

24 (a) New local government police employees.--A full-time
25 local government police employee who enters local government
26 service and joins the system after December 31, 2005, shall only
27 receive service credit in the system for local government police
28 service from the date of membership in the system.

29 (b) Existing local government police employee retirement
30 system members.--A full-time local government police employee

whose retirement membership is transferred from a local government police employee retirement system to the system under section 5406 (relating to optional transfer of members and beneficiaries) shall only receive service credit in the system for the service credit the employee had in the local government police employee retirement system on the date of transfer.

(c) Existing local government police employees not members of a local government police employee retirement system.--A local government electing membership in the system under section 5407 (relating to optional election of membership for certain existing police employees) for local government police employees may permit members to receive service credit in the system only for the full-time local government police service the local government police employees had with the local government on the December 31 immediately before joining the system, provided the local government prepays the Local Government Police Employees' Retirement Fund the amount of the resulting actuarial accrued liabilities as required under section 5406(b)(3).

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

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

(1) Cause its actuary to value the actuarial accrued liabilities that are attributable to members and

1 beneficiaries to be transferred as of the transfer date.

2 (2) Determine the amount of accumulated member
3 contributions and interest for each active member, together
4 with statutory interest during all periods of subsequent
5 local government police service to the date of transfer and
6 credit the resulting amounts to the members' savings account
7 of the Local Government Police Employees' Retirement Fund on
8 the transfer date.

9 § 5410. Provision of retirement benefits for part-time local
10 government police employees.

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

18 (b) Administration by governing body.--Any simplified
19 employee pension individual retirement account plans established
20 for the part-time local government police employees of a local
21 government shall be established and administered by the
22 governing body of the local government and shall provide for
23 contributions by the local government to be specified as a
24 uniform percentage of compensation.

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

28 "Compensation." Remuneration actually received as a local
29 government police employee, excluding refunds for expenses,
30 contingency and accountable expense allowances and severance

1 payments or payments for unused vacation or sick leave.

2 "Part-time local government police employee." Any individual
3 employed and compensated for less than 1,650 hours of employment
4 for each nonoverlapping period of 12 consecutive months, 26
5 consecutive biweekly pay periods or 52 consecutive weekly pay
6 periods. The term shall not mean an independent contractor or
7 any individual compensated on a fee or commission basis.

8 SUBCHAPTER B

9 REVISION AND CONTINUATION OF INTERGOVERNMENTAL REVENUE

10 Sec.

11 5421. Revision of general municipal pension system State aid
12 program.

13 § 5421. Revision of general municipal pension system State aid
14 program.

15 (a) Maximum allocation.--Notwithstanding the provisions of
16 section 402(f)(2) of the act of December 18, 1984 (P.L.1005,
17 No.205), known as the Municipal Pension Plan Funding Standard
18 and Recovery Act, the allocation of each eligible municipality
19 participating in the distribution of general municipal pension
20 system State aid under Chapter 4 of the Municipal Pension Plan
21 Funding Standard and Recovery Act during calendar year 2006 and
22 thereafter shall not exceed the aggregate actual employer
23 financial requirements of its employee pension plans calculated
24 under section 402(f)(2) of the Municipal Pension Plan Funding
25 Standard and Recovery Act and subsection (b).

26 (b) Adjustment of allocation.--Notwithstanding the
27 provisions of section 402(f)(2) of the Municipal Pension Plan
28 Funding Standard and Recovery Act, the aggregate actual employer
29 financial requirements calculated for each eligible municipality
30 under section 402(f)(2) of the Municipal Pension Plan Funding

Standard and Recovery Act for use in the allocation made during calendar year 2007 and thereafter shall not include the actual employer financial requirements of the police pension plan of the municipality if the municipality has elected to transfer members and beneficiaries under section 5406 (relating to optional transfer of members and beneficiaries) and is funding or could be funding its actual employer financial requirements through disbursements from the residual assets of the police pension fund of the municipality under section 5406(d).

(c) Reserve for allocation.--Notwithstanding the provisions of section 402(b) of the Municipal Pension Plan Funding Standard and Recovery Act, if in any year the application of the maximum allocation in subsection (a) results in unallocated moneys in the general municipal pension system state aid program, the unallocated moneys shall be held as a reserve for allocation in the subsequent year. In the event that the unallocated moneys in any year exceed 10% of the total moneys available for allocation in that year, the excess moneys shall be paid to the General Fund.

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

(e) Definition.--As used in this section, the term "municipality" has the meaning given such term by section 102 of the act of December 18, 1984 (P.L.1005, No.205), known as the Municipal Pension Plan Funding Standard and Recovery Act.

SUBCHAPTER C

SUPPLEMENTAL LOCAL GOVERNMENT BENEFIT

ACCUMULATION PLAN

Sec.

1 5441. Definitions.

2 5442. Supplemental local government retirement benefit
3 accumulation plan.

4 5443. Contributions.

5 5444. Contributions taxable.

6 5445. Losses, expenses and obligations.

7 5446. Prompt investment.

8 5447. No assignment or alienation.

9 5448. Withdrawals.

10 5449. Eligible individual members.

11 5450. Qualified fund managers; payment of commissions.

12 5451. Eligibility for vesting.

13 5452. Benefits.

14 § 5441. Definitions.

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

18 "Compensation." Remuneration actually received as a local
19 government police employee excluding refunds for expenses,
20 contingency and accountable expense allowances and severance
21 payments or payments for unused vacation or sick leave.

22 "Employee group." All the full-time police employees of a
23 local government classified as local government police
24 employees.

25 § 5442. Supplemental local government retirement benefit
26 accumulation plan.

27 (a) Establishment.--The Local Government Police Employees'
28 Retirement Board shall establish and administer a supplemental
29 local government retirement benefit accumulation plan that
30 provides for the maintenance of individual accounts for eligible

1 members who are employed by a participating local government.

2 (b) Powers and duties of the board.--In order to establish
3 and administer the supplemental local government retirement
4 benefit accumulation plan, the powers and duties of the Local
5 Government Police Employees' Retirement Board shall include, but
6 not be limited to:

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

15 (2) Annually reviewing all plan and fund managers for
16 the purpose of making certain they continue to meet all
17 performance standards and criteria as may be established by
18 the board.

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

22 (1) Establishing procedures whereby local governments
23 may elect or agree to participate in the plan for all the
24 individual members in an employee group, whereby local
25 governments specify for an employee group the uniform
26 percentage of compensation to be contributed by the member
27 and the local government, whereby participating individual
28 members may elect or change their choices of managers and
29 investments on a quarterly basis and whereby participating
30 local governments may elect to cease participation at any

1 time subject to collective bargaining agreements or
2 arbitration awards.

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

7 (3) Establishing standards and criteria for the
8 provision of investment options to individual members and for
9 the disclosure of the options to the individual members.

10 (4) Establishing standards and criteria for the
11 disclosure to participating individual members of the
12 anticipated and actual income on their accounts and all fees,
13 costs and charges to be made against the contributed amounts
14 to cover the costs of administration and fund management.

15 § 5443. Contributions.

16 The contributions to the supplemental local government
17 retirement benefit accumulation plan for an employee group shall
18 be expressed and implemented as a uniform percentage of
19 compensation. The specified contributions shall be deducted from
20 the compensation of participating individual members and matched
21 by the local government. The contributions of a local government
22 to the supplemental local government retirement benefit
23 accumulation plan shall not be included in the financial
24 requirements of the local government that are certified by the
25 system for use in the allocation of general municipal pension
26 system State aid.

27 § 5444. Contributions taxable.

28 All amounts contributed under the supplemental local
29 government retirement benefit accumulation plan shall constitute
30 taxable income for purposes of the act of March 4, 1971 (P.L.6,

No.2), known as the Tax Reform Code of 1971, and shall constitute taxable income for State and local earned income taxes.

§ 5445. Losses, expenses and obligations.

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

§ 5446. Prompt investment.

Investment of contributed funds by any corporation, institution, insurance company or custodial bank that the Local Government Police Employees' Retirement Board has approved shall not be unreasonably delayed and in no case shall the investment of contributed funds be delayed more than 30 days from the date

that the payroll deductions or local government contributions are received by the system to the date that funds are invested. Any interest earned on such funds pending investment shall be allocated to the Local Government Police Employees' Retirement Board and credited to the accounts of individual members who are then participating in the plan unless such interest is used to defray administrative costs and fees that would otherwise be required to be borne by individual members who are then participating in the plan.

§ 5447. No assignment or alienation.

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

§ 5448. Withdrawals.

A participating individual member may withdraw from the agreement in accordance with the plan by notice, in writing, signed by the member and chief administrative officer of the local government. Such withdrawal shall discontinue future withholdings from the individual member's compensation by the local government and future contributions by the local government but shall not operate to withdraw any funds theretofore contributed except as provided under section 5452 (relating to benefits).

§ 5449. Eligible individual members.

Every full-time police employee of a local government who, upon the effective date of the local government's participation

1 in the plan, either is in office or employed by the local
2 government shall immediately be eligible for participation in
3 the supplemental local government retirement benefit
4 accumulation plan. Thereafter, every full-time police employee
5 of a local government shall become eligible upon employment by a
6 participating local government.

7 § 5450. Qualified fund managers; payment of commissions.

8 For the purposes of this subchapter only, notwithstanding the
9 provisions of the act of April 9, 1929 (P.L.177, No.175), known
10 as The Administrative Code of 1929, or the act of September 26,
11 1961 (P.L.1661, No.692), known as the State Employees Group Life
12 Insurance Law, insurance companies selected as qualified fund
13 managers by eligible individual members may pay commissions to
14 agents or brokers licensed to transact business in this
15 Commonwealth in accordance with their standard practice followed
16 in other similar plans as if the premium had been paid by such
17 eligible individual member.

18 § 5451. Eligibility for vesting.

19 Any participant who terminates local government service with
20 ten or more eligibility points shall be eligible until
21 attainment of superannuation age to vest his supplemental local
22 government benefit accumulation plan benefits.

23 § 5452. Benefits.

24 A participating individual member shall receive the total
25 account value of his individual account in a lump sum upon
26 termination of service or retirement unless the individual
27 member elects to vest his benefits under section 5451 (relating
28 to eligibility for vesting).

29 Section 10. Sections 5504 heading and (a), 5505(c) and (e),
30 5506 and 5507(a) of Title 71 are amended to read:

1 § 5504. Member contributions for the purchase of credit for
2 previous [State] government service or to become a
3 full coverage member.

4 (a) Amount of contributions for service in other than Class
5 G through N.--The contributions to be paid by an active member
6 or eligible school employee for credit for total previous
7 [State] government service other than service in Class G, Class
8 H, Class I, Class J, Class K, Class L, Class M and Class N or to
9 become a full coverage member shall be sufficient to provide an
10 amount equal to the regular and additional accumulated
11 deductions which would have been standing to the credit of the
12 member for such service had regular and additional member
13 contributions been made with full coverage in the class of
14 service and at the rate of contribution applicable during such
15 period of previous service and had his regular and additional
16 accumulated deductions been credited with statutory interest
17 during all periods of subsequent [State] government and school
18 service up to the date of purchase.

