

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL****No. 596** Session of  
2007

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

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SENATOR BROWNE, FINANCE, AS AMENDED, FEBRUARY 11, 2008

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## 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

1 are eligible for dissimilar retirement benefits.

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

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

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

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

15 (i) Fiscal and actuarial stability.

16 (ii) An adequate, uniform and certain level of  
17 financial security protections for local government  
18 police employees.

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

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

22 (v) Improved public employee mobility.

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

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25 transfer of assets and liabilities from any superseded  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

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

1       The General Assembly of the Commonwealth of Pennsylvania  
2 hereby enacts as follows:

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

8       § 8102. Definitions.

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

12       \* \* \*

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

19       \* \* \*

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

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

26       \* \* \*

27       "Inactive member." A member for whom no pickup contributions  
28 are being made, except in the case of an active member for whom  
29 such contributions otherwise required for current school service  
30 are not being made solely by reason of any provision of this

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

8 \* \* \*

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

13 \* \* \*

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

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

21 \* \* \*

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

25 § 8301. Mandatory and optional membership.

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

29 (1) Any officer or employee of the Department of  
30 Education, State-owned educational institutions, community

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

6 \* \* \*

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

9 \* \* \*

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

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

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

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

25 § 8306. Eligibility points.

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

1 under the [State] Government Employees' Retirement System. In  
2 the case of a fractional part of a year of credited service, a  
3 member shall accrue the corresponding fractional portion of an  
4 eligibility point.

5 \* \* \*

6 § 8346. Termination of annuities.

7 \* \* \*

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

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

14 (i) is a multiple service member; or

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

28 (2) Upon subsequent discontinuance of service and the  
29 filing of an application for an annuity, a former annuitant  
30 who qualifies to have the effect of a frozen present value

1 eliminated under this subsection shall be entitled to receive  
2 the higher of either:

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

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

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

1 based upon the annual interest rate adopted for that school  
2 year by the board for the calculation of the normal  
3 contribution rate pursuant to section 8328(b) (relating to  
4 actuarial cost method).

5 § 8501. Public School Employees' Retirement Board.

6 \* \* \*

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

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

25 \* \* \*

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

28 \* \* \*

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



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

9 \* \* \*

10 § 8504. Duties of board to report to State Employees'

11 Retirement Board and Local Government Police

12 Employees' Retirement Board.

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

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

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

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

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

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

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

27 (2) Transfer to the State Employees' Retirement Fund or  
28 the Local Government Police Employees' Retirement Fund the  
29 accumulated deductions standing to such member's credit and  
30 the actuarial reserve required on account of the member's

1 years of credited service in the school system and his final  
2 average salary determined on the basis of his compensation in  
3 both systems.

4 § 8505. Duties of board regarding applications and elections of  
5 members.

6 \* \* \*

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

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

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

28 (ii) Transfer the balance of the present value of  
29 the total annuity, minus the amount to be returned to the  
30 board on account of return to service that the board has

determined is to be credited in the State accumulation account, from the annuity reserve account to the State accumulation account.

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

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

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

\* \* \*

§ 8506. Duties of employers.

\* \* \*

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

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

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

20 \* \* \*

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

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

4 (h) Former [State] government employee annuitants.--The  
5 employer shall, upon the employment of an annuitant of the  
6 [State] Government Employees' Retirement System who applies for  
7 membership in the system, advise such employee that he may elect  
8 multiple service membership within 365 days of entry into the  
9 system and that if he so elects his annuity from the [State]  
10 Government Employees' Retirement System will be discontinued  
11 effective upon the date of his return to school service and,  
12 upon termination of school service and application for an  
13 annuity, the annuity will be adjusted in accordance with section  
14 8346 (relating to termination of annuities). The employer shall  
15 advise the board of such election.

16 \* \* \*

17 § 8507. Rights and duties of school employees and members.

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

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

7 \* \* \*

8 (c) Multiple service membership.--Any active member who was  
9 formerly an active member in the [State] Government Employees'  
10 Retirement System may elect to become a multiple service member.  
11 Such election shall occur no later than 365 days after becoming  
12 an active member in this system.

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

25 \* \* \*

26 Section 3. Section 5101 of Title 71 is amended to read:  
27 § 5101. Short title of part.

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

30 Section 4. Section 5102 of Title 71, amended October 27,

1 2006 (P.L.1177, No.120), is amended to read:

2 § 5102. Definitions.

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

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

13 "Active member." A [State] government employee, or a member  
14 on leave without pay, for whom pickup contributions are being  
15 made to [the] either fund or for whom such contributions  
16 otherwise required for current [State] government service are  
17 not being made solely by reason of section 5502.1 (relating to  
18 waiver of regular member contributions and Social Security  
19 integration member contributions) or any provision of this part  
20 relating to the limitations under section 401(a)(17) or section  
21 415(b) of the Internal Revenue Code of 1986 (Public Law 99-514,  
22 26 U.S.C. § 401(a)(17) or 415(b)).

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



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

7       "Actuarially equivalent." Equal present values, computed on  
8 the basis of statutory interest and the mortality tables adopted  
9 by the board.

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

- 11           (1) a member of the American Academy of Actuaries; or
- 12           (2) an individual who has demonstrated to the
- 13 satisfaction of the Insurance Commissioner of Pennsylvania
- 14 that he has the educational background necessary for the
- 15 practice of actuarial science and has had at least seven
- 16 years of actuarial experience; or
- 17           (3) a firm, partnership, or corporation of which at
- 18 least one member meets the requirements of (1) or (2).

19       "Additional accumulated deductions." The total of the  
20 additional member contributions paid into the fund on account of  
21 current service or previous [State] government or creditable  
22 nonstate service, together with the statutory interest credited  
23 thereon until the date of termination of service. In the case of  
24 a 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       "Alternate payee." Any spouse, former spouse, child or  
29 dependent of a member who is recognized by a domestic relations  
30 order as having a right to receive all or a portion of the

1 moneys payable to that member under this part.

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

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

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

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

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

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

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

1 "Board." The State Employees' Retirement Board [or], the  
2 State Employees' Retirement Board or the Local Government Police  
3 Employees' Retirement Board.

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

6 "Class of service multiplier."

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

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

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

1 first 20 years of  
 2 local government  
 3 public safety service,  
 4 and  
 5 1 for each subsequent  
 6 year of local  
 7 government public  
 8 safety service  
 9 P-2 1.125 for each year of  
 10 local government  
 11 public safety  
 12 service  
 13 P-3 1 for each year of local  
 14 government public  
 15 safety service  
 16 P-4 .875 for each year of  
 17 local government  
 18 public safety  
 19 service

20 "Commissioner." The Commissioner of the Internal Revenue  
 21 Service.

22 "Compensation." Pickup contributions plus remuneration  
 23 actually received as a [State] government employee excluding  
 24 refunds for expenses, contingency and accountable expense  
 25 allowances, and excluding any severance payments or payments for  
 26 unused vacation or sick leave: Provided, however, That  
 27 compensation received as a State employee prior to January 1,  
 28 1973, shall be subject to the limitations for retirement  
 29 purposes in effect December 31, 1972, if any: Provided further,  
 30 That the limitation under section 401(a)(17) of the Internal

1 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401(a)(17))  
2 taken into account for the purpose of member contributions,  
3 including any additional member contributions in addition to  
4 regular or joint coverage member contributions and Social  
5 Security integration contributions, regardless of class of  
6 service, shall apply to each member who first became a member of  
7 the [State] Government Employees' Retirement System on or after  
8 January 1, 1996, and who by reason of such fact is a noneligible  
9 member subject to the application of the provisions of section  
10 5506.1(a) (relating to annual compensation limit under IRC §  
11 401(a)(17)).

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

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

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

1 pension plan.

2 "Creditable nonstate service." Service other than:

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

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

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

10 for which an active member may obtain credit.

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

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

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

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



1 otherwise be entitled is terminated.

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

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

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

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

1 benefits.

2 "Enforcement officer."

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

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

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

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

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

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

17 "Full coverage member." Any member for whom member pickup  
18 contributions are being picked up or who has paid or has agreed  
19 to pay to the fund the actuarial equivalent of regular member  
20 contributions due on account of service prior to January 1,  
21 1982.

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

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

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

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

30 "Head of department." The chief administrative officer of

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

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

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

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

1 26 United States Code (relating to Internal Revenue Code).

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

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

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

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

18 "Local government." The term shall mean:

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

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

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

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

1 local governments;

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

4 (3) makes provisions for these payments to qualified  
5 retirees and beneficiaries.

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

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

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

28 "Member." Active member, inactive member, annuitant, vestee  
29 or special vestee.

30 "Member of the judiciary." Any justice of the Supreme Court,

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

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

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

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

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

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

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

1 "Previous [State] government service." Service rendered as a  
2 [State] government employee prior to his most recent entrance in  
3 the system.

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

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

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

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

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

30 "Salary deductions." The amounts certified by the board,



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

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

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

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

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

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

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

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

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

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

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

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

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

1 (ii) State-owned educational institutions.

2 (iii) Community colleges.

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

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

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

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

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

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

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

24 "Superannuation age."

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

1 for a member with Class G, Class H, Class I, Class J, Class  
2 K, Class L, Class M or Class N service, age 55 upon accrual  
3 of 20 eligibility points.

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

6 (3) A Class P-4 local government police employee, age  
7 55.

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

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

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

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

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

1 members' savings account.

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

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

10 § 5301. Mandatory and optional membership.

11 \* \* \*

12 (a.1) Mandatory membership for full-time local government  
13 police employees.--Membership in the system shall be mandatory  
14 as of the effective date of employment for all full-time local  
15 government police employees whose effective dates of local  
16 government employment are after December 31, 2005 2009, and for <—  
17 whom retirement benefits are provided except those in a  
18 particular group who are covered by a collective bargaining  
19 agreement in effect on December 31, 2005 2009, that requires all <—  
20 full-time local government police employees hired during the  
21 period of the agreement to become members of an existing local  
22 government police employee retirement system on their effective  
23 dates of local government employment. For all full-time local  
24 government police employees in that particular group who are  
25 hired after the termination date of the collective bargaining  
26 agreement in effect on December 31, 2005 2009, membership in the <—  
27 system shall be mandatory as of the effective date of  
28 employment.

29 \* \* \*

30 (d) Return to service.--An annuitant who returns to service

1 as a [State] government employee shall resume active membership  
2 in the system as of the effective date of employment, except as  
3 otherwise provided in section 5706(a) (relating to termination  
4 of annuities), regardless of the optional membership category of  
5 the position.

6 \* \* \*

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

10 § 5302. Credited [State] government service.

11 (a) Computation of credited service.--

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

1 the member was employed and contributions were made for less  
2 than 220 days or 1,650 hours, he shall be credited with a  
3 fractional portion of a year determined by the ratio of the  
4 number of days or hours of service actually rendered to 220  
5 days or 1,650 hours, as the case may be. A part-time salaried  
6 employee shall be credited with the fractional portion of the  
7 year which corresponds to the number of hours or days of  
8 service actually rendered in relation to 1,650 hours or 220  
9 days, as the case may be.

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

29 (3) In no case shall a member who has elected multiple  
30 service receive an aggregate in the two systems of more than



one year of credited service for any 12 consecutive months.

\* \* \*

§ 5303. Retention and reinstatement of service credits.

\* \* \*

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

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

1           \* \* \*

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

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

1 University shall not be considered compensation for purposes of  
2 this part.

3 \* \* \*

4 (g) Credit for employees of Juvenile Court Judges'  
5 Commission.--An employee of the Juvenile Court Judges'  
6 Commission who elects membership in an independent retirement  
7 program approved by the employer under section 5301(f) shall  
8 have all service credited pursuant to section 5302(a) (relating  
9 to credited [State] government service) for State service with  
10 the Juvenile Court Judges' Commission on or after the effective  
11 date of the interagency transfer canceled and thereafter  
12 ineligible to be credited as State service. Additionally, all  
13 creditable State service and nonstate service reinstated or  
14 purchased while an employee of the Juvenile Court Judges'  
15 Commission shall be canceled. Such employees shall be prohibited  
16 from receiving credited service for State service performed  
17 while a member of an alternate retirement system approved by an  
18 employer.

