
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 229

Session of
1981

INTRODUCED BY MOWERY, W. W. FOSTER, KENNEDY, PUNT,
A. C. FOSTER, JR., WENGER, JACKSON, MADIGAN, MERRY,
MACKOWSKI, WASS, VROON, SPITZ, BRANDT, LEVI, MANMILLER,
PETERSON, NOYE, DININNI, CESSAR, HAYES, B. SMITH, GEORGE,
LEVI, KOWALYSHYN, RASCO, PHILLIPS AND SIRIANNI,
JANUARY 26, 1981

AS AMENDED ON THIRD CONSIDERATION, IN SENATE, JUNE 29, 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

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

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

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

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

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

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

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

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

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

30 (b) Intent.--It is the intent of the General Assembly in

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

6 Section 3. Definitions.

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

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

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

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

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

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

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

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

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

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

1 the Municipal Police Pension Law.

2 Section 4. Public Employee Retirement Study Commission created.

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

9 Section 5. Commission membership.

10 (a) Legislative members.--

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

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

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

22 (b) Gubernatorial appointments.--

23 (1) The Governor shall appoint five additional members
24 to the commission, no more than three of whom shall be of the
25 same political party, with the advice and consent of a
26 majority of the Senate pursuant to the procedure established
27 in section 207.1, act of April 9, 1929 (P.L.177, No.175),
28 known as "The Administrative Code of 1929."

29 (2) The members appointed by the Governor shall be
30 representatives from the general public, one of whom shall be

1 an active or retired member of a public employee pension or
2 retirement plan. The members shall ~~have knowledge~~ BE SKILLED ←
3 AND KNOWLEDGEABLE in the area of pension or retirement ~~policy~~ ←
4 SYSTEM MANAGEMENT. ←

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

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

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

18 (e) Nonlegislative members shall be paid \$50 a day for each
19 day spent in transacting commission business not to exceed
20 \$3,000 per year. All members shall be reimbursed for necessary
21 expenses in connection with their commission duties.

22 Section 6. Powers and duties.

23 (A) IN GENERAL.--The commission shall have the following ←
24 powers and duties:

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

1 (2) To analyze on its own or upon request from either
2 the Legislative or Executive Branch any bill relating to
3 public employee retirement or pension policy and issue a
4 report thereto in a timely fashion. Such a report shall be
5 submitted to the General Assembly and the Governor and shall
6 include an assessment of the actuarial soundness, feasibility
7 and cost of such legislation.

8 (3) To ESTABLISH AND review plans for actuarial <—
9 soundness FOR EVERY PUBLIC EMPLOYEE RETIREMENT PLAN. <—

10 (4) To issue subpoenas in order to compel testimony or
11 receive any information reasonably necessary in the process
12 of carrying out its mandated responsibilities.

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

15 (6) To issue an annual public report to the General
16 Assembly and the Governor, including but not limited to its
17 findings, recommendations and a summary of its activities.

18 (7) To hire an executive director and other appropriate
19 staff such as actuaries, legal counsel, research analysts,
20 secretarial assistance and contract for consultant services
21 as may be within the limits of the appropriations available.

22 (8) To adopt bylaws for the conduct of its official
23 business.

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

27 (10) To study the relationship of retirement and pension
28 policy to other aspects of public personnel policy and to the
29 effective operation of government generally.

30 (11) To examine the interrelationships among public

1 employee pension and retirement systems throughout the State.

2 (12) To recommend to the General Assembly a change in
3 the process by which public employee pension and retirement
4 legislation is analyzed and acted upon by the Legislature.

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

6 (14) TO FORMULATE AND RECOMMEND PASSAGE OF LEGISLATION, ←
7 WITHIN ONE YEAR OF THE INITIAL MEETING OF THE COMMISSION, TO
8 MANDATE ACTUARIAL FUNDING STANDARDS AND ESTABLISH A RECOVERY
9 PROGRAM FOR MUNICIPAL PENSION SYSTEMS DETERMINED TO BE
10 FINANCIALLY DISTRESSED.