19 * * *

20 § 5505. Contributions for the purchase of credit for creditable
21 nonstate service.

22 * * *

23 (c) Intervening military service.--Contributions on account
24 of credit for intervening military service shall be determined
25 by the member's contribution rate, the additional contribution
26 rate which shall be applied only to those members who began
27 service on or after the effective date of this amendatory act
28 and compensation at the time of entry of the member into active
29 military service, together with statutory interest during all
30 periods of subsequent [State] government and school service to

1 date of purchase. Upon application for such credit the amount
2 due shall be certified in the case of each member by the board
3 in accordance with methods approved by the actuary, and
4 contributions may be made by:

5 (1) regular monthly payments during active military
6 service; or

7 (2) a lump sum payment within 30 days of certification;
8 or

9 (3) salary deductions in amounts agreed upon by the
10 member or eligible school employee who is an active member of
11 the Public School Employees' Retirement System and the board.
12 The salary deduction amortization plans agreed to by members and
13 the board may include a deferral of payment amounts and
14 statutory interest until the termination of school service or
15 State service as the board in its sole discretion decides to
16 allow. The board may limit salary deduction amortization plans
17 to such terms as the board in its sole discretion determines. In
18 the case of an eligible school employee who is an active member
19 of the Public School Employees' Retirement System, the agreed
20 upon salary deductions shall be remitted to the Public School
21 Employees' Retirement Board, which shall certify and transfer to
22 the board the amounts paid.

23 * * *

24 (e) Philadelphia magisterial service.--Contributions on
25 account of credit for service as a magistrate of the City of
26 Philadelphia shall be determined by the board to be equal to the
27 amount he would have paid as employee contributions together
28 with statutory interest to date of purchase had he been a State
29 employee during his period of service as a magistrate of the
30 City of Philadelphia. The amount so determined by the State

1 Employees' Retirement Board or the Local Government Police
2 Employees' Retirement Board to be paid into the [State
3 Employees' Retirement System] system shall be the obligation of
4 the judge who requested credit for previous service as a
5 magistrate of the City of Philadelphia; in no event shall such
6 amount be an obligation of the City of Philadelphia or the City
7 of Philadelphia retirement system.

8 * * *

9 § 5506. Incomplete payments.

10 In the event that a member terminates [State] government
11 service or a multiple service member who is an active member of
12 the Public School Employees' Retirement System terminates school
13 service before the agreed upon payments for credit for previous
14 [State] government service, creditable nonstate service, social
15 security integration, full coverage membership or return of
16 benefits on account of returning to [State] government service
17 or entering school service and electing multiple service have
18 been completed, the member or multiple service member who is an
19 active member of the Public School Employees' Retirement System
20 shall have the right to pay within 30 days of termination of
21 [State] government service or school service the balance due,
22 including interest, in a lump sum and the annuity shall be
23 calculated including full credit for the previous [State]
24 government service, creditable nonstate service, [social
25 security] Social Security integration, or full coverage
26 membership. In the event a member does not pay the balance due
27 within 30 days of termination of [State] government service or
28 in the event a member dies in [State] government service or
29 within 30 days of termination of [State] government service or
30 in the case of a multiple service member who is an active member

1 of the Public School Employees' Retirement System does not pay
2 the balance due within 30 days of termination of school service
3 or dies in school service or within 30 days of termination of
4 school service and before the agreed upon payments have been
5 completed, the present value of the benefit otherwise payable
6 shall be reduced by the balance due, including interest, and the
7 benefit payable shall be calculated as the actuarial equivalent
8 of such reduced present value.

9 § 5507. Contributions by the Commonwealth and other employers.

10 (a) Contributions on behalf of active members.--The
11 Commonwealth and other employers whose employees are members of
12 the system shall make contributions to the fund on behalf of all
13 active members in such amounts as shall be certified by the
14 board as necessary to provide, together with the members' total
15 accumulated deductions, annuity reserves on account of
16 prospective annuities other than those provided in section 5708
17 (relating to supplemental annuities) in accordance with the
18 actuarial cost method provided in section 5508(a), (a.1), (b),
19 (c), (d) and (f) (relating to actuarial cost method).

20 * * *

21 Section 11. Section 5508(a) and (b) of Title 71 are amended
22 and the section is amended by adding a subsection to read:

23 § 5508. Actuarial cost method.

24 (a) Employer contribution rate on behalf of active members
25 in State service.--The amount of the Commonwealth and other
26 employer contributions on behalf of all active members in State
27 service shall be computed by the actuary as a percentage of the
28 total compensation of all active members during the period for
29 which the amount is determined and shall be so certified by the
30 [board] State Employees' Retirement Board. The total employer

1 contribution rate on behalf of all active members in State
2 service shall consist of the employer normal contribution rate,
3 as defined in subsection (b), and the accrued liability
4 contribution rate as defined in subsection (c). The total
5 employer contribution rate for the Commonwealth and other
6 employers, except for local governments, shall be modified by
7 the experience adjustment factor as calculated in subsection (f)
8 but in no case shall it be less than zero. The total employer
9 contribution rate shall be modified by the experience adjustment
10 factor as calculated in subsection (f), but in no case shall it
11 be less than:

12 (1) 2% for the fiscal year beginning July 1, 2004;

13 (2) 3% for the fiscal year beginning July 1, 2005; and

14 (3) 4% for the fiscal year beginning July 1, 2006.

15 (a.1) Employer contribution rate on behalf of active members
16 in local government service.--The amount of the local government
17 employer contributions on behalf of all active members in local
18 government service shall be computed by the actuary as a
19 percentage of the total compensation of all active members
20 during the period for which the amount is determined and shall
21 be so certified by the Local Government Police Employees'
22 Retirement Board. The total employer contribution rate on behalf
23 of all active members in local government service shall consist
24 of the employer normal contribution rate, as defined in
25 subsection (b) and the accrued liability contribution rate as
26 defined in subsection (c). The total employer contribution rate
27 for local governments shall be modified by the experience
28 adjustment factor as calculated in subsection (f) for
29 amortization payments beginning after December 31, 1996, but in
30 no case shall it be less than zero.

1 (b) Employer normal contribution [rate] rates.--The employer
2 normal contribution [rate] rates shall be determined after each
3 actuarial valuation on the basis of an annual interest rate and
4 such mortality and other tables as shall be adopted by the
5 [board] boards in accordance with generally accepted actuarial
6 principles. The employer normal contribution [rate] rates shall
7 be determined as a level percentage of the compensation of the
8 average [new] active member, which percentage, if contributed on
9 the basis of his [prospective] compensation through his entire
10 period of active [State] government service, would be sufficient
11 to fund the liability for any [prospective] benefit payable to
12 him, except for the supplemental benefits provided for in
13 sections 5708 (relating to supplemental annuities), 5708.1
14 (relating to additional supplemental annuities), 5708.2
15 (relating to further additional supplemental annuities), 5708.3
16 (relating to supplemental annuities commencing 1994), 5708.4
17 (relating to special supplemental postretirement adjustment),
18 5708.5 (relating to supplemental annuities commencing 1998),
19 5708.6 (relating to supplemental annuities commencing 2002),
20 5708.7 (relating to supplemental annuities commencing 2003) and
21 5708.8 (relating to special supplemental postretirement
22 adjustment of 2002), in excess of that portion funded by his
23 [prospective] member contributions.

24 * * *

25 Section 12. Section 5509 of Title 71 is amended to read:

26 § 5509. Appropriations and assessments by the Commonwealth.

27 (a) Annual submission of budget.--The [board] boards shall
28 prepare and submit annually an itemized budget consisting of the
29 amounts necessary to be appropriated by the Commonwealth out of
30 the General Fund and special operating funds and the amounts to

1 be assessed the other employers required to meet the obligations
2 accruing during the fiscal period beginning the first day of
3 July of the following year.

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

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

1 for which money is not so provided shall be credited and pickup
2 contributions with respect to such members shall continue to be
3 credited to the members' savings account. The annuity to which
4 such member is entitled shall be determined as actuarially
5 equivalent to the present value of the maximum single life
6 annuity of each such member reduced by the amount of employer
7 contributions payable on account and attributable to his
8 compensation during such service.

9 Section 13. Title 71 is amended by adding sections to read:

10 § 5510. Payments by local governments.

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

19 (b) Deduction from intergovernmental revenue.--To facilitate
20 the payment of amounts due from any local government to the
21 Local Government Police Employees' Retirement Fund through the
22 State Treasurer and to permit the exchange of credits between
23 the State Treasurer and any local government, the Local
24 Government Police Employees' Retirement Board and the State
25 Treasurer shall cause to be deducted and paid into the Local
26 Government Police Employees' Retirement Fund from any moneys due
27 to any local government from the Commonwealth such amount due to
28 the Local Government Police Employees' Retirement Fund adjusted
29 at the valuation interest rate as certified by the Local
30 Government Police Employees' Retirement Board and as remains

1 unpaid for a period of 90 days on the date such
2 intergovernmental revenue would otherwise be paid to the local
3 government, and such amount shall be credited to the local
4 government's account in the Local Government Police Employees'
5 Retirement Fund. The General Fund shall not be held liable to
6 appropriate the moneys required to build up the reserves
7 necessary for the payment of benefits to employees of such local
8 governments.

9 (c) Exceptions to the deductions from Commonwealth
10 intergovernmental revenue.--Notwithstanding the provisions of
11 subsection (b), deductions shall not be made from the following
12 intergovernmental revenues due to a local government:

13 (1) Capital projects under contract in progress.

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

17 § 5511. Enforcement of local government contributions or
18 payments by mandamus action.

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

1 (relating to additional member contributions), 5507 (relating to
2 contributions by the Commonwealth and other employers), 5508
3 (relating to actuarial cost method), 5509 (relating to
4 appropriations and assessments by the Commonwealth) or 5510
5 (relating to payments by local governments) threatens serious
6 injury to the affected local government police employees, the
7 system and the Commonwealth itself. By expressly authorizing the
8 remedy of mandamus in this section, the General Assembly intends
9 to assist all persons with a beneficial or special interest in
10 the system in addition to all persons or entities with a special
11 responsibility or duty in relation to the system in securing
12 that compliance.

13 (b) Generally.--In the event that a local government fails
14 to comply with its duty to pay the full amount of the
15 contributions or payments as specified in Chapter 54 (relating
16 to local government retirement) or this chapter, the failure may
17 be remedied by the institution of legal proceedings for
18 mandamus. Every local government is by this part on notice as to
19 its duty to make its contributions or payments to the system.
20 The provisions of this part shall be deemed to be sufficient
21 demand to the local government for it to comply with its duty,
22 and the failure by the local government to pay the full amount
23 of the contribution or payment to the system shall be deemed to
24 be sufficient refusal by the local government to comply with its
25 duty antecedent to the commencement of the action. No other
26 remedy at law shall be deemed to be sufficiently adequate and
27 appropriate to bar the commencement of this action. The system
28 shall be deemed to have been damaged by the failure of the local
29 government to comply with its legal duty to make its
30 contribution or payment to the system and that damage shall be

1 deemed to be immediate. No issuance of mandamus in connection
2 with the legal duty of a local government to make its
3 contribution or payment to the system shall be deemed to
4 threaten the creation of confusion, disorder or excessive burden
5 on the local government or to threaten a result that is
6 detrimental to the public interest.