19 \* \* \*

20 § 5304. Creditable nonstate service.

21 (a) Eligibility.--

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

1 a multiple service member who is a school employee and an  
2 active member of the Public School Employees' Retirement  
3 System shall not be eligible to purchase service credit for  
4 creditable nonstate service set forth in subsection (c)(5).

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

12 \* \* \*

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

15 \* \* \*

16 (2) military service other than intervening military  
17 service and military service purchasable under section  
18 5302(d) (relating to credited [State] government service) not  
19 exceeding five years, provided that a member with multiple  
20 service may not purchase more than a total of five years of  
21 military service in both the system and the Public School  
22 Employees' Retirement System;

23 \* \* \*

24 § 5305. Social security integration credits.

25 \* \* \*

26 (b) Accrual of subsequent credits.--Any member who has  
27 social security integration accumulated deductions to his credit  
28 or is receiving a benefit on account of social security  
29 integration credits may accrue one social security integration  
30 credit for each year of service as a State employee on or

1 subsequent to March 1, 1974 and a fractional credit for a  
2 corresponding fractional year of service provided that  
3 contributions are made, or would have been made but for section  
4 5502.1 (relating to waiver of regular member contributions and  
5 Social Security integration member contributions) or the  
6 limitations under IRC § 401(a)(17) or 415(b), in accordance with  
7 section 5502 (relating to Social Security integration member  
8 contributions), and he:

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

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

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

16 \* \* \*

17 Section 7. Section 5306 of Title 71, amended November 29,  
18 2006 (P.L.1628, No.188), is amended to read:

19 § 5306. Classes of service.

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

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

30 (1) A person who becomes a State employee and an active

1 member of the system after June 30, 2001, and who is not a  
2 State police officer and not employed in a position for which  
3 a class of service other than Class A is credited or could be  
4 elected shall be classified as a Class AA member and receive  
5 credit for Class AA State service upon payment of regular  
6 member contributions for Class AA service and, subject to the  
7 limitations contained in paragraph (7), if previously a  
8 member of Class A or previously employed in a position for  
9 which Class A service could have been earned, shall have all  
10 Class A State service (other than State service performed as  
11 a State police officer or for which a class of service other  
12 than Class A was earned or could have been elected)  
13 classified as Class AA service.

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

1           (3) Provided that an election to become a Class AA  
2 member is made pursuant to section 5306.1 (relating to  
3 election to become a Class AA member), a State employee,  
4 other than a State employee who is a State police officer on  
5 or after July 1, 1989, who on June 30, 2001, and July 1,  
6 2001, is:

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

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

16 shall be classified as a Class AA member and receive credit  
17 for Class AA State service performed after June 30, 2001,  
18 upon payment of regular member contributions for Class AA  
19 service and, subject to the limitations contained in  
20 paragraph (7), shall receive Class AA service credit for all  
21 Class A State service, other than State service performed as  
22 a State police officer or as a State employee in a position  
23 for which the member could have elected membership in Class  
24 C, Class D-3, Class E-1 or Class E-2, performed before July  
25 1, 2001.

26          (4) Provided that an election to become a Class AA  
27 member is made pursuant to section 5306.1, a former State  
28 employee, other than a former State employee who was a State  
29 police officer on or after July 1, 1989, who on June 30,  
30 2001, and July 1, 2001, is a multiple service member and a

1 school employee and a member of the Public School Employees'  
2 Retirement System, subject to the limitations contained in  
3 paragraph (7), shall receive Class AA service credit for all  
4 Class A State service, other than State service performed as  
5 a State police officer or as a State employee in a position  
6 in which the former State employee could have elected a class  
7 of service other than Class A, performed before July 1, 2001.

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

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

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



1 necessary for the State service to be credited as Class A  
2 service had this subsection not been enacted and upon  
3 payment of required Class AA member contributions as  
4 provided in section 5504 (relating to member  
5 contributions for the purchase of credit for previous  
6 [State] government service or to become a full coverage  
7 member).

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

20 (a.2) Class of membership for members of the General  
21 Assembly.--

22 (1) A person who:

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

25 (ii) is a member of the General Assembly on July 1,  
26 2001, but is not an active member of the system because  
27 membership in the system is optional pursuant to section  
28 5301 and who becomes an active member after June 30,  
29 2001;

30 and who was not a State police officer on or after July 1,

1 1989, shall be classified as a Class D-4 member and receive  
2 credit as a Class D-4 member for all State service as a  
3 member of the General Assembly upon payment of regular member  
4 contributions for Class D-4 service and, subject to the  
5 limitations contained in subsection (a.1)(7), if previously a  
6 member of Class A or employed in a position for which Class A  
7 service could have been earned, shall receive Class AA  
8 service credit for all Class A State service, other than  
9 State service performed as a State police officer or for  
10 which a class of service other than Class A or Class D-4 was  
11 or could have been elected or credited.

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

29 (3) A member of the General Assembly who after June 30,  
30 2001, becomes a State police officer shall retain any Class

1 AA service or Class D-4 service credited prior to becoming a  
2 State police officer or being so employed but shall be  
3 ineligible to receive Class AA or Class D-4 credit thereafter  
4 and instead shall receive Class A credit.

5 (b) Other State employee class membership.--

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

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

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

26 Class of service in a county of the  
27 second class A, third class, fourth  
28 class, fifth class, sixth class,  
29 seventh class or eighth class  
30 maintaining a retirement system or

1 pension plan under the act of August  
2 31, 1971 (P.L.398, No.96), known as  
3 the County Pension Law

4 System Class of  
5 Service

6	Class 1-120	G
7	Class 1-100	H
8	Class 1-80	I
9	Class 1-70	J
10	Class 1-60	K

11 Rate of accrual of benefit for each  
12 year of service in a county of the  
13 first class or second class or  
14 credited in the Pennsylvania  
15 Municipal Retirement System

16 System Class of  
17 Service

18	.833%	G
19	1.00%	H
20	1.250%	I
21	1.428%	J
22	1.667%	K
23	2.000%	L
24	2.200%	M
25	2.500%	N

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

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

8 (e) Local government police employee class membership.--A  
9 local government police employee who becomes a member of the  
10 system after December 31, 2005 2009, shall be classified as a <—  
11 Class P-1, P-2, P-3 or P-4 member as provided in section 5405  
12 (relating to designation of class of service multiplier) and  
13 receive credit for that class of service upon payment of regular  
14 member contributions for that class of service.

15 Section 8. Sections 5307(a), 5308, 5308.1 and 5309 of Title  
16 71 are amended to read:

17 § 5307. Eligibility points.

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

27 \* \* \*

28 § 5308. Eligibility for annuities.

29 (a) Superannuation annuity.--Attainment of superannuation  
30 age by an active member or an inactive member on leave without

1 pay with three or more years of credited [State] government or  
2 school service shall entitle him to receive a superannuation  
3 annuity upon termination of [State] government service and  
4 compliance with section 5907(f) (relating to rights and duties  
5 of [State] government employees and members).

6 (b) Withdrawal annuity.--Any vestee or any active member or  
7 inactive member on leave without pay who terminates [State]  
8 government service having five or more eligibility points, or  
9 who has Class G, Class H, Class I, Class J, Class K, Class L,  
10 Class M or Class N service and terminates State service having  
11 five or more eligibility points, upon compliance with section  
12 5907(f), (g) or (h) shall be entitled to receive an annuity.

13 (c) Disability annuity.--An active member or inactive member  
14 on leave without pay who has credit for at least five years of  
15 service or any active member or inactive member on leave without  
16 pay who is a local government police employee, an officer of the  
17 Pennsylvania State Police or an enforcement officer shall, upon  
18 compliance with section 5907(k), be entitled to a disability  
19 annuity if he becomes mentally or physically incapable of  
20 continuing to perform the duties for which he is employed and  
21 qualifies in accordance with the provisions of section  
22 5905(c)(1) (relating to duties of the [board] boards regarding  
23 applications and elections of members).

24 § 5308.1. Eligibility for special early retirement.

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

29 (1) During the period of July 1, 1985, to September 30,  
30 1991, an active member who has attained the age of at least

1 53 years and has accrued at least 30 eligibility points shall  
2 be entitled, upon termination of State service and compliance  
3 with section 5907(f) (relating to rights and duties of  
4 [State] government employees and members), to receive a  
5 maximum single life annuity calculated under section 5702  
6 (relating to maximum single life annuity) without a reduction  
7 by virtue of an effective date of retirement which is under  
8 the superannuation age.

9 (2) During the period of July 1, 1985, to September 30,  
10 1991, an active member who is a State employee and has  
11 attained the age of at least 50 years but not greater than 53  
12 years and has accrued at least 30 eligibility points shall be  
13 entitled, upon termination of State service and compliance  
14 with section 5907(f), to receive a maximum single life  
15 annuity calculated under section 5702 with a reduction by  
16 virtue of an effective date of retirement which is under the  
17 superannuation age of a percentage factor which shall be  
18 determined by multiplying the number of months, including a  
19 fraction of a month as a full month, by which the effective  
20 date of retirement precedes the attainment of age 53 by  
21 0.25%.

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

29 (4) During the period of July 1, 1993, to July 1, 1997,  
30 a member who is a State employee and has credit for at least

30 eligibility points shall be entitled, upon termination of 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.



1 5406. Optional transfer of members and beneficiaries.

2 5407. Optional election of membership for certain existing  
3 police employees.

4 5408. Service credit for prior government service.

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

8 5410. Provision of retirement benefits for part-time local  
9 government police employees.

10 § 5401. Provision of local government police employee  
11 retirement benefits.

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

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

28 § 5402. Establishment of local government police employee  
29 retirement systems restricted.

30 (a) Establishment of new retirement systems for full-time

1 local government police employees prohibited.--After December  
2 31, 2005 2009, a local government shall not establish a <—  
3 retirement or pension fund, plan or system for its full-time  
4 police employees except through participation in the system as  
5 provided by this part.

6 (b) Establishment of retirement systems for part-time local  
7 government police employees restricted.--After December 31, 2005 <—  
8 2009, a local government shall not establish any retirement or <—  
9 pension fund, plan or system for its part-time police employees  
10 except through the establishment of simplified employee pension  
11 individual retirement accounts as provided under section 5410  
12 (relating to provision of retirement benefits for part-time  
13 local government employees).

14 (c) Effective date for new retirement systems.--If a local  
15 government establishes a retirement or pension fund, plan or  
16 system after December 31, 2005 2009, the local government shall <—  
17 establish the retirement or pension fund, plan or system only as  
18 of January 1 of the year in which the resolution or ordinance  
19 creating the fund, plan or system is passed in final form.

20 § 5403. Continuation of existing local government police  
21 employee retirement systems.

22 A local government police employee retirement system  
23 established and maintained by a local government and created  
24 before January 1, 2006 2010, may continue to operate until all <—  
25 its members and beneficiaries have been transferred into the  
26 system under the terms and conditions set forth in section 5406  
27 (relating to optional transfer of members and beneficiaries) or  
28 until it has no members or beneficiaries representing actual or  
29 potential liabilities, whichever occurs earlier. Upon the  
30 occurrence of either circumstance, the local government police

1 employee retirement system shall be terminated under section  
2 5406(d).

3 § 5404. Application for participation required.

4 (a) Submission of application for participation.--After  
5 December 31, 2005 2009, a local government shall submit an <—  
6 application for participation in the system no later than 15  
7 days after the employment of a local government police employee  
8 unless no retirement system exists for previously hired police  
9 employees and the local government has no plans to provide  
10 retirement benefits for police employees. Where a local  
11 government declines to submit an application for participation  
12 under the provision of this section and subsequently elects to  
13 provide retirement benefits for police employees, the local  
14 government shall submit an application for participation in the  
15 system to be effective on the following January 1 on a  
16 prospective basis for all police employees who were employed  
17 after December 31, 2005 2009. <—

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

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

29 § 5405. Designation of class of service multiplier.

