

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 229

Session of
1981

INTRODUCED BY MOWERY, W. W. FOSTER, KENNEDY, PUNT,
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MACKOWSKI, WASS, VROON, SPITZ, BRANDT, LEVI, MANMILLER,
PETERSON, NOYE, DININNI, CESSAR, HAYES, B. SMITH, GEORGE,
LEVI, KOWALYSHYN, RASCO AND PHILLIPS, JANUARY 26, 1981

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JANUARY 26, 1981

AN ACT

1 Creating the Public Employee Retirement Study Commission to make
2 a continuing study of all public employee retirement and
3 pension systems; and making an appropriation.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the "Public
8 Employee Retirement Study Commission Act."

9 Section 2. Legislative findings and intent.

10 (a) Findings.--The General Assembly finds and declares as
11 follows:

12 (1) The State Employees' Retirement System costs
13 taxpayers hundreds of millions of dollars annually.

14 (2) A Pennsylvania Economy League study found the Public
15 School Employees' Retirement System has enormous unfunded
16 liability and the same study indicated that the high cost of
17 Commonwealth retirement systems results partially from the

1 General Assembly's failure to develop and enforce a policy
2 governing retirement of public employees and its failure to
3 examine proposed pension changes for long-range costs.

4 (3) The Department of Community Affairs had investigated
5 local government pension funds pursuant to the act of
6 December 6, 1972 (P.L.1383, No.293), entitled "An act
7 requiring municipal pension systems to have an actuarial
8 investigation of the fund made by an actuary who shall report
9 his findings to the Department of Community Affairs," and has
10 found considerable serious and growing unfunded liabilities
11 in local government pension funds.

12 (4) The General Assembly has passed legislation creating
13 three independent Statewide pension systems pursuant to:

14 (i) Act of February 1, 1974 (P.L.34, No.15), known
15 as the "Pennsylvania Municipal Retirement Law."

16 (ii) 71 Pa.C.S. Part XXV, known as the "State
17 Employees' Retirement Code."

18 (iii) 24 Pa.C.S. Part IV, known as the "Public
19 School Employees' Retirement Code."

20 All of which shall serve as the foundation for further study
21 and implementation of actuarially sound public employee
22 pension and retirement systems.

23 (5) Various states have established commissions to
24 continuously monitor and recommend reforms for public
25 employee retirement systems.

26 (6) Public employee retirement policy is of vital
27 concern to both the executive and legislative branches of
28 State government.

29 (b) Intent.--It is the intent of the General Assembly in
30 establishing the Public Employee Retirement Study Commission to

1 provide an ongoing mechanism to monitor public employee
2 retirement plans and to assure their actuarial viability by
3 review of proposed changes and reforms in the plans and to
4 review relevant statutes.

5 Section 3. Definitions.

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

9 "Actuarially sound plan." A plan operated under supervision
10 of an actuary and which is being funded annually at a level not
11 lower than the normal cost of the plan plus amortization of the
12 unfunded accrued liability within an established period of time
13 after the effective date of the act creating the system.

14 "Commission." The Public Employee Retirement Study
15 Commission created pursuant to this act.

16 "Public Employee Retirement Plan." Any of the following:

17 (1) State Employees' Retirement System created pursuant
18 to 71 Pa.C.S. Part XXV.

19 (2) Public School Employees' Retirement System created
20 pursuant to 24 Pa.C.S. Part IV.

21 (3) Municipal Retirement System created pursuant to the
22 act of February 1, 1974 (P.L.34, No.15).

23 (4) Any other independent pension or retirement plan for
24 public officers and employees in the Commonwealth.

25 (5) Pension or retirement plans created pursuant to the
26 act of June 23, 1931 (P.L.932, No.317), known as "The Third
27 Class City Code."

28 (6) Pension or retirement plans created pursuant to the
29 act of May 29, 1956 (1955 P.L.1804, No.600), referred to as
30 the Municipal Police Pension Law.

1 Section 4. Public Employee Retirement Study Commission created.

2 There is hereby created the Public Employee Retirement Study
3 Commission to review legislation affecting public employee
4 pension and retirement plans and to study on a continuing basis
5 public employee pension and retirement policy as implemented at
6 both the State and local level, the interrelationships of the
7 several systems and their actuarial soundness and cost.

8 Section 5. Commission membership.

9 (a) Legislative members.--

10 (1) The President pro tempore of the Senate, after
11 consultation with the Senate Minority Leader, shall appoint
12 two members of the Senate, one from the majority and one from
13 the minority, to serve on the commission.

14 (2) The Speaker of the House of Representatives, after
15 consultation with the House Minority Leader, shall appoint
16 two members of the House, one from the majority and one from
17 the minority, to serve on the commission.

18 (3) The legislative members of the commission shall
19 serve on the commission for the duration of the terms for
20 which they were elected.

21 (b) Gubernatorial appointments.--

22 (1) The Governor shall appoint five additional members
23 to the commission with the advice and consent of a majority
24 of the Senate pursuant to the procedure established in
25 section 207.1, act of April 9, 1929 (P.L.177, No.175), known
26 as "The Administrative Code of 1929."