7 (c) Boards beneficially interested.--The boards are
8 beneficially interested in the affairs of the system, and either
9 or both shall have standing to institute a legal proceeding for
10 mandamus as provided in this section.

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

14 Section 14. Sections 5702(a)(1), 5704(a), (c) and (e),
15 5705(a), 5706, 5707(c), 5708.1(a) and (f), 5708.2(f), 5708.3(g)
16 and 5901(a) of Title 71 are amended to read:

17 § 5702. Maximum single life annuity.

18 (a) General rule.--Any full coverage member who is eligible
19 to receive an annuity pursuant to the provisions of section
20 5308(a) or (b) (relating to eligibility for annuities) who
21 terminates State service, or if a multiple service member who is
22 a school employee who is an active member of the Public School
23 Employees' Retirement System who terminates school service,
24 before attaining age 70 shall be entitled to receive a maximum
25 single life annuity attributable to his credited service and
26 equal to the sum of the following single life annuities
27 beginning at the effective date of retirement:

28 (1) A standard single life annuity multiplied by the sum
29 of the products, determined separately for each class of
30 service, obtained by multiplying the appropriate class of

1 service multiplier by the ratio of years of service credited
2 in that class to the total credited service. In case the
3 member on the effective date of retirement is under
4 superannuation age for any service, a reduction factor
5 calculated to provide benefits actuarially equivalent to an
6 annuity starting at superannuation age shall be applied to
7 the product determined for that service. The class of service
8 multiplier for any period of concurrent service shall be
9 multiplied by the proportion of total [State] government and
10 school compensation during such period attributable to
11 [State] government service. In the event a member has two
12 multipliers for one class of service the class of service
13 multiplier to be used for calculating benefits for that class
14 shall be the average of the two multipliers weighted by the
15 proportion of compensation attributable to each multiplier
16 during the three years of highest annual compensation in that
17 class of service: Provided, That in the case of a member of
18 Class E-1, a portion but not all of whose three years of
19 highest annual judicial compensation is prior to January 1,
20 1973, two class of service multipliers shall be calculated on
21 the basis of his entire judicial service, the one applying
22 the judicial class of service multipliers effective prior to
23 January 1, 1973 and the second applying the class of service
24 multipliers effective subsequent to January 1, 1973. The
25 average class of service multiplier to be used for
26 calculating benefits for his judicial service shall be the
27 average of the two calculated multipliers weighted by the
28 proportion of compensation attributable to each of the
29 calculated multipliers during the three years of highest
30 annual compensation in that class of service.

1 * * *

2 § 5704. Disability annuities.

3 (a) Amount of annuity.--A member who has made application
4 for a disability annuity and has been found to be eligible in
5 accordance with the provisions of section 5905(c)(1) (relating
6 to duties of the [board] boards regarding applications and
7 elections of members) shall receive a disability annuity payable
8 from the effective date of disability as determined by the board
9 and continued until a subsequent determination by the board that
10 the annuitant is no longer entitled to a disability annuity. The
11 disability annuity shall be equal to a standard single life
12 annuity multiplied by the class of service multiplier applicable
13 to the class of service at the time of disability if the product
14 of such class of service multiplier and the total number of
15 years of credited service is greater than 16.667, otherwise the
16 standard single life annuity shall be multiplied by the lesser
17 of the following ratios:

18 MY^*/Y or $16.667/Y$

19 where Y = number of years of credited service, Y* = total years
20 of credited service if the member were to continue as a [State]
21 government employee until attaining superannuation age as
22 applicable at the time of disability, or if the member has
23 attained superannuation age, as applicable at the time of
24 disability, then the number of years of credited service and M =
25 the class of service multiplier as applicable at the effective
26 date of disability. A member of Class C shall receive, in
27 addition, any annuity to which he may be eligible under section
28 5702(a)(3) (relating to maximum single life annuity). The member
29 shall be entitled to the election of a joint and survivor
30 annuity on that portion of the disability annuity to which he is

1 entitled under section 5702.

2 * * *

3 (c) Reduction on account of earned income.--Subsequent to
4 January 1, 1972, payments on account of disability shall be
5 reduced by that amount by which the earned income of the
6 annuitant, as reported in accordance with section 5908(b)
7 (relating to rights and duties of annuitants), for the preceding
8 calendar year together with the disability annuity payments
9 provided in this section other than subsection (b), for the
10 year, exceeds the product of:

11 [(i)] (1) the last year's salary of the annuitant
12 as a [State] government employee; and

13 [(ii)] (2) the ratio of the current monthly payment
14 to the monthly payment at the effective date of
15 disability;

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

19 * * *

20 (e) Termination of [State] government service.--Upon
21 termination of disability annuity payments in excess of an
22 annuity calculated in accordance with section 5702, a disability
23 annuitant who does not return to [State] government service may
24 file an application with the board for an amount equal to the
25 excess, if any, of the sum of the regular and additional
26 accumulated deductions standing to his credit at the effective
27 date of disability over one-third of the total disability
28 annuity payments received. If the annuitant on the date of
29 termination of service was eligible for an annuity as provided
30 in section 5308(b) (relating to eligibility for annuities), he

1 may file an application with the board for an election of an
2 optional modification of his annuity.

3 * * *

4 § 5705. Member's options.

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

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

30 (2) Option 2.--A joint and survivor annuity payable

1 during the lifetime of the member with the full amount of
2 such annuity payable thereafter to his survivor annuitant, if
3 living at his death.

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

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

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

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

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

29 * * *

30 § 5706. Termination of annuities.

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

1 annual salary payable to the member does not exceed \$35,000 and
2 where the member has been an annuitant for at least six months
3 immediately preceding the appointment. Such service shall not be
4 subject to member contributions or be eligible for qualification
5 as creditable State service.

6 (a.1) Return to [State] government service during
7 emergency.--When, in the judgment of the employer, an emergency
8 creates an increase in the work load such that there is serious
9 impairment of service to the public, an annuitant may be
10 returned to [State] government service for a period not to
11 exceed 95 days in any calendar year without loss of his annuity.
12 In computing the number of days an annuitant has returned to
13 [State] government service, any amount of time less than one-
14 half of a day shall be counted as one-half of a day. For
15 agencies, boards and commissions under the Governor's
16 jurisdiction, the approval of the Governor that an emergency
17 exists shall be required before an annuitant may be returned to
18 [State] government service.

19 (a.2) Return of benefits.--In the event an annuitant whose
20 annuity ceases pursuant to this section receives any annuity
21 payment, including a lump sum payment pursuant to section 5705
22 (relating to member's options) on or after the date of his
23 return to [State] government service or entering school service,
24 the annuitant shall return to the board the amount so received
25 plus statutory interest. The amount payable shall be certified
26 in each case by the board in accordance with methods approved by
27 the actuary and shall be paid in a lump sum within 30 days or in
28 the case of an active member or school employee who is an active
29 member of the Public School Employees' Retirement System may be
30 amortized with statutory interest through salary deductions in

1 amounts agreed upon by the member and the board. The salary
2 deduction amortization plans agreed to by the member and the
3 board may include a deferral of payment amounts and statutory
4 interest until the termination of school service or [State]
5 government service as the board in its sole discretion decides
6 to allow. The board may limit salary deduction amortization
7 plans to such terms as the board in its sole discretion
8 determines. In the case of a school employee who is an active
9 member of the Public School Employees' Retirement System, the
10 agreed upon salary deductions shall be remitted to the Public
11 School Employees' Retirement Board, which shall certify and
12 transfer to the board the amounts paid.

13 (b) Subsequent discontinuance of service.--Upon subsequent
14 discontinuance of service, such member other than a former
15 annuitant who had the effect of his frozen present value
16 eliminated in accordance with subsection (c) or a former
17 disability annuitant shall be entitled to an annuity which is
18 actuarially equivalent to the sum of the present value as
19 determined under subsection (a) and the present value of a
20 maximum single life annuity based on years of service credited
21 subsequent to reentry in the system and his final average salary
22 computed by reference to his compensation during his entire
23 period of [State] government and school service.

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

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

30 (i) is a multiple service member; or

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

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

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

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

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

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

24 § 5707. Death benefits.

25 * * *

26 (c) Disability annuitants eligible for withdrawal annuity.--
27 In the event of the death of a disability annuitant who has
28 elected to receive a maximum disability annuity before he has
29 received in annuity payments an amount equal to the present
30 value, on the effective date of disability, of the benefits to

1 which he would have been entitled under subsection (a) had he
2 died while in [State] government service, the balance of such
3 amount shall be paid to his designated beneficiary.

4 * * *

5 § 5708.1. Additional supplemental annuities.

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

11 * * *

12 (f) Funding.--The actuary shall annually certify the amount
13 of appropriations for the next fiscal year needed to fund, over
14 a period of ten years from July 1, 2002, the additional monthly
15 supplemental annuity provided for in this section. The [board]
16 State Employees' Retirement Board shall submit the actuary's
17 certification to the Secretary of the Budget on or before
18 November 1 of each year. If, in any year after 1984, the amount
19 certified is disapproved under section 610 of the act of April
20 9, 1929 (P.L.177, No.175), known as The Administrative Code of
21 1929, as insufficient to meet the funding requirements of this
22 subsection or is not appropriated on or before July 1, the
23 additional supplemental annuity provided for in this section
24 shall be suspended until such time as an amount certified and
25 approved as sufficient is appropriated.

26 * * *

27 § 5708.2. Further additional supplemental annuities.

28 * * *

29 (f) Funding.--The actuary shall annually estimate the amount
30 of Commonwealth appropriations for the next fiscal year needed

1 to fund, over a period of ten years from July 1, 2002, the
2 additional monthly supplemental annuity provided for in this
3 section. The [board] State Employees' Retirement Board shall
4 submit the actuary's estimation to the Secretary of the Budget
5 on or before November 1 of each year. If, in any year after
6 1988, the amount estimated is disapproved under section 610 of
7 the act of April 9, 1929 (P.L.177, No.175), known as The
8 Administrative Code of 1929, as insufficient to meet the funding
9 requirements of this subsection or is not appropriated on or
10 before July 1, the additional supplemental annuity provided for
11 in this section shall be suspended until such time as an amount
12 certified and approved as sufficient is appropriated.

13 * * *

14 § 5708.3. Supplemental annuities commencing 1994.

15 * * *

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

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

30 "Years on retirement." The number of full years as of July

1 1, 1989, which have elapsed since the eligible benefit recipient
2 most recently commenced the receipt of an annuity and during
3 which the eligible benefit recipient received an annuity.

4 § 5901. The State Employees' Retirement Board.

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

18 * * *

19 Section 15. Title 71 is amended by adding a section to read:

20 § 5901.1. Local Government Police Employees' Retirement Board.

21 (a) Status and membership.--The Local Government Police
22 Employees' Retirement Board shall be an independent
23 administrative board and consist of the following members:

24 (1) Three local government officials or employees.

25 (2) Three active or retired local government police
26 employees.