30 (a) Local government police employee retirement system with

1 defined benefits exists.--When a local government police  
2 employee retirement system for the police employees of a local  
3 government exists on December 31, ~~2005~~ 2009, the local <—  
4 government shall designate the class of service multiplier as  
5 follows:

6 (1) If the local government transfers the members and  
7 beneficiaries of a local government police employee  
8 retirement system to the system under section 5406 (relating  
9 to optional transfer of member and beneficiaries), the local  
10 government shall designate a class of service multiplier in  
11 the system for the transferred members and for police  
12 employees entering local government service after December  
13 31, ~~2005~~ 2009, that provides aggregate benefits not less than <—  
14 those provided under the local government police employee  
15 retirement system as determined under subsection (d), except  
16 as provided in paragraph (3).

17 (2) If the local government does not transfer the  
18 members and beneficiaries of a local government police  
19 employee retirement system to the system under section 5406,  
20 the local government may designate any class of service  
21 multiplier in the system for employees entering local  
22 government service as police employees after December 31,  
23 ~~2005~~ 2009, unless a collective bargaining agreement, <—  
24 mediation agreement or arbitration award between the local  
25 government and its police employees or their collective  
26 bargaining representatives restricts the class of service  
27 multiplier that may be designated for police employees  
28 entering local government service after December 31, ~~2005~~ <—  
29 2009.

30 (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  
police employees entering local government service after  
December 31, 2005 2009, and for any members in that  
particular group transferred to the system under section  
5406.

<—

(b) No local government police employee retirement system or  
a local government police employee retirement system without  
defined benefits exists.--When a local government police  
employee retirement system for police employees of a local  
government has no defined benefits or does not exist on December  
31, 2005 2009:

<—

(1) The local government may designate any of the four  
class of service multipliers in the system for police  
employees entering local government service after December  
31, 2005 2009.

<—

(2) If individuals who are active, full-time police  
employees of the local government on December 31, 2005 2009,  
later become members of the system as police employees of  
that local government, the local government shall designate  
the same class of service multiplier in the system for those  
police employees as it designated for police employees  
entering local government service after December 31, 2005  
2009, under paragraph (1).

<—

<—

<—

(c) Subsequent modification of designation of class of  
service multiplier.--After the designation of a class of service  
multiplier under subsection (a) or (b), a local government may  
designate a higher class of service multiplier effective on any

1 subsequent January 1, subject to any collective bargaining  
2 agreement, mediation agreement or arbitration award between the  
3 local government and its police employees or their collective  
4 bargaining representatives, provided that the local government  
5 agrees to pay an amount equal to the increase in the actuarial  
6 accrued liability over not more than a 20-year period based on a  
7 level dollar amortization schedule. The amortization payments so  
8 incurred shall be added to the employer contributions of the  
9 individual local government determined under section 5508(a.1)  
10 (relating to actuarial cost method).

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

22 § 5406. Optional transfer of members and beneficiaries.

23 (a) Optional transfer of members and beneficiaries  
24 permitted.--On any January 1 after December 31, 2006 2010, a <—  
25 local government may transfer all of the members and  
26 beneficiaries of its local government police employee retirement  
27 system to the system under the conditions provided in  
28 subsections (b) and (c).

29 (b) Conditions for optional transfer.--The optional transfer  
30 of members and beneficiaries of a local government police

employee retirement system shall require, among other conditions, all of the following:

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

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

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

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

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

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

(1) A civil action or proceeding at law or in equity seeking to prohibit or rescind the optional transfer to or

1     subsequent participation in the system of one or more members  
2     or beneficiaries of the local government police employee  
3     retirement system shall be commenced within six months of the  
4     January 1 the transfer is to be or was effective.

5         (2) If, as a result of a civil action or proceeding, the  
6     transfer to or participation in the system of one or more  
7     members or beneficiaries of the local government police  
8     employee retirement system is prohibited or rescinded before  
9     the January 1 the transfer is to be effective, the transfer  
10    to and participation in the system by all members and  
11    beneficiaries of the local government police employee  
12    retirement system shall not occur.

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

26        (4) If a civil action or proceeding at law or in equity  
27    seeking to prohibit or rescind the optional transfer to or  
28    subsequent participation in the system of one or more members  
29    or beneficiaries of a local government police employee  
30    retirement system is not commenced within six months of the



1 January 1 the transfer is effective, any civil action or  
2 proceeding commenced against the local government, the local  
3 government police employee retirement system, the system, the  
4 Commonwealth or their officers or employees shall be  
5 dismissed and the person to whom any such cause of action  
6 accrued for any injury shall be forever barred from  
7 proceeding further thereon within this Commonwealth or  
8 elsewhere. As used in this paragraph, the word "commenced"  
9 shall have the meaning given it under 42 Pa.C.S. § 5503  
10 (relating to commencement of matters).

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

24 § 5407. Optional election of membership for certain existing  
25 police employees.

26 (a) Optional election of membership for certain existing  
27 police employees permitted.--On any January 1 after December 31,  
28 ~~2006~~ 2010, a local government may elect membership in the system <—  
29 for all of its full-time police employees who on December 31,  
30 ~~2006~~ 2010, were active, full-time police employees of the local <—

1 government and were not members of the local government's local  
2 government police employee retirement system.

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

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

11 (2) designation of the class of service multiplier for  
12 its local government police employees under section 5405(b)  
13 (relating to designation of class of service multiplier);

14 (3) prepayment to the Local Government Police Employees'  
15 Retirement Fund by the local government of the amount equal  
16 to the actuarial accrued liabilities attributable to the  
17 local government police employees on the January 1 the  
18 transfer is effective as determined by the actuary;

19 (4) agreement by the local government to pay to the  
20 Local Government Police Employees' Retirement Fund the pickup  
21 contributions and employer contributions under Chapter 55  
22 (relating to contributions); and

23 (5) approval by the Local Government Police Employees'  
24 Retirement Board of an application for participation of the  
25 local government and its full-time police employees in the  
26 system. The Local Government Police Employees' Retirement  
27 Board may establish any other conditions as it deems  
28 appropriate.

29 § 5408. Service credit for prior government service.

30 (a) New local government police employees.--A full-time

1 local government police employee who enters local government  
2 service and joins the system after December 31, 2005 2009, shall <—  
3 only receive service credit in the system for local government  
4 police service from the date of membership in the system.

5 (b) Existing local government police employee retirement  
6 system members.--A full-time local government police employee  
7 whose retirement membership is transferred from a local  
8 government police employee retirement system to the system under  
9 section 5406 (relating to optional transfer of members and  
10 beneficiaries) shall only receive service credit in the system  
11 for the service credit the employee had in the local government  
12 police employee retirement system on the date of transfer.

13 (c) Existing local government police employees not members  
14 of a local government police employee retirement system.--A  
15 local government electing membership in the system under section  
16 5407 (relating to optional election of membership for certain  
17 existing police employees) for local government police employees  
18 may permit members to receive service credit in the system only  
19 for the full-time local government police service the local  
20 government police employees had with the local government on the  
21 December 31 immediately before joining the system, provided the  
22 local government prepays the Local Government Police Employees'  
23 Retirement Fund the amount of the resulting actuarial accrued  
24 liabilities as required under section 5406(b)(3).

25 § 5409. Board actions preceding transfer of members and  
26 beneficiaries to local government police employee  
27 retirement system.

28 Before the January 1 transfer date of members and  
29 beneficiaries of the local government police employee retirement  
30 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  
beneficiaries to be transferred as of the transfer date.

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

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

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

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

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

4     "Compensation." Remuneration actually received as a local  
5 government police employee, excluding refunds for expenses,  
6 contingency and accountable expense allowances and severance  
7 payments or payments for unused vacation or sick leave.

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

14                     SUBCHAPTER B

15             REVISION AND CONTINUATION OF INTERGOVERNMENTAL REVENUE

16     Sec.

17     5421. Revision of general municipal pension system State aid  
18     program.

19     § 5421. Revision of general municipal pension system State aid  
20     program.

21     (a) Maximum allocation.--Notwithstanding the provisions of  
22 section 402(f)(2) of the act of December 18, 1984 (P.L.1005,  
23 No.205), known as the Municipal Pension Plan Funding Standard  
24 and Recovery Act, the allocation of each eligible municipality  
25 participating in the distribution of general municipal pension  
26 system State aid under Chapter 4 of the Municipal Pension Plan  
27 Funding Standard and Recovery Act during calendar year 2006 2010 <—  
28 and thereafter shall not exceed the aggregate actual employer  
29 financial requirements of its employee pension plans calculated  
30 under section 402(f)(2) of the Municipal Pension Plan Funding

1 Standard and Recovery Act and subsection (b).

2 (b) Adjustment of allocation.--Notwithstanding the  
3 provisions of section 402(f)(2) of the Municipal Pension Plan  
4 Funding Standard and Recovery Act, the aggregate actual employer  
5 financial requirements calculated for each eligible municipality  
6 under section 402(f)(2) of the Municipal Pension Plan Funding  
7 Standard and Recovery Act for use in the allocation made during  
8 calendar year 2007 2011 and thereafter shall not include the <—  
9 actual employer financial requirements of the police pension  
10 plan of the municipality if the municipality has elected to  
11 transfer members and beneficiaries under section 5406 (relating  
12 to optional transfer of members and beneficiaries) and is  
13 funding or could be funding its actual employer financial  
14 requirements through disbursements from the residual assets of  
15 the police pension fund of the municipality under section  
16 5406(d).

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

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

30 (e) Definition.--As used in this section, the term

1 "municipality" has the meaning given such term by section 102 of  
2 the act of December 18, 1984 (P.L.1005, No.205), known as the  
3 Municipal Pension Plan Funding Standard and Recovery Act.

4 SUBCHAPTER C

5 SUPPLEMENTAL LOCAL GOVERNMENT BENEFIT

6 ACCUMULATION PLAN

7 Sec.

8 5441. Definitions.

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

11 5443. Contributions.

12 5444. Contributions taxable.

13 5445. Losses, expenses and obligations.

14 5446. Prompt investment.

15 5447. No assignment or alienation.

16 5448. Withdrawals.

17 5449. Eligible individual members.

18 5450. Qualified fund managers; payment of commissions.

19 5451. Eligibility for vesting.

20 5452. Benefits.

21 § 5441. Definitions.

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

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

29 "Employee group." All the full-time police employees of a  
30 local government classified as local government police

1 employees.

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

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

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

14 (1) Entering into written agreements with one or more  
15 financial or other organizations to administer the  
16 supplemental local government retirement benefit accumulation  
17 plan and to invest funds contributed under the plan. Any  
18 written agreement and supplemental local government  
19 retirement benefit accumulation plan shall conform with the  
20 provisions of the Internal Revenue Code of 1986 (Public law  
21 99-514, 26 U.S.C. § 1 et seq.).

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

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

29 (1) Establishing procedures whereby local governments  
30 may elect or agree to participate in the plan for all the



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

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

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

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

§ 5443. Contributions.

The contributions to the supplemental local government retirement benefit accumulation plan for an employee group shall be expressed and implemented as a uniform percentage of compensation. The specified contributions shall be deducted from the compensation of participating individual members and matched by the local government. The contributions of a local government to the supplemental local government retirement benefit accumulation plan shall not be included in the financial

requirements of the local government that are certified by the system for use in the allocation of general municipal pension system State aid.

§ 5444. Contributions taxable.

All amounts contributed under the supplemental local government retirement benefit accumulation plan shall constitute 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

1 employee.

2 § 5446. Prompt investment.

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

17 § 5447. No assignment or alienation.

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

25 § 5448. Withdrawals.

26 A participating individual member may withdraw from the  
27 agreement in accordance with the plan by notice, in writing,  
28 signed by the member and chief administrative officer of the  
29 local government. Such withdrawal shall discontinue future  
30 withholdings from the individual member's compensation by the

1 local government and future contributions by the local  
2 government but shall not operate to withdraw any funds  
3 theretofore contributed except as provided under section 5452  
4 (relating to benefits).