27 (2) The members appointed by the Governor shall be
28 representatives from the general public, none of whom is an
29 active or retired member of a public employee pension or
30 retirement plan but who shall have knowledge in the area of

1 pension or retirement policy.

2 (3) The members of the commission appointed by the
3 Governor shall serve terms of six years, except those members
4 initially selected, one of whom shall serve for two years,
5 one of whom shall serve for three years, one for four years,
6 one for five years and one for six years.

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

9 (d) Organization.--The commission shall meet within 60 days
10 of its establishment for the purpose of organizing and selecting
11 officers who shall be chosen from its membership. Thereafter,
12 the commission shall meet as necessary at the call of the
13 commission chairman, but in no case less than six times per
14 year.

15 (e) Nonlegislative members shall be paid \$50 a day for each
16 day spent in transacting commission business not to exceed
17 \$3,000 per year. All members shall be reimbursed for necessary
18 expenses in connection with their commission duties.

19 Section 6. Powers and duties.

20 The commission shall have the following powers and
21 duties:

22 (1) To study generally the subject of retirement, income
23 after retirement, disability and death benefits and the
24 retirement needs of public employees. The commission shall
25 have responsibility to formulate principles and objectives
26 applicable thereto and to recommend any new legislation it
27 deems advisable.

28 (2) To analyze on its own or upon request from either
29 the Legislative or Executive Branch any bill relating to
30 public employee retirement or pension policy and issue a

1 report thereto in a timely fashion. Such a report shall be
2 submitted to the General Assembly and the Governor and shall
3 include an assessment of the actuarial soundness, feasibility
4 and cost of such legislation.

5 (3) To review plans for actuarial soundness.

6 (4) It shall have the power to subpoena in order to
7 compel testimony or receive any information it deems
8 necessary in the process of carrying out its mandated
9 responsibilities.

10 (5) To cooperate with the several State and municipal
11 retirement and pension boards on matters of mutual concern.

12 (6) To issue an annual public report to the General
13 Assembly and the Governor, with findings, activities and
14 recommendations.

15 (7) To hire an executive director and other appropriate
16 staff such as actuaries, legal counsel, research analysts,
17 secretarial assistance and contract for consultant services
18 as may be necessary.

19 (8) To adopt bylaws for the conduct of its official
20 business.

21 (9) To monitor and evaluate from time to time all the
22 laws and systems thereunder which relate to public employee
23 pension and retirement policy in the Commonwealth.

24 (10) To study the relationship of retirement and pension
25 policy to other aspects of public personal policy and to the
26 effective operation of government generally.

27 (11) To examine the interrelationships among public
28 employee pension and retirement systems throughout the State.

29 (12) To recommend to the General Assembly a change in
30 the process by which public employee pension and retirement

1 legislation is analyzed and acted upon the Legislature.

2 (13) To issue actuarial notes pursuant to section 7.

3 Section 7. Actuarial notes.

4 (a) Note required for bills.--No bill, joint resolution or
5 simple or concurrent resolution proposing any change relative to
6 a public employee pension or retirement plan shall be given
7 second consideration in either House of the General Assembly,
8 until the commission has attached an actuarial note which shall
9 include a reliable estimate of the cost and actuarial effect of
10 the proposed change in any such pension or retirement system.

11 (b) Note required for amendments.--No amendment to any bill
12 or resolution, concerning any public employee pension or
13 retirement plan shall be considered by the General Assembly
14 until an actuarial note has been attached.

15 (c) Preparation of note.--The commission shall prepare an
16 actuarial note which shall include a reliable estimate of the
17 financial and actuarial effect of the proposed change in any
18 such pension or retirement system. The actuarial note shall be
19 attached to the original copy of the bill or resolution before
20 it is given second consideration by either House of the General
21 Assembly.

22 (d) Contents of note.--The actuarial note shall be factual,
23 and shall, if possible, provide a reliable estimate of both the
24 immediate cost and effect of the bill and, if determinable or
25 reasonably foreseeable, the long range actuarial cost and effect
26 of the measure.

27 Section 8. Appropriation.

28 The sum of \$200,000 is hereby appropriated for the fiscal
29 year 1980-1981 to the commission for the payment of its
30 expenses.

1 Section 9. Review of commission activities.

2 (a) Joint review.--If no other statute requires agencies of
3 the Commonwealth to undergo a periodic review of their
4 activities, the Public Employee Retirement Study Commission
5 shall, each six years after its establishment, undergo a joint
6 review of its usefulness by a committee of the Senate designated
7 by the President pro tempore and a committee of the House of
8 Representatives appointed by the Speaker. The committees shall
9 report their findings to the General Assembly.

10 (b) Review under other statutes.--If another statute
11 requires the periodic review of agencies of the Commonwealth,
12 the Public Employee Retirement Study Commission shall be subject
13 to that statute.

14 Section 10. Effective date.

15 This act shall take effect immediately.