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

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

1 (b) Local government officer or employee members.--

2 (1) With the advice and consent of a majority of the
3 Senate under section 207.1 of the act of April 9, 1929
4 (P.L.177, No.175), known as The Administrative Code of 1929,
5 the Governor shall appoint three members who are local
6 government officers or employees, one nominated by the
7 Pennsylvania League of Cities and Municipalities, one
8 nominated by the Pennsylvania State Association of Boroughs
9 and one nominated by the Pennsylvania State Association of
10 Township Supervisors.

11 (2) The members appointed by the Governor under this
12 subsection shall serve terms of three years each and until
13 their successors are appointed and qualified, except those
14 members initially appointed, one of whom shall serve for one
15 year, one of whom shall serve for two years and one of whom
16 shall serve for three years.

17 (c) Local government police employee members.--

18 (1) With the advice and consent of a majority of the
19 Senate under section 207.1 of The Administrative Code of
20 1929, the Governor shall appoint three members who are active
21 or retired local government police employees, one nominated
22 by the Pennsylvania Chiefs of Police Association and two
23 nominated by the Pennsylvania Fraternal Order of Police.

24 (2) The members appointed by the Governor under this
25 subsection shall serve terms of three years each and until
26 their successors are appointed and qualified, except those
27 members initially appointed, one of whom shall serve for one
28 year, one of whom shall serve for two years and one of whom
29 shall serve for three years.

30 (d) Vacancies.--Vacancies in office shall be filled by the

1 appointing authority for the balance of the unexpired term.

2 (e) Oath of office.--Each member of the board and each
3 designee shall take an oath of office that he will, so far as it
4 devolves upon him, diligently and honestly administer the
5 affairs of the board and that he will not knowingly violate or
6 willfully permit to be violated any of the provisions of law
7 applicable to this part. The oath shall be subscribed by the
8 individual taking it and certified by the officer before whom it
9 is taken and shall be immediately filed in the Office of the
10 Secretary of the Commonwealth.

11 (f) Compensation and expenses.--The members of the board or
12 their designees who are active members of the Government
13 Employees' Retirement System shall serve without compensation
14 but shall not suffer loss of salary or wages through serving on
15 the board. The members of the board or their designees who are
16 not active members of the Government Employees' Retirement
17 System shall be entitled to receive \$100 a day when attending
18 meetings, and all board members or their designees shall be
19 reimbursed for any necessary expenses. When the duties of the
20 board as mandated are not executed, however, no compensation or
21 reimbursement for expenses of board members or their designees
22 shall be paid or payable during the period in which such duties
23 are not executed.

24 (g) Corporate power and legal advisor.--For purposes of this
25 part, the board shall possess the power and privileges of a
26 corporation. The Attorney General of the Commonwealth shall be
27 the legal advisor of the board.

28 Section 16. Section 5902 of Title 71, amended October 27,
29 2006 (P.L.177, No.120), is amended to read:

30 § 5902. Administrative duties of the [board] boards.

1 (a) Employees.--

2 (1) Effective 30 days after the effective date of this
3 paragraph, the positions of secretary, assistant secretary
4 and investment professional shall be placed under the
5 unclassified service provisions of the act of August 5, 1941
6 (P.L.752, No.286), known as the Civil Service Act, as those
7 positions are vacated. All other positions of the [board]
8 boards shall be placed in either the classified or
9 unclassified service according to the definition of the terms
10 under the Civil Service Act.

11 (2) Notwithstanding any other provisions of law, the
12 compensation of investment professionals shall be established
13 by the [board] boards. The compensation of all other officers
14 and employees of the [board] boards who are not covered by a
15 collective bargaining agreement shall be established by the
16 [board] boards consistent with the standards of compensation
17 established by the Executive Board of the Commonwealth.

18 (a.1) Secretary.--The secretary shall act as chief
19 administrative officer for the [board] boards. In addition to
20 other powers and duties conferred upon and delegated to the
21 secretary by the [board] boards, the secretary shall:

22 (1) Serve as the administrative agent of the [board]
23 boards.

24 (2) Serve as liaison between the [board] boards and
25 applicable legislative committees, the Treasury Department,
26 the Department of the Auditor General, and between the
27 [board] boards and the investment counsel and the mortgage
28 supervisor in arranging for investments to secure maximum
29 returns to the fund.

30 (3) Review and analyze proposed legislation and

1 legislative developments affecting the system and present
2 findings to the [board] boards, legislative committees, and
3 other interested groups or individuals.

4 (4) Direct the maintenance of files and records and
5 preparation of periodic reports required for actuarial
6 evaluation studies.

7 (5) Receive inquiries and requests for information
8 concerning the system from the press, Commonwealth officials,
9 local government officials, State employees, local government
10 police employees, the general public, research organizations,
11 and officials and organizations from other states, and
12 provide information as authorized by the [board] boards.

13 (6) Supervise a staff of administrative, technical, and
14 clerical employees engaged in record-keeping and clerical
15 processing activities in maintaining files of members,
16 accounting for contributions, processing payments to
17 annuitants, preparing required reports, and retirement
18 counseling.

19 (b) Professional personnel.--The [board] boards shall
20 contract for the services of a chief medical examiner, an
21 actuary, investment advisors and counselors, and such other
22 professional personnel as [it deems] they deem advisable. The
23 [board] boards may, with the approval of the Attorney General,
24 contract for legal services.

25 (c) Expenses.--The [board] boards shall, through the
26 Governor, submit to the General Assembly annually a budget
27 covering the administrative expenses of this part. Such expenses
28 as approved by the General Assembly in an appropriation bill
29 shall be paid from investment earnings of the [fund] funds.
30 Concurrently with its administrative budget, the [board] boards

1 shall also submit to the General Assembly annually a list of
2 proposed expenditures which the [board intends] boards intend to
3 pay through the use of directed commissions, together with a
4 list of the actual expenditures from the past year actually paid
5 by the [board] boards through the use of directed commissions.
6 All such directed commission expenditures shall be made by the
7 [board] boards for the exclusive benefit of the system and its
8 members.

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

12 (e) Records.--

13 (1) [The] Each board shall keep a record of all its
14 proceedings which shall be open to inspection by the public,
15 except as otherwise provided in this part or by other law.

16 (2) Any record, material or data received, prepared,
17 used or retained by the board or its employees, investment
18 professionals or agents relating to an investment shall not
19 constitute a public record subject to public inspection under
20 the act of June 21, 1957 (P.L.390, No.212), referred to as
21 the Right-to-Know Law, if, in the reasonable judgment of the
22 board, the inspection would:

23 (i) in the case of an alternative investment or
24 alternative investment vehicle, involve the release of
25 sensitive investment or financial information relating to
26 the alternative investment or alternative investment
27 vehicle which the fund was able to obtain only upon
28 agreeing to maintain its confidentiality;

29 (ii) cause substantial competitive harm to the
30 person from whom sensitive investment or financial

1 information relating to the investment was received; or

2 (iii) have a substantial detrimental impact on the
3 value of an investment to be acquired, held or disposed
4 of by the fund or would cause a breach of the standard of
5 care or fiduciary duty set forth in this part.

6 (3) (i) The sensitive investment or financial
7 information excluded from inspection under paragraph
8 (2)(i), to the extent not otherwise excluded from
9 inspection, shall constitute a public record subject to
10 public inspection under the Right-to-Know Law once the
11 board is no longer required by its agreement to maintain
12 confidentiality.

13 (ii) The sensitive investment or financial
14 information excluded from inspection under paragraph
15 (2)(ii), to the extent not otherwise excluded from
16 inspection, shall constitute a public record subject to
17 public inspection under the Right-to-Know Law once:

18 (A) the inspection no longer causes substantial
19 competitive harm to the person from whom the
20 information was received; or

21 (B) the entity in which the investment was made
22 is liquidated;

23 whichever is later.

24 (iii) The sensitive investment or financial
25 information excluded from inspection under paragraph
26 (2)(iii), to the extent not otherwise excluded from
27 inspection, shall constitute a public record subject to
28 public inspection under the Right-to-Know Law once:

29 (A) the inspection no longer has a substantial
30 detrimental impact on the value of an investment of

1 the fund and would not cause a breach of the standard
2 of care or fiduciary duty set forth in this part; or

3 (B) the entity in which the investment was made
4 is liquidated;

5 whichever is later.

6 (4) Except for the provisions of paragraph (3), nothing
7 in this subsection shall be construed to designate any
8 record, material or data received, prepared, used or retained
9 by the board or its employees, investment professionals or
10 agents relating to an investment as a public record subject
11 to public inspection under the Right-to-Know Law.

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

15 (g) Performance of departmental duties.--In the event the
16 head of the department fails to comply with the procedures as
17 mandated in section 5906 (relating to duties of heads of
18 departments), the appropriate board shall perform such duties
19 and bill the department for the cost of same.

20 (h) Regulations and procedures.--The [board] boards shall,
21 with the advice of the [Attorney] General Counsel and the
22 actuary, adopt and promulgate rules and regulations for the
23 uniform administration of the system. The actuary shall approve
24 in writing all computational procedures used in the calculation
25 of contributions and benefits, and the [board] boards shall by
26 resolution adopt such computational procedures, prior to their
27 application by the [board] boards. Such rules, regulations and
28 computational procedures as so adopted from time to time and as
29 in force and effect at any time, together with such tables as
30 are adopted pursuant to subsection (j) as necessary for the

1 calculation of annuities and other benefits, shall be as
2 effective as if fully set forth in this part. Any actuarial
3 assumption specified in or underlying any such rule, regulation
4 or computational procedure and utilized as a basis for
5 determining any benefit shall be applied in a uniform manner.

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

10 (j) Actuarial investigation and valuation.--The [board]
11 boards shall have the actuary make an annual valuation of the
12 various accounts within six months of the close of each calendar
13 year. In the year 1975 and in every fifth year thereafter the
14 board shall have the actuary conduct an actuarial investigation
15 and evaluation of the system based on data including the
16 mortality, service, and compensation experience provided by the
17 [board] boards annually during the preceding five years
18 concerning the members and beneficiaries. The boards shall have
19 a separate annual valuation and a separate five-year actuarial
20 investigation made for each fund by the actuary. The [board]
21 boards shall by resolution adopt such tables as are necessary
22 for the actuarial valuation of the [fund] funds and calculation
23 of contributions, annuities and other benefits based on the
24 reports and recommendations of the actuary. Within 30 days of
25 their adoption, the secretary of [the] each board shall cause
26 those tables which relate to the calculation of annuities and
27 other benefits to be published in the Pennsylvania Bulletin in
28 accordance with the provisions of 45 Pa.C.S. § 725(a) (relating
29 to additional contents of Pennsylvania Bulletin) and, unless
30 [the] a board specifies therein a later effective date, such

1 tables shall become effective on such publication. [The] A board
2 shall include a report on the significant facts, recommendations
3 and data developed in each five-year actuarial investigation and
4 evaluation of the system in the annual financial statement
5 published pursuant to the requirements of subsection (m) for the
6 fiscal year in which such investigation and evaluation were
7 concluded.