5 § 5449. Eligible individual members.

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

14 § 5450. Qualified fund managers; payment of commissions.

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

25 § 5451. Eligibility for vesting.

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

30 § 5452. Benefits.

1     A participating individual member shall receive the total  
2     account value of his individual account in a lump sum upon  
3     termination of service or retirement unless the individual  
4     member elects to vest his benefits under section 5451 (relating  
5     to eligibility for vesting).

6     Section 10. Sections 5504 heading and (a), 5505(c) and (e),  
7     5506 and 5507(a) of Title 71 are amended to read:

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

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

26     \* \* \*

27     § 5505. Contributions for the purchase of credit for creditable  
28             nonstate service.

29     \* \* \*

30     (c) Intervening military service.--Contributions on account

1 of credit for intervening military service shall be determined  
2 by the member's contribution rate, the additional contribution  
3 rate which shall be applied only to those members who began  
4 service on or after the effective date of this amendatory act  
5 and compensation at the time of entry of the member into active  
6 military service, together with statutory interest during all  
7 periods of subsequent [State] government and school service to  
8 date of purchase. Upon application for such credit the amount  
9 due shall be certified in the case of each member by the board  
10 in accordance with methods approved by the actuary, and  
11 contributions may be made by:

12 (1) regular monthly payments during active military  
13 service; or

14 (2) a lump sum payment within 30 days of certification;  
15 or

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

30 \* \* \*

1 (e) Philadelphia magisterial service.--Contributions on  
2 account of credit for service as a magistrate of the City of  
3 Philadelphia shall be determined by the board to be equal to the  
4 amount he would have paid as employee contributions together  
5 with statutory interest to date of purchase had he been a State  
6 employee during his period of service as a magistrate of the  
7 City of Philadelphia. The amount so determined by the State  
8 Employees' Retirement Board or the Local Government Police  
9 Employees' Retirement Board to be paid into the [State  
10 Employees' Retirement System] system shall be the obligation of  
11 the judge who requested credit for previous service as a  
12 magistrate of the City of Philadelphia; in no event shall such  
13 amount be an obligation of the City of Philadelphia or the City  
14 of Philadelphia retirement system.

15 \* \* \*

16 § 5506. Incomplete payments.

17 In the event that a member terminates [State] government  
18 service or a multiple service member who is an active member of  
19 the Public School Employees' Retirement System terminates school  
20 service before the agreed upon payments for credit for previous  
21 [State] government service, creditable nonstate service, social  
22 security integration, full coverage membership or return of  
23 benefits on account of returning to [State] government service  
24 or entering school service and electing multiple service have  
25 been completed, the member or multiple service member who is an  
26 active member of the Public School Employees' Retirement System  
27 shall have the right to pay within 30 days of termination of  
28 [State] government service or school service the balance due,  
29 including interest, in a lump sum and the annuity shall be  
30 calculated including full credit for the previous [State]

1 government service, creditable nonstate service, [social  
2 security] Social Security integration, or full coverage  
3 membership. In the event a member does not pay the balance due  
4 within 30 days of termination of [State] government service or  
5 in the event a member dies in [State] government service or  
6 within 30 days of termination of [State] government service or  
7 in the case of a multiple service member who is an active member  
8 of the Public School Employees' Retirement System does not pay  
9 the balance due within 30 days of termination of school service  
10 or dies in school service or within 30 days of termination of  
11 school service and before the agreed upon payments have been  
12 completed, the present value of the benefit otherwise payable  
13 shall be reduced by the balance due, including interest, and the  
14 benefit payable shall be calculated as the actuarial equivalent  
15 of such reduced present value.

16 § 5507. Contributions by the Commonwealth and other employers.

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

27 \* \* \*

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

30 § 5508. Actuarial cost method.



1 (a) Employer contribution rate on behalf of active members  
2 in State service.--The amount of the Commonwealth and other  
3 employer contributions on behalf of all active members in State  
4 service shall be computed by the actuary as a percentage of the  
5 total compensation of all active members during the period for  
6 which the amount is determined and shall be so certified by the  
7 [board] State Employees' Retirement Board. The total employer  
8 contribution rate on behalf of all active members in State  
9 service shall consist of the employer normal contribution rate,  
10 as defined in subsection (b), and the accrued liability  
11 contribution rate as defined in subsection (c). The total  
12 employer contribution rate for the Commonwealth and other  
13 employers, except for local governments, shall be modified by  
14 the experience adjustment factor as calculated in subsection (f)  
15 but in no case shall it be less than zero. The total employer  
16 contribution rate shall be modified by the experience adjustment  
17 factor as calculated in subsection (f), but in no case shall it  
18 be less than:

- 19 (1) 2% for the fiscal year beginning July 1, 2004;  
20 (2) 3% for the fiscal year beginning July 1, 2005; and  
21 (3) 4% for the fiscal year beginning July 1, 2006.

22 (a.1) Employer contribution rate on behalf of active members  
23 in local government service.--The amount of the local government  
24 employer contributions on behalf of all active members in local  
25 government service shall be computed by the actuary as a  
26 percentage of the total compensation of all active members  
27 during the period for which the amount is determined and shall  
28 be so certified by the Local Government Police Employees'  
29 Retirement Board. The total employer contribution rate on behalf  
30 of all active members in local government service shall consist

1 of the employer normal contribution rate, as defined in  
2 subsection (b) and the accrued liability contribution rate as  
3 defined in subsection (c). The total employer contribution rate  
4 for local governments shall be modified by the experience  
5 adjustment factor as calculated in subsection (f) for  
6 amortization payments beginning after December 31, 1996, but in  
7 no case shall it be less than zero.

8 (b) Employer normal contribution [rate] rates.--The employer  
9 normal contribution [rate] rates shall be determined after each  
10 actuarial valuation on the basis of an annual interest rate and  
11 such mortality and other tables as shall be adopted by the  
12 [board] boards in accordance with generally accepted actuarial  
13 principles. The employer normal contribution [rate] rates shall  
14 be determined as a level percentage of the compensation of the  
15 average [new] active member, which percentage, if contributed on  
16 the basis of his [prospective] compensation through his entire  
17 period of active [State] government service, would be sufficient  
18 to fund the liability for any [prospective] benefit payable to  
19 him, except for the supplemental benefits provided for in  
20 sections 5708 (relating to supplemental annuities), 5708.1  
21 (relating to additional supplemental annuities), 5708.2  
22 (relating to further additional supplemental annuities), 5708.3  
23 (relating to supplemental annuities commencing 1994), 5708.4  
24 (relating to special supplemental postretirement adjustment),  
25 5708.5 (relating to supplemental annuities commencing 1998),  
26 5708.6 (relating to supplemental annuities commencing 2002),  
27 5708.7 (relating to supplemental annuities commencing 2003) and  
28 5708.8 (relating to special supplemental postretirement  
29 adjustment of 2002), in excess of that portion funded by his  
30 [prospective] member contributions.

1       \* \* \*

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

3   § 5509. Appropriations and assessments by the Commonwealth.

4       (a) Annual submission of budget.--The [board] boards shall  
5   prepare and submit annually an itemized budget consisting of the  
6   amounts necessary to be appropriated by the Commonwealth out of  
7   the General Fund and special operating funds and the amounts to  
8   be assessed the other employers required to meet the obligations  
9   accruing during the fiscal period beginning the first day of  
10  July of the following year.

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

26       (c) Contributions from funds other than General Fund.--The  
27  amounts assessed other employers, except for local governments,  
28  who are required to make the necessary contributions out of  
29  funds other than the General Fund shall be paid by such  
30  employers into the [fund] State Employees' Retirement Fund in

1 accordance with requisitions presented by the [board] State  
2 Employees' Retirement Board. The General Fund of the  
3 Commonwealth shall not be held liable to appropriate the moneys  
4 required to build up the reserves necessary for the payment of  
5 benefits to employees of such other employers. In case any such  
6 other employer shall fail to provide the moneys necessary for  
7 such purpose, then the service of such members for such period  
8 for which money is not so provided shall be credited and pickup  
9 contributions with respect to such members shall continue to be  
10 credited to the members' savings account. The annuity to which  
11 such member is entitled shall be determined as actuarially  
12 equivalent to the present value of the maximum single life  
13 annuity of each such member reduced by the amount of employer  
14 contributions payable on account and attributable to his  
15 compensation during such service.

16 Section 13. Title 71 is amended by adding sections to read:  
17 § 5510. Payments by local governments.

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

26 (b) Deduction from intergovernmental revenue.--To facilitate  
27 the payment of amounts due from any local government to the  
28 Local Government Police Employees' Retirement Fund through the  
29 State Treasurer and to permit the exchange of credits between  
30 the State Treasurer and any local government, the Local

1 Government Police Employees' Retirement Board and the State  
2 Treasurer shall cause to be deducted and paid into the Local  
3 Government Police Employees' Retirement Fund from any moneys due  
4 to any local government from the Commonwealth such amount due to  
5 the Local Government Police Employees' Retirement Fund adjusted  
6 at the valuation interest rate as certified by the Local  
7 Government Police Employees' Retirement Board and as remains  
8 unpaid for a period of 90 days on the date such  
9 intergovernmental revenue would otherwise be paid to the local  
10 government, and such amount shall be credited to the local  
11 government's account in the Local Government Police Employees'  
12 Retirement Fund. The General Fund shall not be held liable to  
13 appropriate the moneys required to build up the reserves  
14 necessary for the payment of benefits to employees of such local  
15 governments.

16 (c) Exceptions to the deductions from Commonwealth  
17 intergovernmental revenue.--Notwithstanding the provisions of  
18 subsection (b), deductions shall not be made from the following  
19 intergovernmental revenues due to a local government:

20 (1) Capital projects under contract in progress.

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

24 § 5511. Enforcement of local government contributions or  
25 payments by mandamus action.

26 (a) Legislative finding and declaration.--The General  
27 Assembly finds and declares that any actual or potential failure  
28 by a local government to make contributions or payments  
29 established by section 5405 (relating to designation of class of  
30 service multiplier), 5501 (relating to regular member

1 contributions for current service), 5502 (relating to Social  
2 Security integration member contributions), 5503 (relating to  
3 joint coverage member contributions), 5503.1 (relating to pickup  
4 contributions), 5504 (relating to member contributions for the  
5 purchase of credit for previous government service or to become  
6 a full coverage member), 5505 (relating to contributions for the  
7 purchase of credit for creditable nonstate service), 5505.1  
8 (relating to additional member contributions), 5507 (relating to  
9 contributions by the Commonwealth and other employers), 5508  
10 (relating to actuarial cost method), 5509 (relating to  
11 appropriations and assessments by the Commonwealth) or 5510  
12 (relating to payments by local governments) threatens serious  
13 injury to the affected local government police employees, the  
14 system and the Commonwealth itself. By expressly authorizing the  
15 remedy of mandamus in this section, the General Assembly intends  
16 to assist all persons with a beneficial or special interest in  
17 the system in addition to all persons or entities with a special  
18 responsibility or duty in relation to the system in securing  
19 that compliance.

20 (b) Generally.--In the event that a local government fails  
21 to comply with its duty to pay the full amount of the  
22 contributions or payments as specified in Chapter 54 (relating  
23 to local government retirement) or this chapter, the failure may  
24 be remedied by the institution of legal proceedings for  
25 mandamus. Every local government is by this part on notice as to  
26 its duty to make its contributions or payments to the system.  
27 The provisions of this part shall be deemed to be sufficient  
28 demand to the local government for it to comply with its duty,  
29 and the failure by the local government to pay the full amount  
30 of the contribution or payment to the system shall be deemed to

1 be sufficient refusal by the local government to comply with its  
2 duty antecedent to the commencement of the action. No other  
3 remedy at law shall be deemed to be sufficiently adequate and  
4 appropriate to bar the commencement of this action. The system  
5 shall be deemed to have been damaged by the failure of the local  
6 government to comply with its legal duty to make its  
7 contribution or payment to the system and that damage shall be  
8 deemed to be immediate. No issuance of mandamus in connection  
9 with the legal duty of a local government to make its  
10 contribution or payment to the system shall be deemed to  
11 threaten the creation of confusion, disorder or excessive burden  
12 on the local government or to threaten a result that is  
13 detrimental to the public interest.