8 (k) Certification of employer contributions.--The [board]
9 boards shall, each year in addition to the itemized budget
10 required under section 5509 (relating to appropriations and
11 assessments by the Commonwealth), certify to the Commonwealth,
12 local governments and other employers, as a percentage of the
13 members' payroll, the employers' contributions as determined
14 pursuant to section 5508 (relating to actuarial cost method)
15 necessary for the funding of prospective annuities for active
16 members and the annuities of annuitants and certify the rates
17 and amounts of the employers' normal contributions as determined
18 pursuant to section 5508(b), accrued liability contributions as
19 determined pursuant to section 5508(c), supplemental annuities
20 contribution rate as determined pursuant to section 5508(e) and
21 the experience adjustment factor as determined pursuant to
22 section 5508(f), which shall be paid to the [fund] funds and
23 credited to the appropriate accounts. These certifications shall
24 be regarded as final and not subject to modification by the
25 Budget Secretary or local governments.

26 (l) Member contributions.--The [board] boards shall cause
27 all pickup contributions made on behalf of a member to be
28 credited to the account of the member and credit to his account
29 any other payment made by such member, including, but not
30 limited to, amounts collected by the Public School Employees'

1 Retirement System for the reinstatement of previous State
2 service or creditable nonstate service and amounts paid to
3 return benefits paid after the date of return to State service
4 or entering school service representing lump sum payments made
5 pursuant to section 5705(a)(4)(iii) (relating to member's
6 options) and member's annuity payments, but not including other
7 benefits returned pursuant to section 5706(a.2) (relating to
8 termination of annuities), and shall pay all such amounts into
9 the [fund] funds.

10 (m) Annual financial statement.--The [board] boards shall
11 prepare and have published, on or before July 1 of each year, a
12 financial statement as of the calendar year ending December 31
13 of the previous year showing the condition of the [fund] funds
14 and the various accounts, including, but not limited to, the
15 board's accrual and expenditure of directed commissions, and
16 setting forth such other facts, recommendations, and data as may
17 be of use in the advancement of knowledge concerning annuities
18 and other benefits provided by this part. The [board] boards
19 shall submit said financial statement to the Governor and shall
20 file copies with the head of each department for the use of the
21 [State] government employees and the public.

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

26 Section 17. Sections 5903, 5904, 5905, 5905.1(b), 5906,
27 5907(a), (d), (e), (f), (g), (h), (i) and (j), 5908(a), (b) and
28 (c), 5931 and 5932 of Title 71 are amended to read:

29 § 5903. Duties of [the board] boards to advise and report to
30 heads of departments and members.

1 (a) Manual of regulations.--The [board] boards shall, with
2 the advice of the Attorney General and the actuary, prepare and
3 provide, within 90 days of the effective date of this part, or,
4 in the case of a local government, within 90 days of a local
5 government police employee becoming a member, a manual
6 incorporating rules and regulations consistent with the
7 provisions of this part to the heads of departments who shall
8 make the information contained therein available to the general
9 membership. The [board] boards shall thereafter advise the heads
10 of departments within 90 days of any changes in such rules and
11 regulations due to changes in the law or due to changes in
12 administrative policies. As soon as practicable after the
13 commissioner's announcement with respect thereto, [the] a board
14 shall also advise the heads of departments as to any cost-of-
15 living adjustment for the succeeding calendar year in the amount
16 of the limitation under IRC § 401(a)(17) and the dollar amounts
17 of the limitations under IRC § 415(b). As soon as practicable
18 after January 1 of each year, the [board] boards shall also
19 advise the heads of departments of the employees for whom,
20 pursuant to section 5502.1 (relating to waiver of regular member
21 contributions and Social Security integration member
22 contributions), pickup contributions are not to be made.

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

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

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

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

28 (e) Former county employees.--Upon receipt of an election by
29 a county employee transferred to [State] government employment
30 pursuant to 42 Pa.C.S. § 1905 (relating to county-level court

1 administrators) to convert county service to [State] government
2 service, the appropriate board shall certify to the member the
3 amount of service so converted and the class at which such
4 service is credited.

5 (f) Former school employees.--Upon receipt of an election by
6 a former employee of the Department of Education transferred to
7 the Department of Corrections pursuant to section 908-B of the
8 act of April 9, 1929 (P.L.177, No.175), known as The
9 Administrative Code of 1929, to convert school service to
10 [State] government service, the appropriate board shall certify
11 to the member the amount of service so converted and the class
12 at which such service is credited.

13 § 5904. Duties of [the board] boards to report to the Public
14 School Employees' Retirement Board.

15 (a) Multiple service membership of [State] government
16 employees.--Upon receipt of an application for membership in the
17 system of a [State] government employee who is a former public
18 school employee and who has elected multiple service membership,
19 the appropriate board shall advise the Public School Employees'
20 Retirement Board accordingly.

21 (b) Multiple service membership of school employees.--Upon
22 receipt of notification from the Public School Employees'
23 Retirement Board that a former [State] government employee has
24 become an active member in the Public School Employees'
25 Retirement System and has elected to receive credit for multiple
26 service, the appropriate board shall certify to the Public
27 School Employees' Retirement Board and concurrently to the
28 member:

29 (1) the total credited service in the system and the
30 number of years and fractional part of a year of service

1 credited in each class of service;

2 (2) the annual compensation received each calendar year
3 by the member for credited State service;

4 (3) the social security integration credited service to
5 which the member is entitled and the average noncovered
6 salary upon which the single life annuity attributable to
7 such service will be computed; and

8 (4) the amount of the deductions and the period over
9 which they are to be made if the member has elected payroll
10 deductions pursuant to section 5504 (relating to member
11 contributions for the purchase of credit for previous [State]
12 government service or to become a full coverage member) or
13 5505 (relating to contributions for the purchase of credit
14 for creditable nonstate service).

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

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

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

29 (ii) the annuity or benefit to which the member or
30 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.

(d) Election to convert school service to State service.-- Upon receipt of an election by a former employee of the Department of Education to convert school service to State service pursuant to section 5303.2 (relating to election to convert school service to State service), the board shall certify the information necessary for the Public School Employees' Retirement System to transfer the funds and credit required to the board.

§ 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' Retirement Board that a former [State] government employee has

1 become an active member in the Public School Employees'
2 Retirement System and has elected to become a member with
3 multiple service status the appropriate board shall:

4 (1) in case of a member receiving an annuity from the
5 system:

6 (i) discontinue payments, transfer the present value
7 of the member's annuity at the time of entering school
8 service, plus the amount withdrawn in a lump sum payment,
9 on or after the date of entering school service, pursuant
10 to section 5705 (relating to member's options), with
11 statutory interest to date of transfer, minus the amount
12 to be returned to the appropriate board on account of
13 return to service, that the appropriate board has
14 determined is to be credited in the members' savings
15 account, from the annuity reserve account to the members'
16 savings account and resume crediting of statutory
17 interest on the amount restored to his credit;

18 (ii) transfer the balance of the present value of
19 the total annuity, minus the amount to be returned to the
20 appropriate board on account of return to service that
21 the appropriate board has determined is to be credited in
22 the State accumulation account, from the annuity reserve
23 account to the State accumulation account; and

24 (iii) certify to the member the amount of lump sum
25 and annuity payments with statutory interest the member
26 is to return to the appropriate board and, of those
27 amounts, which amount shall be credited to the members'
28 savings account and credited with statutory interest as
29 such payments are returned and which amount shall be
30 credited to the State accumulation account; or

1 (2) in case of a member who is not receiving an annuity
2 and has not withdrawn his total accumulated deductions,
3 continue or resume the crediting of statutory interest on his
4 total accumulated deductions during the period his total
5 accumulated deductions remain in the fund; or

6 (3) in case of a former [State] government employee who
7 is not receiving an annuity from the system and his total
8 accumulated deductions were withdrawn, certify to the former
9 [State] government employee the accumulated deductions as
10 they would have been at the time of his separation had he
11 been a full coverage member together with statutory interest
12 for all periods of subsequent [State] government and school
13 service to the date of repayment. Such amount shall be
14 restored by him and shall be credited with statutory interest
15 as such payments are restored.

16 (c) Disability annuities.--In every case where the
17 appropriate board has received an application duly executed by
18 the member or by a person legally authorized to act in his
19 behalf for a disability annuity based upon the member's physical
20 or mental incapacity for the performance of the job for which he
21 is employed, with or without a supplement for a service-
22 connected disability, taking into account relevant decisions by
23 The Pennsylvania Workmen's Compensation Board, the board shall:

24 (1) through the medical examiner, have the application
25 and any supporting medical records and other documentation
26 submitted with the application reviewed and on the basis of
27 said review, and the subsequent recommendation by the medical
28 examiner regarding the applicant's medical qualification for
29 a disability annuity along with such other recommendations
30 which he may make with respect to the permanency of

1 disability or the need for subsequent reviews, make a finding
2 of disability and whether or not the disability is service
3 connected or nondisability and in the case of disability
4 establish an effective date of disability and the terms and
5 conditions regarding subsequent reviews;

6 (2) upon the recommendation of the medical examiner on
7 the basis of a review of subsequent medical reports submitted
8 with an application for continuance of disability, make a
9 finding of continued disability and whether or not the
10 disability continues to be service connected, or a finding of
11 nondisability; and in the case of a finding that the
12 disability is no longer service connected, discontinue any
13 supplemental payments on account of such service connected
14 disability as of the date of the finding; and in the case of
15 a finding of nondisability establish the date of termination
16 of disability and at that time discontinue any annuity
17 payments in excess of an annuity calculated in accordance
18 with section 5702 (relating to maximum single life annuity);
19 and

20 (3) upon receipt of a written statement from a
21 disability annuitant of his earned income of the previous
22 quarter, adjust the payments of the disability annuity for
23 the following quarter in accordance with the provisions of
24 section 5704(c) (relating to disability annuities).

25 (c.1) Termination of service.--In the case of any member
26 terminating [State] government service who is entitled to an
27 annuity and who is not then a disability annuitant, the
28 appropriate board shall advise such member in writing of any
29 benefits to which he may be entitled under the provisions of
30 this part and shall have the member prepare, on or before the

1 date of termination of [State] government service, one of the
2 following three forms, a copy of which shall be given to the
3 member and the original of which shall be filed with the
4 appropriate board:

5 (1) an application for the return of total accumulated
6 deductions;

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

11 (3) an application for an immediate annuity and, if he
12 desires:

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

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

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

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

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

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

1 such annuity.

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

16 (f) Initial annuity payment and certification.--The
17 appropriate board shall make the first monthly payment to a
18 member who is eligible for an annuity within 60 days of the
19 filing of his application for an annuity or, in the case of a
20 vestee or special vestee who has deferred the filing of his
21 application to a date later than 90 days following attainment of
22 superannuation age, within 60 days of the effective date of
23 retirement, and receipt of the required data from the head of
24 the department and, if the member has Class G, Class H, Class I,
25 Class J, Class K, Class L, Class M or Class N service, any data
26 required from the county retirement system or pension plan to
27 which the member was a contributor before being a State
28 employee. Concurrently, the board shall certify to such member:

29 (1) the total accumulated deductions standing to his
30 credit showing separately the amount contributed by the

1 member, the pickup contribution and the interest credited to
2 the date of termination of service;

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

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

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

12 (g) Death benefits.--Upon receipt of notification from the
13 head of a department of the death of an active member or a
14 member on leave without pay, the appropriate board shall advise
15 the designated beneficiary of the benefits to which he is
16 entitled, and shall make the first payment to the beneficiary
17 within 60 days of receipt of certification of death and other
18 necessary data. If no beneficiary designation is in effect at
19 the date of the member's death or no notice has been filed with
20 the board to pay the amount of the benefits to the member's
21 estate, the board is authorized to pay the benefits to the
22 executor, administrator, surviving spouse or next of kin of the
23 deceased member, and payment pursuant hereto shall fully
24 discharge the fund from any further liability to make payment of
25 such benefits to any other person. If the surviving spouse or
26 next of kin of the deceased member cannot be found for the
27 purpose of paying the benefits for a period of seven years from
28 the date of death of the member, then the benefits shall be
29 escheated to the Commonwealth for the benefit of the fund.

30 (h) Medical insurance coverage.--Upon receipt of the

1 election by an eligible member to convert his medical, major
2 medical, and hospitalization insurance coverage to the plan for
3 State annuitants, the [board] State Employees' Retirement Board
4 shall notify the insurance carrier of such election and shall
5 deduct the appropriate annual charges in equal monthly
6 installments. Such deductions shall be transmitted to the
7 designated fiscal officer of the Commonwealth having
8 jurisdiction over the payment of such group charges on behalf of
9 the annuitant.

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

24 (j) [State] Government employees electing multiple service
25 status.--Upon receipt of notification from the Public School
26 Employees' Retirement Board that a member who has elected
27 multiple service membership has elected to restore school
28 service or purchase creditable nonschool service in the Public
29 School Employees' Retirement System or is obligated to return
30 benefits to the Public School Employees' Retirement Board on

1 account of electing multiple service membership has elected to
2 pay all or part of the amount due to the Public School
3 Employees' Retirement Board by salary deductions, the
4 appropriate board shall collect from the employee the amounts
5 certified by the Public School Employees' Retirement Board as
6 due and owing by the member and certify and transfer to the
7 Public School Employees' Retirement Board the amounts so
8 collected.

9 § 5905.1. Installment payments of accumulated deductions.

10 * * *

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

14 (1) Upon receipt of a member's application to withdraw
15 his total accumulated deductions as provided in section
16 5311(a) or 5701 and upon receipt of all required data from
17 the head of the department and, if the member has Class G,
18 Class H, Class I, Class J, Class K, Class L, Class M or Class
19 N service, any data required from the county retirement
20 system or pension plan to which the member was a contributor
21 before being transferred to State employment, the appropriate
22 board shall not be required to pay the first installment
23 prior to 45 days after the filing of the application and the
24 receipt of the data or the date of termination of service,
25 whichever is later.

26 (2) In the case of an election as provided in section
27 5705(a)(4)(iii) by a member terminating service within 60
28 days prior to the end of a calendar year and upon receipt of
29 all required data from the head of the department and, if the
30 member has Class G, Class H, Class I, Class J, Class K, Class

1 L, Class M or Class N service, any data required from the
2 county retirement system or pension plan to which the member
3 was a contributor before being transferred to State
4 employment, the appropriate board shall not be required to
5 pay the first installment prior to 21 days after the later of
6 the filing of the application and the receipt of the data or
7 the date of termination of service, but, unless otherwise
8 directed by the member, the payment shall be made no later
9 than 45 days after the filing of the application and the
10 receipt of the data or the date of termination of service,
11 whichever is later.

12 (3) In the case of an election as provided in section
13 5705(a)(4)(iii) by a member who is not terminating service
14 within 60 days prior to the end of a calendar year and upon
15 receipt of all required data from the head of the department
16 and, if the member has Class G, Class H, Class I, Class J,
17 Class K, Class L, Class M or Class N service, any data
18 required from the county retirement system or pension plan to
19 which the member was a contributor before being transferred
20 to State employment, the appropriate board shall not be
21 required to pay the first installment prior to 45 days after
22 the filing of the application and the receipt of the data or
23 the date of termination of service, whichever is later.

24 * * *

25 § 5906. Duties of heads of departments.

26 (a) Status of members.--The head of department shall, at the
27 end of each pay period, notify the appropriate board in a manner
28 prescribed by the board of salary changes effective during that
29 period for any members of the department, the date of all
30 removals from the payroll, and the type of leave of any members

1 of the department who have been removed from the payroll for any
2 time during that period, and:

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

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

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

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

18 (ii) in the case of a service connected disability
19 the head of department shall, to the best of his ability,
20 investigate the circumstances surrounding the disablement
21 of the member and submit in writing to the board
22 information which shall include but not necessarily be
23 limited to the following: date, place and time of
24 disablement to the extent ascertainable; nature of duties
25 being performed at such time; and whether or not the
26 duties being performed were authorized and included among
27 the member's regular duties. In addition, the head of
28 department shall furnish in writing to the board all such
29 other information as may be related to the member's
30 disablement;

(iii) in the case of a member terminating from The Pennsylvania State University who is a member of the system with five or more but less than ten eligibility points and who has terminated State service on June 30, 1997, because of the transfer of his job position or duties to a controlled organization of the Penn State Geisinger Health System or because of the elimination of his job position or duties due to the transfer of other job positions or duties to a controlled organization of the Penn State Geisinger Health System, the head of the department shall so certify to the board.

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

(c) Member contributions.--The head of department shall cause the required pickup contributions for current service to be made and shall cause to be deducted any other required member contributions, including, but not limited to, contributions owed by an active member with multiple service membership for school service and creditable nonschool service in the Public School Employees' Retirement System and amounts certified by the Public School Employees' Retirement Board as due and owing on account of termination of annuities, from each payroll. The head of department shall notify the appropriate board at times and in a manner prescribed by the board of the compensation of any noneligible member to whom the limitation under IRC § 401(a)(17) either applies or is expected to apply and shall cause such

1 member's contributions deducted from payroll to cease at the
2 limitation under IRC § 401(a)(17) on the payroll date if and
3 when such limit shall be reached. The head of department shall
4 certify to the State Treasurer the amounts picked up and
5 deducted and shall send the total amount picked up and deducted
6 together with a duplicate of such voucher to the secretary of
7 the [board] appropriate board every quarter when the employer is
8 a local government and every pay period when the employer is not
9 a local government. The head of department shall pay pickup
10 contributions from the same source of funds which is used to pay
11 other compensation to the employee. On or before January 31,
12 1997, and on or before January 31 of each year thereafter, the
13 head of department shall, at the time when the income and
14 withholding information required by law is furnished to each
15 member, also furnish the amount of pickup contributions made on
16 his behalf and notify the appropriate board, if it has not been
17 previously notified, of any noneligible member whose
18 compensation in the preceding year exceeded the annual
19 compensation limit under IRC § 401(a)(17). If [the] a board
20 shall determine that the member's savings account shall have
21 been credited with pickup contributions for a noneligible member
22 in the preceding year which are attributable to compensation in
23 excess of the limitation under IRC § 401(a)(17), or with total
24 member contributions for such member which would cause such
25 member's contributions or benefits to exceed any applicable
26 limitation under IRC § 401(a)(17) or 415(b), the board shall as
27 soon as practicable refund to the member from his individual
28 member account such amount, together with the statutory interest
29 thereon, as will cause the member's total member contributions
30 in the preceding year not to exceed the applicable limit. The

1 payment of any such refund to the member shall be charged to the
2 member's savings account.

3 (d) New employees subject to mandatory membership.--Upon the
4 assumption of duties of each new [State] government employee
5 whose membership in the system is mandatory, the head of
6 department shall cause an application for membership and a
7 nomination of beneficiary to be made by such employee and filed
8 with the appropriate board and shall make pickup contributions
9 from the effective date of [State] government employment.

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

19 (e.1) Former county-level judicial employees transferred to
20 [State] government employment.--In addition to the duties set
21 forth in subsections (d) and (e), the Court Administrator of
22 Pennsylvania, upon the transfer of county employees to [State]
23 government employment pursuant to 42 Pa.C.S. § 1905 (relating to
24 county-level court administrators), shall advise such
25 transferred county employees of their opportunity to elect to
26 convert county service to [State] government service in
27 accordance with section 5303.1 (relating to election to convert
28 county service to State service), and, if such employee so
29 elects, the Court Administrator of Pennsylvania shall cause an
30 election to be made and filed with the appropriate board within

1 90 days after the transfer to State employment.

2 (g) Former school employee contributors.--The head of
3 department shall, upon the employment of a former contributor to
4 the Public School Employees' Retirement System who is not an
5 annuitant of the Public School Employees' Retirement System,
6 advise such employee of his right to elect within 365 days of
7 entry into the system to become a multiple service member, and
8 in the case of any such employee who so elects and has withdrawn
9 his accumulated deductions, require him to reinstate his credit
10 in the Public School Employees' Retirement System. The head of
11 the department shall advise the appropriate board of such
12 election.

13 (h) Former school employee annuitants.--The head of
14 department shall, upon the employment of an annuitant of the
15 Public School Employees' Retirement System who applies for
16 membership in the system, advise such employee that he may elect
17 multiple service membership within 365 days of entry into the
18 system and if he so elects his public school employee's annuity
19 will be discontinued effective upon the date of his return to
20 [State] government service and, upon termination of [State]
21 government service and application for an annuity, the annuity
22 will be adjusted in accordance with section 5706 (relating to
23 termination of annuities). The head of department shall advise
24 the appropriate board of such election.

25 (i) Annual statement to members.--Annually, upon receipt
26 from the appropriate board, the head of department shall furnish
27 to each member the statement specified in section 5903(b)
28 (relating to duties of [the board] boards to advise and report
29 to heads of departments and members).

30 (j) Termination of service.--The head of department shall,

1 in the case of any member terminating [State] government service
2 who is ineligible for an annuity before attainment of
3 superannuation age, advise such member in writing of any
4 benefits to which he may be entitled under the provisions of
5 this part and shall have the member prepare, on or before the
6 date of termination of [State] government service, an
7 application for the return of total accumulated deductions or,
8 on or before September 30, 1997, an application to be vested as
9 a special vestee, if eligible.

10 (k) Date of application for benefits.--Any application
11 properly executed and filed under subsection (j) with the
12 department and not filed with the appropriate board within 30
13 days shall be deemed to have been filed with the board on the
14 date filed with the department and in such case all required
15 data shall be furnished to the board immediately.

16 § 5907. Rights and duties of State employees and members.

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

1 together with statutory interest doubled and compounded shall be
2 deducted from the present value of any remaining benefits to
3 which the member is legally entitled.

4 * * *

5 (d) Credit for previous service or change in membership
6 status.--Any active member or eligible school employee who
7 desires to receive credit for his total previous [State]
8 government service or creditable nonstate service to which he is
9 entitled, or a joint coverage member who desires to become a
10 full coverage member, shall so notify the appropriate board and
11 upon written agreement by the member and the appropriate board
12 as to the manner of payment of the amount due, the member shall
13 receive credit for such service as of the date of such
14 agreement.