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

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

21 Section 14. Sections 5702(a)(1), 5704(a), (c) and (e),  
22 5705(a), 5706, 5707(c), 5708.1(a) and (f), 5708.2(f), 5708.3(g)  
23 and 5901(a) of Title 71 are amended to read:

24 § 5702. Maximum single life annuity.

25 (a) General rule.--Any full coverage member who is eligible  
26 to receive an annuity pursuant to the provisions of section  
27 5308(a) or (b) (relating to eligibility for annuities) who  
28 terminates State service, or if a multiple service member who is  
29 a school employee who is an active member of the Public School  
30 Employees' Retirement System who terminates school service,

1 before attaining age 70 shall be entitled to receive a maximum  
2 single life annuity attributable to his credited service and  
3 equal to the sum of the following single life annuities  
4 beginning at the effective date of retirement:

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



1 multipliers effective subsequent to January 1, 1973. The  
2 average class of service multiplier to be used for  
3 calculating benefits for his judicial service shall be the  
4 average of the two calculated multipliers weighted by the  
5 proportion of compensation attributable to each of the  
6 calculated multipliers during the three years of highest  
7 annual compensation in that class of service.

8 \* \* \*

9 § 5704. Disability annuities.

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

25 
$$MY^*/Y \text{ or } 16.667/Y$$

26 where Y = number of years of credited service, Y\* = total years  
27 of credited service if the member were to continue as a [State]  
28 government employee until attaining superannuation age as  
29 applicable at the time of disability, or if the member has  
30 attained superannuation age, as applicable at the time of

1 disability, then the number of years of credited service and M =  
2 the class of service multiplier as applicable at the effective  
3 date of disability. A member of Class C shall receive, in  
4 addition, any annuity to which he may be eligible under section  
5 5702(a)(3) (relating to maximum single life annuity). The member  
6 shall be entitled to the election of a joint and survivor  
7 annuity on that portion of the disability annuity to which he is  
8 entitled under section 5702.

9 \* \* \*

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

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

20 [(ii)] (2) the ratio of the current monthly payment  
21 to the monthly payment at the effective date of  
22 disability;

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

26 \* \* \*

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

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

10 \* \* \*

11 § 5705. Member's options.

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

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

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

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

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

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

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

25               (iii) a portion of the benefit may be payable as a  
26               lump sum, except that such lump sum payment shall not  
27               exceed an amount equal to the total accumulated  
28               deductions standing to the credit of the member. The  
29               balance of the present value of the maximum single life  
30               annuity adjusted in accordance with section 5702(b) shall

1 be paid in the form of an annuity with a guaranteed total  
2 payment, a single life annuity, or a joint and survivor  
3 annuity or any combination thereof but subject to the  
4 restrictions of subparagraphs (i) and (ii) under this  
5 option.

6 \* \* \*

7 § 5706. Termination of annuities.

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

1 or as a member of an independent board or commission or as a  
2 member of a departmental administrative or advisory board or  
3 commission when such members of independent or departmental  
4 boards or commissions are compensated on a per diem basis for  
5 not more than 150 days per calendar year or as a member of an  
6 independent board or commission requiring appointment by the  
7 Governor, with advice and consent of the Senate, where the  
8 annual salary payable to the member does not exceed \$35,000 and  
9 where the member has been an annuitant for at least six months  
10 immediately preceding the appointment. Such service shall not be  
11 subject to member contributions or be eligible for qualification  
12 as creditable State service.

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

26 (a.2) Return of benefits.--In the event an annuitant whose  
27 annuity ceases pursuant to this section receives any annuity  
28 payment, including a lump sum payment pursuant to section 5705  
29 (relating to member's options) on or after the date of his  
30 return to [State] government service or entering school service,

1 the annuitant shall return to the board the amount so received  
2 plus statutory interest. The amount payable shall be certified  
3 in each case by the board in accordance with methods approved by  
4 the actuary and shall be paid in a lump sum within 30 days or in  
5 the case of an active member or school employee who is an active  
6 member of the Public School Employees' Retirement System may be  
7 amortized with statutory interest through salary deductions in  
8 amounts agreed upon by the member and the board. The salary  
9 deduction amortization plans agreed to by the member and the  
10 board may include a deferral of payment amounts and statutory  
11 interest until the termination of school service or [State]  
12 government service as the board in its sole discretion decides  
13 to allow. The board may limit salary deduction amortization  
14 plans to such terms as the board in its sole discretion  
15 determines. In the case of a school employee who is an active  
16 member of the Public School Employees' Retirement System, the  
17 agreed upon salary deductions shall be remitted to the Public  
18 School Employees' Retirement Board, which shall certify and  
19 transfer to the board the amounts paid.

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

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

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

7 (i) is a multiple service member; or

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

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

27 (i) an annuity (prior to optional modification)  
28 calculated as if the freezing of the former annuitant's  
29 account pursuant to subsection (a) had not occurred,  
30 adjusted by crediting Class A [State] government service



1 as Class AA service as provided for in section 5306(a.1)  
2 (relating to classes of service) and further adjusted  
3 according to paragraph (3), provided that a former  
4 annuitant of the system or a former annuitant of the  
5 Public School Employees' Retirement System who retired  
6 under a provision of law granting additional service  
7 credit if termination of [State] government or school  
8 service or retirement occurred during a specific period  
9 of time shall not be permitted to retain the additional  
10 service credit under the prior law when the annuity is  
11 computed for his most recent retirement; or

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

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

1 § 5707. Death benefits.

2 \* \* \*

3 (c) Disability annuitants eligible for withdrawal annuity.--

4 In the event of the death of a disability annuitant who has  
5 elected to receive a maximum disability annuity before he has  
6 received in annuity payments an amount equal to the present  
7 value, on the effective date of disability, of the benefits to  
8 which he would have been entitled under subsection (a) had he  
9 died while in [State] government service, the balance of such  
10 amount shall be paid to his designated beneficiary.

11 \* \* \*

12 § 5708.1. Additional supplemental annuities.

13 (a) Benefits.--Commencing with the first monthly annuity  
14 payment after July 1, 1984, any eligible benefit recipient shall  
15 be entitled to receive an additional monthly supplemental  
16 annuity from the [State] Government Employees' Retirement  
17 System.

18 \* \* \*

19 (f) Funding.--The actuary shall annually certify the amount  
20 of appropriations for the next fiscal year needed to fund, over  
21 a period of ten years from July 1, 2002, the additional monthly  
22 supplemental annuity provided for in this section. The [board]  
23 State Employees' Retirement Board shall submit the actuary's  
24 certification to the Secretary of the Budget on or before  
25 November 1 of each year. If, in any year after 1984, the amount  
26 certified is disapproved under section 610 of the act of April  
27 9, 1929 (P.L.177, No.175), known as The Administrative Code of  
28 1929, as insufficient to meet the funding requirements of this  
29 subsection or is not appropriated on or before July 1, the  
30 additional supplemental annuity provided for in this section

1 shall be suspended until such time as an amount certified and  
2 approved as sufficient is appropriated.

3 \* \* \*

4 § 5708.2. Further additional supplemental annuities.

5 \* \* \*

6 (f) Funding.--The actuary shall annually estimate the amount  
7 of Commonwealth appropriations for the next fiscal year needed  
8 to fund, over a period of ten years from July 1, 2002, the  
9 additional monthly supplemental annuity provided for in this  
10 section. The [board] State Employees' Retirement Board shall  
11 submit the actuary's estimation to the Secretary of the Budget  
12 on or before November 1 of each year. If, in any year after  
13 1988, the amount estimated is disapproved under section 610 of  
14 the act of April 9, 1929 (P.L.177, No.175), known as The  
15 Administrative Code of 1929, as insufficient to meet the funding  
16 requirements of this subsection or is not appropriated on or  
17 before July 1, the additional supplemental annuity provided for  
18 in this section shall be suspended until such time as an amount  
19 certified and approved as sufficient is appropriated.

20 \* \* \*

21 § 5708.3. Supplemental annuities commencing 1994.

22 \* \* \*

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

26 "Eligible benefit recipient." A person who is receiving a  
27 superannuation, withdrawal or disability annuity and who  
28 commenced receipt of that annuity on or prior to June 30, 1992,  
29 but the supplemental annuities shall not be payable to an  
30 annuitant receiving a withdrawal annuity prior to the first day

1 of July coincident with or following the annuitant's attainment  
2 of superannuation age. Notwithstanding the preceding, the term  
3 "eligible benefit recipient" shall not include those annuitants  
4 who were and currently are credited with an additional 10% of  
5 their Class A or Class C service under section 5302(c) (relating  
6 to credited [State] government service).

7 "Years on retirement." The number of full years as of July  
8 1, 1989, which have elapsed since the eligible benefit recipient  
9 most recently commenced the receipt of an annuity and during  
10 which the eligible benefit recipient received an annuity.

11 § 5901. The State Employees' Retirement Board.

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

25 \* \* \*

26 Section 15. Title 71 is amended by adding a section to read:  
27 § 5901.1. Local Government Police Employees' Retirement Board.

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

1           (1) Three local government officials or employees.

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

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

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

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

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

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

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

25          (1) With the advice and consent of a majority of the  
26          Senate under section 207.1 of The Administrative Code of  
27          1929, the Governor shall appoint three members who are active  
28          or retired local government police employees, one nominated  
29          by the Pennsylvania Chiefs of Police Association and two  
30          nominated by the Pennsylvania Fraternal Order of Police.

1       (2) The members appointed by the Governor under this  
2       subsection shall serve terms of three years each and until  
3       their successors are appointed and qualified, except those  
4       members initially appointed, one of whom shall serve for one  
5       year, one of whom shall serve for two years and one of whom  
6       shall serve for three years.

7       (d) Vacancies.--Vacancies in office shall be filled by the  
8       appointing authority for the balance of the unexpired term.

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

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

1     (g) Corporate power and legal advisor.--For purposes of this  
2 part, the board shall possess the power and privileges of a  
3 corporation. The Attorney General of the Commonwealth shall be  
4 the legal advisor of the board.

5     Section 16. Section 5902 of Title 71, amended October 27,  
6 2006 (P.L.177, No.120), is amended to read:

7     § 5902. Administrative duties of the [board] boards.

8     (a) Employees.--

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

18         (2) Notwithstanding any other provisions of law, the  
19 compensation of investment professionals shall be established  
20 by the [board] boards. The compensation of all other officers  
21 and employees of the [board] boards who are not covered by a  
22 collective bargaining agreement shall be established by the  
23 [board] boards consistent with the standards of compensation  
24 established by the Executive Board of the Commonwealth.

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

29         (1) Serve as the administrative agent of the [board]  
30 boards.

1           (2) Serve as liaison between the [board] boards and  
2       applicable legislative committees, the Treasury Department,  
3       the Department of the Auditor General, and between the  
4       [board] boards and the investment counsel and the mortgage  
5       supervisor in arranging for investments to secure maximum  
6       returns to the fund.

7           (3) Review and analyze proposed legislation and  
8       legislative developments affecting the system and present  
9       findings to the [board] boards, legislative committees, and  
10      other interested groups or individuals.

11          (4) Direct the maintenance of files and records and  
12      preparation of periodic reports required for actuarial  
13      evaluation studies.

14          (5) Receive inquiries and requests for information  
15      concerning the system from the press, Commonwealth officials,  
16      local government officials, State employees, local government  
17      police employees, the general public, research organizations,  
18      and officials and organizations from other states, and  
19      provide information as authorized by the [board] boards.

20          (6) Supervise a staff of administrative, technical, and  
21      clerical employees engaged in record-keeping and clerical  
22      processing activities in maintaining files of members,  
23      accounting for contributions, processing payments to  
24      annuitants, preparing required reports, and retirement  
25      counseling.