15 (e) Beneficiary for death benefits.--Every member shall
16 nominate a beneficiary by written designation filed with the
17 appropriate board as provided in section 5906(d) or (e)
18 (relating to duties of heads of departments) to receive the
19 death benefit payable under section 5707 (relating to death
20 benefits) or the benefit payable under the provisions of Option
21 1 of section 5705(a)(1) (relating to member's options). Such
22 nomination may be changed at any time by the member by written
23 designation filed with the board. A member may also nominate a
24 contingent beneficiary or beneficiaries to receive the death
25 benefit provided under section 5707 or the benefit payable under
26 the provisions of Option 1 of section 5705(a)(1).

27 (f) Termination of service.--Each member who terminates
28 [State] government service and who is not then a disability
29 annuitant shall execute on or before the date of termination of
30 service the appropriate application, duly attested by the member

1 or his legally constituted representative, electing to:

2 (1) withdraw his total accumulated deductions; or

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

7 (3) receive an immediate annuity and may,

8 (i) if eligible, elect to convert his medical, major
9 medical, and hospitalization coverage to the plan for
10 State annuitants; and

11 (ii) if he is a joint coverage member, elect to
12 become a full coverage member and agree to pay within 30
13 days of date of termination of service the lump sum
14 required.

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

20 (h) Vestees and special vestees attaining superannuation
21 age.--Upon attainment of superannuation age a vestee or special
22 vestee shall execute and file an application for an annuity. Any
23 such application filed within 90 days after attaining
24 superannuation age shall be effective as of the date of
25 attainment of superannuation age. Any application filed after
26 such period shall be effective as of the date it is filed with
27 the appropriate board, subject to the provisions of section
28 5905(f) (relating to duties of [the board] boards regarding
29 applications and elections of members). If a vestee or special
30 vestee does not file an application within seven years after

1 attaining superannuation age, he shall be deemed to have elected
2 to receive his total accumulated deductions upon attainment of
3 superannuation age.

4 (i) Failure to apply for annuity.--If a member is eligible
5 to receive an annuity and does not file a proper application
6 within 90 days of termination of service, his annuity will
7 become effective as of the date the application is filed with
8 the appropriate board or the date designated on the application
9 whichever is later.

10 (j) Nomination of beneficiary or survivor annuitant.--A
11 member who is eligible and elects to receive a reduced annuity
12 under Option 1, 2, 3, or 4, shall nominate a beneficiary or a
13 survivor annuitant, as the case may be, by written designation
14 filed with the appropriate board at the time of his retirement.
15 A member who has elected Option 1 may change his designated
16 beneficiary at any time. A member having designated a survivor
17 annuitant at the time of retirement shall not be permitted to
18 nominate a new survivor annuitant unless such survivor annuitant
19 predeceases him or unless the member is awarded a divorce or
20 becomes married subsequent to the election of the option. In
21 such cases, the annuitant shall have the right to reelect an
22 option and to nominate a beneficiary or a new survivor annuitant
23 and to have his annuity recomputed to be actuarially equivalent
24 as of the date of recomputation to the annuity in effect
25 immediately prior to the recomputation. In no other case shall a
26 benefit plan be changed by an annuitant.

27 * * *

28 § 5908. Rights and duties of annuitants.

29 (a) Election by joint coverage annuitants.--Any annuitant
30 who is a joint coverage member who was receiving an annuity

1 prior to July 1, 1962, may elect to receive his annuity without
2 reduction on account of social security old-age insurance
3 benefits: Provided, That he shall file such election with the
4 [board] State Employees' Retirement Board prior to July 1, 1974
5 and shall make a lump sum payment within 60 days of receipt of
6 the certification of the amount due.

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

25 (c) Medical examinations of disability annuitants.--Should
26 any disability annuitant refuse to submit to a medical
27 examination by a physician or physicians at the request of the
28 appropriate board, his payments due to disability shall be
29 discontinued until the withdrawal of such refusal. Should such
30 refusal continue for a period of six months, all of his rights

1 to the disability annuity payments in excess of any annuity to
2 which he is otherwise entitled shall be forfeited.

3 * * *

4 § 5931. Management of [fund] funds and accounts.

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

1 every case to meeting the standard of prudence set forth in this
2 subsection.

3 (b) Crediting of interest.--The [board] boards, annually,
4 shall allow the required interest on the mean amount for the
5 preceding year to the credit of each of the accounts. The amount
6 so allowed shall be credited thereto by the [board] boards and
7 transferred from the interest reserve account.

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

10 (d) Payments from [fund] funds.--All payments from the
11 [fund] funds shall be made by the State Treasurer in accordance
12 with requisitions signed by the secretary of the appropriate
13 board, or his designee, and ratified by resolution of the
14 appropriate board.

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

1 Governor, submit to the General Assembly annually, at the same
2 time the [board submits its] boards submit their budget covering
3 administrative expenses, a report identifying the nature and
4 amount of all existing investments made pursuant to this
5 subsection.

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

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

29 (h) Venture capital, private placement and alternative
30 investments.--The board in its prudent discretion may make any

1 venture capital investment, private placement investment or
2 other alternative investment of any kind, structure or manner
3 which meets the standard of prudence set forth in subsection
4 (a).

5 (i) Vehicles for authorized investments.--[The] A board in
6 its prudent discretion may make any investments which meet the
7 standard of prudence set forth in subsection (a) by acquiring
8 any type of interest in a business organization existing under
9 the laws of any jurisdiction, provided that, in any such case,
10 the liability of the Local Government Police Employees'
11 Retirement Fund or the State Employees' Retirement Fund shall be
12 limited to the amount of its investment.

13 (j) Legislative declaration concerning certain authorized
14 investments.--The General Assembly finds and declares that
15 authorized investments of [the] a fund made by or on behalf of
16 the board under this section whereby [the] a board becomes a
17 joint owner or stockholder in any company, corporation,
18 association or other lawful business organization are outside
19 the scope of the original intent of and therefore do not violate
20 the prohibition set forth in section 8 of Article VIII of the
21 Constitution of Pennsylvania.

22 § 5932. State Employees' Retirement Fund.

23 The [fund] State Employees' Retirement Fund shall consist of
24 all balances in the several separate accounts set apart to be
25 used under the direction of the [board] State Employees'
26 Retirement Board for the benefit of members of the system; and
27 the Treasury Department shall credit to the fund all moneys
28 received from the Department of Revenue arising from the
29 contributions required under the provisions of Chapter 55
30 (relating to contributions), and any income earned by the

1 investments or moneys of said fund. There shall be established
2 and maintained by the board the several ledger accounts
3 specified in sections 5933 (relating to members' savings
4 account), 5934 (relating to State accumulation account), 5935
5 (relating to annuity reserve account), 5936 (relating to State
6 Police benefit account), 5937 (relating to enforcement officers'
7 benefit account), 5938 (relating to supplemental annuity
8 account) and 5939 (relating to interest reserve account).

9 Section 18. Title 71 is amended by adding a section to read:

10 § 5932.1. Local Government Police Employees' Retirement Fund.

11 The Local Government Police Employees' Retirement Fund shall
12 be a pension trust fund comprising a fiscal and accounting
13 entity with a self-balancing set of accounts recording cash and
14 other financial resources, together with all related
15 liabilities, and residual equities or balances, and changes
16 therein segregated for the purpose of accounting for assets held
17 by and used under the direction of the Local Government Police
18 Employees' Retirement Board in a trustee capacity for the
19 members and beneficiaries of the system. The Treasury Department
20 shall credit to the fund all moneys received from the Department
21 of Revenue arising from the contributions required under the
22 provisions of Chapter 55 (relating to contributions) and any
23 income earned by the investments or moneys of said fund. There
24 shall be established and maintained in the fund by the board the
25 several ledger accounts specified in sections 5933 (relating to
26 members' savings account), 5934(b) (relating to employers
27 accumulation accounts), 5935 (relating to annuity reserve
28 account), 5938 (relating to supplemental annuity account) and
29 5939 (relating to interest reserve account).

30 Section 19. Sections 5933(a), 5934, 5935(b), 5936(b),

1 5937(b), 5939, 5940, 5951, 5952, 5953, 5955 and 5955.1 of Title
2 71 are amended to read:

3 § 5933. Members' savings account.

4 (a) Credits to account.--The members' savings account shall
5 be the ledger account to which shall be credited the amounts of
6 the pickup contributions made by the Commonwealth or other
7 employer and contributions or lump sum payments made by active
8 members in accordance with the provisions of sections 5501
9 (relating to regular member contributions for current service),
10 5502 (relating to social security integration member
11 contributions), 5503 (relating to joint coverage member
12 contributions), 5504 (relating to member contributions for the
13 purchase of credit for previous [State] government service or to
14 become a full coverage member), 5505.1 (relating to additional
15 member contributions) and 5505 (relating to contributions for
16 the purchase of credit for creditable nonstate service) and
17 transferred from the members' savings account of the Public
18 School Employees' Retirement System in accordance with the
19 provisions of section 5303.2 (relating to election to convert
20 school service to State service).

21 * * *

22 § 5934. [State accumulation account] Employers' accumulation
23 accounts.

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

1 of the act of May 12, 1943 (P.L.259, No.120), and the amounts
2 received under the provisions of the Liquor Code, act of April
3 12, 1951 (P.L.90, No.21), shall be credited to the State Police
4 benefit account or the enforcement officers' benefit account as
5 the case may be. All amounts transferred to the fund by county
6 retirement systems or pension plans in accordance with the
7 provisions of section 5507(c) also shall be credited to the
8 State accumulation account. All amounts transferred to the fund
9 by the Public School Employees' Retirement System in accordance
10 with section 5303.2(e) (relating to election to convert school
11 service to State service), except amounts credited to the
12 members' savings account, and all amounts paid by the Department
13 of Corrections in accordance with section 5303.2(f) also shall
14 be credited to the State accumulation account. The State
15 accumulation account shall be credited with valuation interest.
16 The reserves necessary for the payment of annuities and death
17 benefits as approved by the [board] State Employees' Retirement
18 Board and as provided in Chapter 57 (relating to benefits) shall
19 be transferred from the State accumulation account to the
20 annuity reserve account provided for in section 5935 (relating
21 to annuity reserve account), except that the reserves necessary
22 on account of a member who is an officer of the Pennsylvania
23 State Police or an enforcement officer shall be transferred from
24 the State accumulation account to the State Police benefit
25 account provided for in section 5936 (relating to State Police
26 benefit account) or to the enforcement officers' benefit account
27 as provided for in section 5937 (relating to enforcement
28 officers' benefit account) as the case may be.

29 (b) Local government accumulation account.--The local
30 government accumulation account shall be the ledger account to

1 which shall be credited all contributions of local government
2 employers whose police employees are members of the system and
3 made in accordance with the provisions of section 5507(a). The
4 local government accumulation account shall be credited with
5 valuation interest. The reserves necessary for the payment of
6 annuities and death benefits as approved by the Local Government
7 Police Employees' Retirement Board and as provided in Chapter 57
8 shall be transferred from the local government accumulation
9 account to the annuity reserve account provided for in section
10 5935.

11 § 5935. Annuity reserve account.

12 * * *

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

24 § 5936. State Police benefit account.

25 * * *

26 (b) Transfers from account.--Should the said annuitant be
27 subsequently restored to active service, the present value of
28 the member's annuity at the time of reentry into [State]
29 government service shall be transferred from the State Police
30 benefit account and placed to his individual credit in the

1 members' savings account. In addition, the actuarial reserve for
2 his annuity calculated as if he had been a member of Class A
3 less the amount transferred to the members' savings account
4 shall be transferred from the State Police benefit account to
5 the State accumulation account. Upon subsequent retirement other
6 than as an officer of the Pennsylvania State Police the
7 actuarial reserve remaining in the State Police benefit account
8 shall be transferred to the appropriate reserve account.

9 § 5937. Enforcement officers' benefit account.

10 * * *

11 (b) Transfers from account.--Should the said annuitant be
12 subsequently restored to active service, the present value of
13 the member's annuity at the time of reentry into [State]
14 government service shall be transferred from the enforcement
15 officers' benefit account and placed to his individual credit in
16 the members' savings account. In addition, the actuarial reserve
17 for his annuity calculated as if he had been a member of Class A
18 if the annuitant does not have any Class AA service credited and
19 calculated as if he had been a member of Class AA if the
20 annuitant does have Class AA service credited less the amount
21 transferred to the members' savings account shall be transferred
22 from the enforcement officers' benefit account to the State
23 accumulation account. Upon subsequent retirement other than as
24 an enforcement officer the actuarial reserve remaining in the
25 enforcement officers' benefit account shall be transferred to
26 the appropriate reserve account.

27 § 5939. Interest reserve account.

28 The interest reserve account shall be the ledger account to
29 which shall be credited all income earned by the fund and to
30 which shall be charged all administrative and investment

1 expenses incurred by [the] a fund. At the end of each year the
2 required interest shall be transferred from the interest reserve
3 account to the credit of each of the accounts in accordance with
4 the provisions of this subchapter. In addition, at the end of
5 each accounting period, the interest reserve account shall be
6 credited or charged with all recognized changes in the market
7 valuation of the investments of [the] a fund. The administrative
8 and investment expenses of the board shall be paid from the fund
9 out of earnings. Any surplus or deficit in the interest reserve
10 account at the end of each year shall be transferred to the
11 State accumulation account.

12 § 5940. Northern Ireland-related investments.

13 (a) General rule.--Notwithstanding any other provision of
14 law, on and after the effective date of this section, any moneys
15 or assets of the [fund] funds which shall remain or be invested
16 in the stocks, securities or other obligations of any
17 institution or company doing business in or with Northern
18 Ireland or with agencies or instrumentalities thereof shall be
19 invested subject to the provisions of subsection (c).

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

25 (1) Increasing the representation of individuals from
26 underrepresented religious groups in the work force,
27 including managerial, supervisory, administrative, clerical
28 and technical jobs.

29 (2) Providing adequate security for the protection of
30 minority employees, both at the workplace and while traveling

1 to and from work.

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

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

7 (5) Providing that layoff, recall and termination
8 procedures should not in practice favor particular religious
9 groupings.

10 (6) The abolition of job reservations, apprenticeship
11 restrictions and differential employment criteria which
12 discriminate on the basis of religion or ethnic origin.

13 (7) The development of training programs that will
14 prepare substantial numbers of current minority employees for
15 skilled jobs, including the expansion of existing programs
16 and the creation of new programs to train, upgrade and
17 improve the skills of minority employees.

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

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

24 (c) Investments.--Consistent with sound investment policy,
25 [the] each board shall invest the assets of the fund in such a
26 manner that the investments in institutions doing business in or
27 with Northern Ireland shall reflect the advances made by such
28 institutions in eliminating discrimination as established
29 pursuant to subsection (b).

30 § 5951. State guarantee.

1 (a) General rule.--The required interest charges payable,
2 the maintenance of reserves in the [fund] State Employees'
3 Retirement Fund, and the payment of all annuities and other
4 benefits granted by the [board] State Employees' Retirement
5 Board under the provisions of this part are hereby made
6 obligations of the Commonwealth.

7 (b) Local government guarantee.--The required interest
8 charges payable, the maintenance of reserves in the Local
9 Government Police Employees' Retirement Fund and the payment of
10 all annuities and other benefits granted by the Local Government
11 Police Employees' Retirement Board under the provisions of this
12 part, as to local government service in accordance with this
13 part, are hereby made obligations of the local government.

14 (c) Use of income interest and dividends.--All income,
15 interest, and dividends derived from deposits and investments
16 authorized by this part as to State service shall be used for
17 the payment of the said obligations of the Commonwealth and
18 local governments.

19 § 5952. State supervision.

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

23 § 5953. Taxation, attachment and assignment of funds.

24 (a) General rule.--

25 (1) Except as provided in paragraphs (2), (3) and (4),
26 the right of a person to any benefit or right accrued or
27 accruing under the provisions of this part and the moneys in
28 the [fund] funds are hereby exempt from any State or
29 municipal tax, levy and sale, garnishment, attachment,
30 spouse's election, or any other process whatsoever except for

1 a set-off by the Commonwealth in the case provided in
2 subparagraph (i) or by a local government in the case
3 provided in subparagraph (ii), and shall be unassignable
4 except:

5 (i) To the Commonwealth in the case of a member who
6 is terminating State service and has been determined to
7 be obligated to the Commonwealth for the repayment of
8 money owed on account of his employment or to the fund on
9 account of a loan from a credit union which has been
10 satisfied by the board from the fund.

11 (ii) To a credit union as security for a loan not to
12 exceed \$750 and interest not to exceed 6% per annum
13 discounted and/or fines thereon if the credit union is
14 now or hereafter organized and incorporated under the
15 laws of this Commonwealth and the membership of such
16 credit union is limited solely to officials and employees
17 of the Commonwealth and a local government and if such
18 credit union has paid to the fund \$3 for each such
19 assignment.

20 (iii) To a local government in the case of a member
21 who is terminating local government service and has been
22 determined to be obligated to the local government for
23 the repayment of money owed on account of his employment
24 or to either fund on account of a loan from a credit
25 union which has been satisfied by the board from the
26 fund.

27 (2) Rights under this part shall be subject to
28 forfeiture as provided by the act of July 8, 1978 (P.L.752,
29 No.140), known as the Public Employee Pension Forfeiture Act,
30 and by or pursuant to section 16(b) of Article V of the

1 Constitution of Pennsylvania. Forfeitures under this
2 subsection or under any other provision of law may not be
3 applied to increase the benefits that any member would
4 otherwise receive under this part.

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

8 (4) Effective with distributions made on or after
9 January 1, 1993, and notwithstanding any other provision of
10 this part to the contrary, a distributee may elect, at the
11 time and in the manner prescribed by the appropriate board,
12 to have any portion of an eligible rollover distribution paid
13 directly to an eligible retirement plan by way of a direct
14 rollover. For purposes of this paragraph, a "distributee"
15 includes a member and a member's surviving spouse and a
16 member's former spouse who is an alternate payee under an
17 approved domestic relations order. For purposes of this
18 paragraph, the term "eligible rollover distribution" has the
19 meaning given such term by IRC § 402(f)(2)(A), and "eligible
20 retirement plan" has the meaning given such term by IRC §
21 402(c)(8)(B), except that a qualified trust shall be
22 considered an eligible retirement plan only if it accepts the
23 distributee's eligible rollover distribution; however, in the
24 case of an eligible rollover distribution to a surviving
25 spouse, an eligible retirement plan is an "individual
26 retirement account" or an "individual retirement annuity" as
27 those terms are defined in IRC § 408(a) and (b).

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

30 (1) In the case of a member who is terminating service,

1 the amount determined after certification by the head of the
2 department that the member is so obligated, and after review
3 and approval by the department or agency's legal
4 representative or upon receipt of an assignment from the
5 member in the amount so certified.

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

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

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

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

21 § 5955. Construction of part.

22 Regardless of any other provision of law, pension rights of
23 [State] government employees shall be determined solely by this
24 part or any amendment thereto, and no collective bargaining
25 agreement nor any arbitration award between the Commonwealth and
26 its employees or their collective bargaining representatives or
27 between a local government and its employees or their collective
28 bargaining representatives shall be construed to change any of
29 the provisions herein, to require the board to administer
30 pension or retirement benefits not set forth in this part, or

1 otherwise require action by any other government body pertaining
2 to pension or retirement benefits or rights of [State]
3 government employees. Notwithstanding the foregoing, any pension
4 or retirement benefits or rights previously so established by or
5 as a result of an arbitration award shall remain in effect after
6 the expiration of the current collective bargaining agreement
7 between the State employees so affected and the Commonwealth.
8 The provisions of this part insofar as they are the same as
9 those of existing law are intended as a continuation of such
10 laws and not as new enactments. The provisions of this part
11 shall not affect any act done, liability incurred, right accrued
12 or vested, or any suit or prosecution pending or to be
13 instituted to enforce any right or penalty or to punish any
14 offense under the authority of any repealed laws.

15 § 5955.1. Construction of part with respect to older workers
16 protection.

17 It is hereby found and declared that the provisions of this
18 part constitute a bona fide retirement or pension plan within
19 the meaning of the Age Discrimination in Employment Act of 1967
20 (Public Law 90-202, 29 U.S.C. § 621 et seq.) and the act of
21 October 27, 1955 (P.L.744, No.222), known as the Pennsylvania
22 Human Relations Act, and that the intent of section 5955
23 (relating to construction of part) as originally enacted and as
24 subsequently amended is to require the pension rights of [State]
25 government employees to be determined solely by this part and
26 any amendments thereto, regardless of any other provision of
27 State law, subject only to such further requirements, exceptions
28 or limitations as may be set forth in section 5955 or as may be
29 imposed by reason of any provision of the Federal or State
30 Constitution. Any provision of this part which is not

1 inconsistent with the provisions of the Age Discrimination in
2 Employment Act of 1967 as amended by the Older Workers Benefit
3 Protection Act (Public Law 101-433, 104 Stat. 978) and the rules
4 and regulations of the Federal Equal Employment Opportunity
5 Commission under such Federal laws shall be deemed not
6 inconsistent with such provisions of the Pennsylvania Human
7 Relations Commission Act as relate to discrimination on the
8 basis of age with respect to the terms, conditions or privileges
9 of employment.

10 Section 20. This act shall be construed and administered in
11 such manner that the Local Government Police Employees'
12 Retirement System will satisfy the requirements necessary to
13 qualify as a qualified pension plan under section 401(a)(8),
14 (17) and (25) of the Internal Revenue Code of 1986 (Public Law
15 99-514, 26 U.S.C. § 401(a)(8), (17) and (25)). The rules,
16 regulations and procedures adopted and promulgated by the Local
17 Government Police Employees' Retirement Board and the State
18 Employees' Retirement Board under 71 Pa.C.S. § 5902(h) shall
19 include those necessary to accomplish the purpose of this
20 section.

21 Section 21. This act shall take effect in 60 days.