26      (b) Professional personnel.--The [board] boards shall  
27      contract for the services of a chief medical examiner, an  
28      actuary, investment advisors and counselors, and such other  
29      professional personnel as [it deems] they deem advisable. The  
30      [board] boards may, with the approval of the Attorney General,



1 contract for legal services.

2 (c) Expenses.--The [board] boards shall, through the  
3 Governor, submit to the General Assembly annually a budget  
4 covering the administrative expenses of this part. Such expenses  
5 as approved by the General Assembly in an appropriation bill  
6 shall be paid from investment earnings of the [fund] funds.  
7 Concurrently with its administrative budget, the [board] boards  
8 shall also submit to the General Assembly annually a list of  
9 proposed expenditures which the [board intends] boards intend to  
10 pay through the use of directed commissions, together with a  
11 list of the actual expenditures from the past year actually paid  
12 by the [board] boards through the use of directed commissions.  
13 All such directed commission expenditures shall be made by the  
14 [board] boards for the exclusive benefit of the system and its  
15 members.

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

19 (e) Records.--

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

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

30 (i) in the case of an alternative investment or

1 alternative investment vehicle, involve the release of  
2 sensitive investment or financial information relating to  
3 the alternative investment or alternative investment  
4 vehicle which the fund was able to obtain only upon  
5 agreeing to maintain its confidentiality;

6 (ii) cause substantial competitive harm to the  
7 person from whom sensitive investment or financial  
8 information relating to the investment was received; or

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

13 (3) (i) The sensitive investment or financial  
14 information excluded from inspection under paragraph  
15 (2)(i), 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 the  
18 board is no longer required by its agreement to maintain  
19 confidentiality.

20 (ii) The sensitive investment or financial  
21 information excluded from inspection under paragraph  
22 (2)(ii), to the extent not otherwise excluded from  
23 inspection, shall constitute a public record subject to  
24 public inspection under the Right-to-Know Law once:

25 (A) the inspection no longer causes substantial  
26 competitive harm to the person from whom the  
27 information was received; or

28 (B) the entity in which the investment was made  
29 is liquidated;

30 whichever is later.

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

(A) the inspection no longer has a substantial detrimental impact on the value of an investment of the fund and would not cause a breach of the standard of care or fiduciary duty set forth in this part; or

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

whichever is later.

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

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

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

(h) Regulations and procedures.--The [board] boards shall, with the advice of the [Attorney] General Counsel and the actuary, adopt and promulgate rules and regulations for the uniform administration of the system. The actuary shall approve

1 in writing all computational procedures used in the calculation  
2 of contributions and benefits, and the [board] boards shall by  
3 resolution adopt such computational procedures, prior to their  
4 application by the [board] boards. Such rules, regulations and  
5 computational procedures as so adopted from time to time and as  
6 in force and effect at any time, together with such tables as  
7 are adopted pursuant to subsection (j) as necessary for the  
8 calculation of annuities and other benefits, shall be as  
9 effective as if fully set forth in this part. Any actuarial  
10 assumption specified in or underlying any such rule, regulation  
11 or computational procedure and utilized as a basis for  
12 determining any benefit shall be applied in a uniform manner.

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

17 (j) Actuarial investigation and valuation.--The [board]  
18 boards shall have the actuary make an annual valuation of the  
19 various accounts within six months of the close of each calendar  
20 year. In the year 1975 and in every fifth year thereafter the  
21 board shall have the actuary conduct an actuarial investigation  
22 and evaluation of the system based on data including the  
23 mortality, service, and compensation experience provided by the  
24 [board] boards annually during the preceding five years  
25 concerning the members and beneficiaries. The boards shall have  
26 a separate annual valuation and a separate five-year actuarial  
27 investigation made for each fund by the actuary. The [board]  
28 boards shall by resolution adopt such tables as are necessary  
29 for the actuarial valuation of the [fund] funds and calculation  
30 of contributions, annuities and other benefits based on the

1 reports and recommendations of the actuary. Within 30 days of  
2 their adoption, the secretary of [the] each board shall cause  
3 those tables which relate to the calculation of annuities and  
4 other benefits to be published in the Pennsylvania Bulletin in  
5 accordance with the provisions of 45 Pa.C.S. § 725(a) (relating  
6 to additional contents of Pennsylvania Bulletin) and, unless  
7 [the] a board specifies therein a later effective date, such  
8 tables shall become effective on such publication. [The] A board  
9 shall include a report on the significant facts, recommendations  
10 and data developed in each five-year actuarial investigation and  
11 evaluation of the system in the annual financial statement  
12 published pursuant to the requirements of subsection (m) for the  
13 fiscal year in which such investigation and evaluation were  
14 concluded.

15 (k) Certification of employer contributions.--The [board]  
16 boards shall, each year in addition to the itemized budget  
17 required under section 5509 (relating to appropriations and  
18 assessments by the Commonwealth), certify to the Commonwealth,  
19 local governments and other employers, as a percentage of the  
20 members' payroll, the employers' contributions as determined  
21 pursuant to section 5508 (relating to actuarial cost method)  
22 necessary for the funding of prospective annuities for active  
23 members and the annuities of annuitants and certify the rates  
24 and amounts of the employers' normal contributions as determined  
25 pursuant to section 5508(b), accrued liability contributions as  
26 determined pursuant to section 5508(c), supplemental annuities  
27 contribution rate as determined pursuant to section 5508(e) and  
28 the experience adjustment factor as determined pursuant to  
29 section 5508(f), which shall be paid to the [fund] funds and  
30 credited to the appropriate accounts. These certifications shall

1 be regarded as final and not subject to modification by the  
2 Budget Secretary or local governments.

3 (l) Member contributions.--The [board] boards shall cause  
4 all pickup contributions made on behalf of a member to be  
5 credited to the account of the member and credit to his account  
6 any other payment made by such member, including, but not  
7 limited to, amounts collected by the Public School Employees'  
8 Retirement System for the reinstatement of previous State  
9 service or creditable nonstate service and amounts paid to  
10 return benefits paid after the date of return to State service  
11 or entering school service representing lump sum payments made  
12 pursuant to section 5705(a)(4)(iii) (relating to member's  
13 options) and member's annuity payments, but not including other  
14 benefits returned pursuant to section 5706(a.2) (relating to  
15 termination of annuities), and shall pay all such amounts into  
16 the [fund] funds.

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

29 (n) Independent audit.--The [board] boards shall provide for  
30 an annual audit of the system by an independent certified public

1 accountant, which audit shall include the [board's] boards'  
2 accrual and expenditure of directed commissions.

3 Section 17. Sections 5903, 5904, 5905, 5905.1(b), 5906,  
4 5907(a), (d), (e), (f), (g), (h), (i) and (j), 5908(a), (b) and  
5 (c), 5931 and 5932 of Title 71 are amended to read:

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

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

30 (b) Member status statements and certifications.--The

1 [board] boards shall furnish annually to the head of each  
2 department on or before April 1, a statement for each member  
3 employed in such department showing the total accumulated  
4 deductions standing to his credit as of December 31 of the  
5 previous year and requesting the member to make any necessary  
6 corrections or revisions regarding his designated beneficiary.  
7 In addition, for each member employed in any department and for  
8 whom the department has furnished the necessary information, the  
9 [board] boards shall certify the number of years and fractional  
10 part of a year of credited service attributable to each class of  
11 service, the number of years and fractional part of a year  
12 attributable to social security integration credits in each  
13 class of service and, in the case of a member eligible to  
14 receive an annuity, the benefit to which he is entitled upon the  
15 attainment of superannuation age.

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

29 (d) Transfer from joint coverage membership  
30 certifications.--Upon receipt of an application from a joint



1 coverage member who elects to become a full coverage member, the  
2 appropriate board shall certify to the member the effective date  
3 of such transfer and the prospective rate for regular and  
4 additional member contributions.

5 (e) Former county employees.--Upon receipt of an election by  
6 a county employee transferred to [State] government employment  
7 pursuant to 42 Pa.C.S. § 1905 (relating to county-level court  
8 administrators) to convert county service to [State] government  
9 service, the appropriate board shall certify to the member the  
10 amount of service so converted and the class at which such  
11 service is credited.

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

20 § 5904. Duties of [the board] boards to report to the Public  
21 School Employees' Retirement Board.

22 (a) Multiple service membership of [State] government  
23 employees.--Upon receipt of an application for membership in the  
24 system of a [State] government employee who is a former public  
25 school employee and who has elected multiple service membership,  
26 the appropriate board shall advise the Public School Employees'  
27 Retirement Board accordingly.

28 (b) Multiple service membership of school employees.--Upon  
29 receipt of notification from the Public School Employees'  
30 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 receive credit for multiple  
3 service, the appropriate board shall certify to the Public  
4 School Employees' Retirement Board and concurrently to the  
5 member:

6 (1) the total credited service in the system and the  
7 number of years and fractional part of a year of service  
8 credited in each class of service;

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

11 (3) the social security integration credited service to  
12 which the member is entitled and the average noncovered  
13 salary upon which the single life annuity attributable to  
14 such service will be computed; and

15 (4) the amount of the deductions and the period over  
16 which they are to be made if the member has elected payroll  
17 deductions pursuant to section 5504 (relating to member  
18 contributions for the purchase of credit for previous [State]  
19 government service or to become a full coverage member) or  
20 5505 (relating to contributions for the purchase of credit  
21 for creditable nonstate service).

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

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

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

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

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

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

26 § 5905. Duties of [the board] boards regarding applications and  
27 elections of members.

28 (a) Statement to new members.--As soon as practicable after  
29 each member shall have become an active member in the system,  
30 the appropriate board shall issue to the member a statement

1 certifying his class of service, his member contribution rate,  
2 and the aggregate length of total previous [State] government  
3 service and creditable nonstate service for which he may receive  
4 credit.

5 (b) School employees electing multiple service status.--Upon  
6 receipt of notification from the Public School Employees'  
7 Retirement Board that a former [State] government employee has  
8 become an active member in the Public School Employees'  
9 Retirement System and has elected to become a member with  
10 multiple service status the appropriate board shall:

11 (1) in case of a member receiving an annuity from the  
12 system:

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

25 (ii) transfer the balance of the present value of  
26 the total annuity, minus the amount to be returned to the  
27 appropriate board on account of return to service that  
28 the appropriate board has determined is to be credited in  
29 the State accumulation account, from the annuity reserve  
30 account to the State accumulation account; and

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

8 (2) in case of a member who is not receiving an annuity  
9 and has not withdrawn his total accumulated deductions,  
10 continue or resume the crediting of statutory interest on his  
11 total accumulated deductions during the period his total  
12 accumulated deductions remain in the fund; or

13 (3) in case of a former [State] government employee who  
14 is not receiving an annuity from the system and his total  
15 accumulated deductions were withdrawn, certify to the former  
16 [State] government employee the accumulated deductions as  
17 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 (c) Disability annuities.--In every case where the  
24 appropriate board has received an application duly executed by  
25 the member or by a person legally authorized to act in his  
26 behalf for a disability annuity based upon the member's physical  
27 or mental incapacity for the performance of the job for which he  
28 is employed, with or without a supplement for a service-  
29 connected disability, taking into account relevant decisions by  
30 The Pennsylvania Workmen's Compensation Board, the board shall:

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

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

27 (3) upon receipt of a written statement from a  
28 disability annuitant of his earned income of the previous  
29 quarter, adjust the payments of the disability annuity for  
30 the following quarter in accordance with the provisions of

1 section 5704(c) (relating to disability annuities).

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

12 (1) an application for the return of total accumulated  
13 deductions;

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

18 (3) an application for an immediate annuity and, if he  
19 desires:

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

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

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

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

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

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

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

(f) Initial annuity payment and certification.--The appropriate board shall make the first monthly payment to a member who is eligible for an annuity within 60 days of the filing of his application for an annuity or, in the case of a vestee or special vestee who has deferred the filing of his application to a date later than 90 days following attainment of superannuation age, within 60 days of the effective date of retirement, and receipt of the required data from the head of



1 the department and, if the member has Class G, Class H, Class I,  
2 Class J, Class K, Class L, Class M or Class N service, any data  
3 required from the county retirement system or pension plan to  
4 which the member was a contributor before being a State  
5 employee. Concurrently, the board shall certify to such member:

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

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

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

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

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

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

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

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

1 (j) [State] Government employees electing multiple service  
2 status.--Upon receipt of notification from the Public School  
3 Employees' Retirement Board that a member who has elected  
4 multiple service membership has elected to restore school  
5 service or purchase creditable nonschool service in the Public  
6 School Employees' Retirement System or is obligated to return  
7 benefits to the Public School Employees' Retirement Board on  
8 account of electing multiple service membership has elected to  
9 pay all or part of the amount due to the Public School  
10 Employees' Retirement Board by salary deductions, the  
11 appropriate board shall collect from the employee the amounts  
12 certified by the Public School Employees' Retirement Board as  
13 due and owing by the member and certify and transfer to the  
14 Public School Employees' Retirement Board the amounts so  
15 collected.

16 § 5905.1. Installment payments of accumulated deductions.

17 \* \* \*

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

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

1 receipt of the data or the date of termination of service,  
2 whichever is later.

3 (2) In the case of an election as provided in section  
4 5705(a)(4)(iii) by a member terminating service within 60  
5 days prior to the end of a calendar year and upon receipt of  
6 all required data from the head of the department and, if the  
7 member has Class G, Class H, Class I, Class J, Class K, Class  
8 L, Class M or Class N service, any data required from the  
9 county retirement system or pension plan to which the member  
10 was a contributor before being transferred to State  
11 employment, the appropriate board shall not be required to  
12 pay the first installment prior to 21 days after the later of  
13 the filing of the application and the receipt of the data or  
14 the date of termination of service, but, unless otherwise  
15 directed by the member, the payment shall be made no later  
16 than 45 days after the filing of the application and the  
17 receipt of the data or the date of termination of service,  
18 whichever is later.

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

1       \* \* \*

2   § 5906. Duties of heads of departments.

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

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

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

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

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

25           (ii) in the case of a service connected disability  
26 the head of department shall, to the best of his ability,  
27 investigate the circumstances surrounding the disablement  
28 of the member and submit in writing to the board  
29 information which shall include but not necessarily be  
30 limited to the following: date, place and time of

1           disablement to the extent ascertainable; nature of duties  
2           being performed at such time; and whether or not the  
3           duties being performed were authorized and included among  
4           the member's regular duties. In addition, the head of  
5           department shall furnish in writing to the board all such  
6           other information as may be related to the member's  
7           disablement;

8           (iii) in the case of a member terminating from The  
9           Pennsylvania State University who is a member of the  
10          system with five or more but less than ten eligibility  
11          points and who has terminated State service on June 30,  
12          1997, because of the transfer of his job position or  
13          duties to a controlled organization of the Penn State  
14          Geisinger Health System or because of the elimination of  
15          his job position or duties due to the transfer of other  
16          job positions or duties to a controlled organization of  
17          the Penn State Geisinger Health System, the head of the  
18          department shall so certify to the board.

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

25          (c) Member contributions.--The head of department shall  
26          cause the required pickup contributions for current service to  
27          be made and shall cause to be deducted any other required member  
28          contributions, including, but not limited to, contributions owed  
29          by an active member with multiple service membership for school  
30          service and creditable nonschool service in the Public School

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

1 member contributions for such member which would cause such  
2 member's contributions or benefits to exceed any applicable  
3 limitation under IRC § 401(a)(17) or 415(b), the board shall as  
4 soon as practicable refund to the member from his individual  
5 member account such amount, together with the statutory interest  
6 thereon, as will cause the member's total member contributions  
7 in the preceding year not to exceed the applicable limit. The  
8 payment of any such refund to the member shall be charged to the  
9 member's savings account.

10 (d) New employees subject to mandatory membership.--Upon the  
11 assumption of duties of each new [State] government employee  
12 whose membership in the system is mandatory, the head of  
13 department shall cause an application for membership and a  
14 nomination of beneficiary to be made by such employee and filed  
15 with the appropriate board and shall make pickup contributions  
16 from the effective date of [State] government employment.

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

26 (e.1) Former county-level judicial employees transferred to  
27 [State] government employment.--In addition to the duties set  
28 forth in subsections (d) and (e), the Court Administrator of  
29 Pennsylvania, upon the transfer of county employees to [State]  
30 government employment pursuant to 42 Pa.C.S. § 1905 (relating to



1 county-level court administrators), shall advise such  
2 transferred county employees of their opportunity to elect to  
3 convert county service to [State] government service in  
4 accordance with section 5303.1 (relating to election to convert  
5 county service to State service), and, if such employee so  
6 elects, the Court Administrator of Pennsylvania shall cause an  
7 election to be made and filed with the appropriate board within  
8 90 days after the transfer to State employment.

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

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

1 the appropriate board of such election.

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

7 (j) Termination of service.--The head of department shall,  
8 in the case of any member terminating [State] government service  
9 who is ineligible for an annuity before attainment of  
10 superannuation age, advise such member in writing of any  
11 benefits to which he may be entitled under the provisions of  
12 this part and shall have the member prepare, on or before the  
13 date of termination of [State] government service, an  
14 application for the return of total accumulated deductions or,  
15 on or before September 30, 1997, an application to be vested as  
16 a special vestee, if eligible.

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

23 § 5907. Rights and duties of State employees and members.

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

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

11 \* \* \*

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

22 (e) Beneficiary for death benefits.--Every member shall  
23 nominate a beneficiary by written designation filed with the  
24 appropriate board as provided in section 5906(d) or (e)  
25 (relating to duties of heads of departments) to receive the  
26 death benefit payable under section 5707 (relating to death  
27 benefits) or the benefit payable under the provisions of Option  
28 1 of section 5705(a)(1) (relating to member's options). Such  
29 nomination may be changed at any time by the member by written  
30 designation filed with the board. A member may also nominate a

1 contingent beneficiary or beneficiaries to receive the death  
2 benefit provided under section 5707 or the benefit payable under  
3 the provisions of Option 1 of section 5705(a)(1).

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

9 (1) withdraw his total accumulated deductions; or

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

14 (3) receive an immediate annuity and may,

15 (i) if eligible, elect to convert his medical, major  
16 medical, and hospitalization coverage to the plan for  
17 State annuitants; and

18 (ii) if he is a joint coverage member, elect to  
19 become a full coverage member and agree to pay within 30  
20 days of date of termination of service the lump sum  
21 required.

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

27 (h) Vestees and special vestees attaining superannuation  
28 age.--Upon attainment of superannuation age a vestee or special  
29 vestee shall execute and file an application for an annuity. Any  
30 such application filed within 90 days after attaining

1 superannuation age shall be effective as of the date of  
2 attainment of superannuation age. Any application filed after  
3 such period shall be effective as of the date it is filed with  
4 the appropriate board, subject to the provisions of section  
5 5905(f) (relating to duties of [the board] boards regarding  
6 applications and elections of members). If a vestee or special  
7 vestee does not file an application within seven years after  
8 attaining superannuation age, he shall be deemed to have elected  
9 to receive his total accumulated deductions upon attainment of  
10 superannuation age.

11 (i) Failure to apply for annuity.--If a member is eligible  
12 to receive an annuity and does not file a proper application  
13 within 90 days of termination of service, his annuity will  
14 become effective as of the date the application is filed with  
15 the appropriate board or the date designated on the application  
16 whichever is later.

17 (j) Nomination of beneficiary or survivor annuitant.--A  
18 member who is eligible and elects to receive a reduced annuity  
19 under Option 1, 2, 3, or 4, shall nominate a beneficiary or a  
20 survivor annuitant, as the case may be, by written designation  
21 filed with the appropriate board at the time of his retirement.  
22 A member who has elected Option 1 may change his designated  
23 beneficiary at any time. A member having designated a survivor  
24 annuitant at the time of retirement shall not be permitted to  
25 nominate a new survivor annuitant unless such survivor annuitant  
26 predeceases him or unless the member is awarded a divorce or  
27 becomes married subsequent to the election of the option. In  
28 such cases, the annuitant shall have the right to reelect an  
29 option and to nominate a beneficiary or a new survivor annuitant  
30 and to have his annuity recomputed to be actuarially equivalent

1 as of the date of recomputation to the annuity in effect  
2 immediately prior to the recomputation. In no other case shall a  
3 benefit plan be changed by an annuitant.

4 \* \* \*

5 § 5908. Rights and duties of annuitants.

6 (a) Election by joint coverage annuitants.--Any annuitant  
7 who is a joint coverage member who was receiving an annuity  
8 prior to July 1, 1962, may elect to receive his annuity without  
9 reduction on account of social security old-age insurance  
10 benefits: Provided, That he shall file such election with the  
11 [board] State Employees' Retirement Board prior to July 1, 1974  
12 and shall make a lump sum payment within 60 days of receipt of  
13 the certification of the amount due.

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

1 to which he is otherwise entitled.

2 (c) Medical examinations of disability annuitants.--Should  
3 any disability annuitant refuse to submit to a medical  
4 examination by a physician or physicians at the request of the  
5 appropriate board, his payments due to disability shall be  
6 discontinued until the withdrawal of such refusal. Should such  
7 refusal continue for a period of six months, all of his rights  
8 to the disability annuity payments in excess of any annuity to  
9 which he is otherwise entitled shall be forfeited.

10 \* \* \*

11 § 5931. Management of [fund] funds and accounts.

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

1 shall have the power to hold, purchase, sell, lend, assign,  
2 transfer or dispose of any of the securities and investments in  
3 which any of the moneys in the [fund] funds shall have been  
4 invested as well as of the proceeds of said investments,  
5 including any directed commissions which have accrued to the  
6 benefit of the [fund] funds as a consequence of the investments,  
7 and of any moneys belonging to said [fund] funds, subject in  
8 every case to meeting the standard of prudence set forth in this  
9 subsection.

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

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

17 (d) Payments from [fund] funds.--All payments from the  
18 [fund] funds shall be made by the State Treasurer in accordance  
19 with requisitions signed by the secretary of the appropriate  
20 board, or his designee, and ratified by resolution of the  
21 appropriate board.

22 (e) Fiduciary status of [board] boards.--The members of the  
23 board, employees of [the] a board and agents thereof shall stand  
24 in a fiduciary relationship to the members of the system  
25 regarding the investments and disbursements of any of the moneys  
26 of the fund and shall not profit either directly or indirectly  
27 with respect thereto. [The] A board may, when possible and  
28 consistent with its fiduciary duties imposed by this subsection  
29 or other law, including its obligation to invest and manage the  
30 fund for the exclusive benefit of the members of the system,



1 consider whether an investment in any project or business  
2 enhances and promotes the general welfare of this Commonwealth  
3 and its citizens, including, but not limited to, investments  
4 that increase and enhance the employment of Commonwealth  
5 residents, encourage the construction and retention of adequate  
6 housing and stimulate further investment and economic activity  
7 in this Commonwealth. The [board] boards shall, through the  
8 Governor, submit to the General Assembly annually, at the same  
9 time the [board submits its] boards submit their budget covering  
10 administrative expenses, a report identifying the nature and  
11 amount of all existing investments made pursuant to this  
12 subsection.

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

24 (g) Deposits in banks and trust companies.--For the purpose  
25 of meeting disbursements for annuities and other payments in  
26 excess of the receipts, there shall be kept available by the  
27 State Treasurer an amount, not exceeding 10% of the total amount  
28 in [the] a fund, on deposit in any bank or banks in this  
29 Commonwealth organized under the laws thereof or under the laws  
30 of the United States or with any trust company or companies

1 incorporated by any law of this Commonwealth, provided any of  
2 such banks or trust companies shall furnish adequate security  
3 for said deposit, and provided that the sum so deposited in any  
4 one bank or trust company shall not exceed 25% of the paid-up  
5 capital and surplus of said bank or trust company.

6 (h) Venture capital, private placement and alternative  
7 investments.--The board in its prudent discretion may make any  
8 venture capital investment, private placement investment or  
9 other alternative investment of any kind, structure or manner  
10 which meets the standard of prudence set forth in subsection  
11 (a).

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

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

29 § 5932. State Employees' Retirement Fund.

30 The [fund] State Employees' Retirement Fund shall consist of

1 all balances in the several separate accounts set apart to be  
2 used under the direction of the [board] State Employees'  
3 Retirement Board for the benefit of members of the system; and  
4 the Treasury Department shall credit to the fund all moneys  
5 received from the Department of Revenue arising from the  
6 contributions required under the provisions of Chapter 55  
7 (relating to contributions), and any income earned by the  
8 investments or moneys of said fund. There shall be established  
9 and maintained by the board the several ledger accounts  
10 specified in sections 5933 (relating to members' savings  
11 account), 5934 (relating to State accumulation account), 5935  
12 (relating to annuity reserve account), 5936 (relating to State  
13 Police benefit account), 5937 (relating to enforcement officers'  
14 benefit account), 5938 (relating to supplemental annuity  
15 account) and 5939 (relating to interest reserve account).

16 Section 18. Title 71 is amended by adding a section to read:  
17 § 5932.1. Local Government Police Employees' Retirement Fund.

18 The Local Government Police Employees' Retirement Fund shall  
19 be a pension trust fund comprising a fiscal and accounting  
20 entity with a self-balancing set of accounts recording cash and  
21 other financial resources, together with all related  
22 liabilities, and residual equities or balances, and changes  
23 therein segregated for the purpose of accounting for assets held  
24 by and used under the direction of the Local Government Police  
25 Employees' Retirement Board in a trustee capacity for the  
26 members and beneficiaries of the system. The Treasury Department  
27 shall credit to the fund all moneys received from the Department  
28 of Revenue arising from the contributions required under the  
29 provisions of Chapter 55 (relating to contributions) and any  
30 income earned by the investments or moneys of said fund. There

1 shall be established and maintained in the fund by the board the  
2 several ledger accounts specified in sections 5933 (relating to  
3 members' savings account), 5934(b) (relating to employers  
4 accumulation accounts), 5935 (relating to annuity reserve  
5 account), 5938 (relating to supplemental annuity account) and  
6 5939 (relating to interest reserve account).

7 Section 19. Sections 5933(a), 5934, 5935(b), 5936(b),  
8 5937(b), 5939, 5940, 5951, 5952, 5953, 5955 and 5955.1 of Title  
9 71 are amended to read:

10 § 5933. Members' savings account.

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

28 \* \* \*

29 § 5934. [State accumulation account] Employers' accumulation  
30 accounts.

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

1 the State accumulation account to the State Police benefit  
2 account provided for in section 5936 (relating to State Police  
3 benefit account) or to the enforcement officers' benefit account  
4 as provided for in section 5937 (relating to enforcement  
5 officers' benefit account) as the case may be.

6 (b) Local government accumulation account.--The local  
7 government accumulation account shall be the ledger account to  
8 which shall be credited all contributions of local government  
9 employers whose police employees are members of the system and  
10 made in accordance with the provisions of section 5507(a). The  
11 local government accumulation account shall be credited with  
12 valuation interest. The reserves necessary for the payment of  
13 annuities and death benefits as approved by the Local Government  
14 Police Employees' Retirement Board and as provided in Chapter 57  
15 shall be transferred from the local government accumulation  
16 account to the annuity reserve account provided for in section  
17 5935.

18 § 5935. Annuity reserve account.

19 \* \* \*

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

1 § 5936. State Police benefit account.

2 \* \* \*

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

16 § 5937. Enforcement officers' benefit account.

17 \* \* \*

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

1 an enforcement officer the actuarial reserve remaining in the  
2 enforcement officers' benefit account shall be transferred to  
3 the appropriate reserve account.

4 § 5939. Interest reserve account.

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

19 § 5940. Northern Ireland-related investments.

20 (a) General rule.--Notwithstanding any other provision of  
21 law, on and after the effective date of this section, any moneys  
22 or assets of the [fund] funds which shall remain or be invested  
23 in the stocks, securities or other obligations of any  
24 institution or company doing business in or with Northern  
25 Ireland or with agencies or instrumentalities thereof shall be  
26 invested subject to the provisions of subsection (c).

27 (b) Annual review.--On or before January 1 of each year,  
28 [the] each board shall determine the existence of affirmative  
29 action taken by institutions or companies doing business in  
30 Northern Ireland to eliminate ethnic or religious discrimination



1 based on actions taken for:

2 (1) Increasing the representation of individuals from  
3 underrepresented religious groups in the work force,  
4 including managerial, supervisory, administrative, clerical  
5 and technical jobs.

6 (2) Providing adequate security for the protection of  
7 minority employees, both at the workplace and while traveling  
8 to and from work.

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

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

14 (5) Providing that layoff, recall and termination  
15 procedures should not in practice favor particular religious  
16 groupings.

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

20 (7) The development of training programs that will  
21 prepare substantial numbers of current minority employees for  
22 skilled jobs, including the expansion of existing programs  
23 and the creation of new programs to train, upgrade and  
24 improve the skills of minority employees.

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

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

1 (c) Investments.--Consistent with sound investment policy,  
2 [the] each board shall invest the assets of the fund in such a  
3 manner that the investments in institutions doing business in or  
4 with Northern Ireland shall reflect the advances made by such  
5 institutions in eliminating discrimination as established  
6 pursuant to subsection (b).

7 § 5951. State guarantee.

8 (a) General rule.--The required interest charges payable,  
9 the maintenance of reserves in the [fund] State Employees'  
10 Retirement Fund, and the payment of all annuities and other  
11 benefits granted by the [board] State Employees' Retirement  
12 Board under the provisions of this part are hereby made  
13 obligations of the Commonwealth.

14 (b) Local government guarantee.--The required interest  
15 charges payable, the maintenance of reserves in the Local  
16 Government Police Employees' Retirement Fund and the payment of  
17 all annuities and other benefits granted by the Local Government  
18 Police Employees' Retirement Board under the provisions of this  
19 part, as to local government service in accordance with this  
20 part, are hereby made obligations of the local government.

21 (c) Use of income interest and dividends.--All income,  
22 interest, and dividends derived from deposits and investments  
23 authorized by this part as to State service shall be used for  
24 the payment of the said obligations of the Commonwealth and  
25 local governments.

26 § 5952. State supervision.

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

30 § 5953. Taxation, attachment and assignment of funds.

1 (a) General rule.--

2 (1) Except as provided in paragraphs (2), (3) and (4),  
3 the right of a person to any benefit or right accrued or  
4 accruing under the provisions of this part and the moneys in  
5 the [fund] funds are hereby exempt from any State or  
6 municipal tax, levy and sale, garnishment, attachment,  
7 spouse's election, or any other process whatsoever except for  
8 a set-off by the Commonwealth in the case provided in  
9 subparagraph (i) or by a local government in the case  
10 provided in subparagraph (ii), and shall be unassignable  
11 except:

12 (i) To the Commonwealth in the case of a member who  
13 is terminating State service and has been determined to  
14 be obligated to the Commonwealth for the repayment of  
15 money owed on account of his employment or to the fund on  
16 account of a loan from a credit union which has been  
17 satisfied by the board from the fund.

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

27 (iii) To a local government in the case of a member  
28 who is terminating local government service and has been  
29 determined to be obligated to the local government for  
30 the repayment of money owed on account of his employment

1       or to either fund on account of a loan from a credit  
2       union which has been satisfied by the board from the  
3       fund.

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

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

15      (4) Effective with distributions made on or after  
16      January 1, 1993, and notwithstanding any other provision of  
17      this part to the contrary, a distributee may elect, at the  
18      time and in the manner prescribed by the appropriate board,  
19      to have any portion of an eligible rollover distribution paid  
20      directly to an eligible retirement plan by way of a direct  
21      rollover. For purposes of this paragraph, a "distributee"  
22      includes a member and a member's surviving spouse and a  
23      member's former spouse who is an alternate payee under an  
24      approved domestic relations order. For purposes of this  
25      paragraph, the term "eligible rollover distribution" has the  
26      meaning given such term by IRC § 402(f)(2)(A), and "eligible  
27      retirement plan" has the meaning given such term by IRC §  
28      402(c)(8)(B), except that a qualified trust shall be  
29      considered an eligible retirement plan only if it accepts the  
30      distributee's eligible rollover distribution; however, in the

1 case of an eligible rollover distribution to a surviving  
2 spouse, an eligible retirement plan is an "individual  
3 retirement account" or an "individual retirement annuity" as  
4 those terms are defined in IRC § 408(a) and (b).

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

7 (1) In the case of a member who is terminating service,  
8 the amount determined after certification by the head of the  
9 department that the member is so obligated, and after review  
10 and approval by the department or agency's legal  
11 representative or upon receipt of an assignment from the  
12 member in the amount so certified.

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

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

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

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

28 § 5955. Construction of part.

29 Regardless of any other provision of law, pension rights of  
30 [State] government employees shall be determined solely by this

1 part or any amendment thereto, and no collective bargaining  
2 agreement nor any arbitration award between the Commonwealth and  
3 its employees or their collective bargaining representatives or  
4 between a local government and its employees or their collective  
5 bargaining representatives shall be construed to change any of  
6 the provisions herein, to require the board to administer  
7 pension or retirement benefits not set forth in this part, or  
8 otherwise require action by any other government body pertaining  
9 to pension or retirement benefits or rights of [State]  
10 government employees. Notwithstanding the foregoing, any pension  
11 or retirement benefits or rights previously so established by or  
12 as a result of an arbitration award shall remain in effect after  
13 the expiration of the current collective bargaining agreement  
14 between the State employees so affected and the Commonwealth.  
15 The provisions of this part insofar as they are the same as  
16 those of existing law are intended as a continuation of such  
17 laws and not as new enactments. The provisions of this part  
18 shall not affect any act done, liability incurred, right accrued  
19 or vested, or any suit or prosecution pending or to be  
20 instituted to enforce any right or penalty or to punish any  
21 offense under the authority of any repealed laws.

22 § 5955.1. Construction of part with respect to older workers  
23 protection.

24 It is hereby found and declared that the provisions of this  
25 part constitute a bona fide retirement or pension plan within  
26 the meaning of the Age Discrimination in Employment Act of 1967  
27 (Public Law 90-202, 29 U.S.C. § 621 et seq.) and the act of  
28 October 27, 1955 (P.L.744, No.222), known as the Pennsylvania  
29 Human Relations Act, and that the intent of section 5955  
30 (relating to construction of part) as originally enacted and as

1 subsequently amended is to require the pension rights of [State]  
2 government employees to be determined solely by this part and  
3 any amendments thereto, regardless of any other provision of  
4 State law, subject only to such further requirements, exceptions  
5 or limitations as may be set forth in section 5955 or as may be  
6 imposed by reason of any provision of the Federal or State  
7 Constitution. Any provision of this part which is not  
8 inconsistent with the provisions of the Age Discrimination in  
9 Employment Act of 1967 as amended by the Older Workers Benefit  
10 Protection Act (Public Law 101-433, 104 Stat. 978) and the rules  
11 and regulations of the Federal Equal Employment Opportunity  
12 Commission under such Federal laws shall be deemed not  
13 inconsistent with such provisions of the Pennsylvania Human  
14 Relations Commission Act as relate to discrimination on the  
15 basis of age with respect to the terms, conditions or privileges  
16 of employment.

17 Section 20. This act shall be construed and administered in  
18 such manner that the Local Government Police Employees'  
19 Retirement System will satisfy the requirements necessary to  
20 qualify as a qualified pension plan under section 401(a)(8),  
21 (17) and (25) of the Internal Revenue Code of 1986 (Public Law  
22 99-514, 26 U.S.C. § 401(a)(8), (17) and (25)). The rules,  
23 regulations and procedures adopted and promulgated by the Local  
24 Government Police Employees' Retirement Board and the State  
25 Employees' Retirement Board under 71 Pa.C.S. § 5902(h) shall  
26 include those necessary to accomplish the purpose of this  
27 section.

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