11 (15) TO PERFORM THE FUNCTIONS AND HAVE ALL THE POWERS
12 AND DUTIES HERETOFORE VESTED IN THE DEPARTMENT OF COMMUNITY
13 AFFAIRS PURSUANT TO THE ACT OF DECEMBER 6, 1972 (P.L.1383,
14 NO.293), ENTITLED "AN ACT REQUIRING MUNICIPAL PENSION SYSTEMS
15 TO HAVE AN ACTUARIAL INVESTIGATION OF THE FUND MADE BY AN
16 ACTUARY WHO SHALL REPORT HIS FINDINGS TO THE DEPARTMENT OF
17 COMMUNITY AFFAIRS."

18 (B) PRIORITY.--THE COMMISSION SHALL CARRY OUT ALL OF ITS
19 POWERS AND DUTIES IMPOSED BY THIS ACT BY FIRST ADDRESSING AND
20 COMPLETING ITS DUTIES WITH REGARD TO THE MUNICIPAL GOVERNMENT
21 RETIREMENT SYSTEMS BEFORE EXERCISING ANY OF ITS POWERS AND
22 DUTIES WITH REGARD TO THE OTHER RETIREMENT PLANS ENUMERATED IN
23 SECTION 3.

24 Section 7. Actuarial notes.

25 (a) Note required for bills.--Except as otherwise provided
26 in subsection (f)(1), no bill proposing any change relative to a
27 public employee pension or retirement plan shall be given second
28 consideration in either House of the General Assembly, until the
29 commission has attached an actuarial note prepared by an
30 enrolled pension actuary which shall include a reliable estimate

1 of the cost and actuarial effect of the proposed change in any
2 such pension or retirement system.

3 (b) Note required for amendments.--Except as otherwise
4 provided in subsection (f)(1) (2), no amendment to any bill ←
5 concerning any public employee pension or retirement plan shall
6 be considered by either House of the General Assembly until an
7 actuarial note prepared by an enrolled pension actuary has been
8 attached.

9 (c) Preparation of note.--The commission shall select an
10 enrolled pension actuary to prepare an actuarial note which
11 shall include a reliable estimate of the financial and actuarial
12 effect of the proposed change in any such pension or retirement
13 system.

14 (d) Contents of note.--The actuarial note shall be factual,
15 and shall, if possible, provide a reliable estimate of both the
16 immediate cost and effect of the bill and, if determinable or
17 reasonably foreseeable, the long range actuarial cost and effect
18 of the measure.

19 (e) Notes for proposed constitutional amendments.--The
20 commission shall issue an actuarial note, prepared by an
21 enrolled pension actuary, for any joint resolution proposing an
22 amendment to the Constitution of Pennsylvania which initially
23 passes either House of the General Assembly. If said joint
24 resolution is subsequently amended and passes either House of
25 the General Assembly, a new actuarial note shall be prepared.

26 (f) Effect of failure of commission to attach note.--

27 (1) If the commission fails to attach an actuarial note
28 within ~~15~~ 25 legislative days after a bill proposing a change ←
29 relative to a public employee pension or retirement plan has
30 received first consideration in either House of the General

1 Assembly, the bill may be further considered in the same
2 manner as if the actuarial note had been attached to the
3 bill.

4 (2) If the commission fails to attach an actuarial note
5 within ~~15~~ 25 legislative days after an amendment to a bill <—
6 proposing a change relative to a public employee pension or
7 retirement has submitted to the commission, the amendment may
8 be considered in the same manner as if the actuarial note had
9 been attached to the amendment.

10 SECTION 8. MUNICIPAL PENSION ADVISORY COMMITTEE. <—

11 THE COMMISSION SHALL APPOINT A MUNICIPAL PENSION ADVISORY
12 COMMITTEE COMPOSED OF ONE MUNICIPAL OFFICIAL OR EMPLOYEE
13 NOMINATED BY EACH OF THE FOLLOWING MUNICIPAL ASSOCIATIONS: THE
14 PENNSYLVANIA LEAGUE OF CITIES; THE PENNSYLVANIA STATE
15 ASSOCIATION OF BOROUGHES; THE PENNSYLVANIA STATE ASSOCIATION OF
16 TOWNSHIP SUPERVISORS; THE PENNSYLVANIA STATE ASSOCIATION OF
17 TOWNSHIP COMMISSIONERS; THE PENNSYLVANIA STATE ASSOCIATION OF
18 COUNTY COMMISSIONERS AND THE PENNSYLVANIA MUNICIPAL AUTHORITIES
19 ASSOCIATION. MEMBERS OF THE ADVISORY COMMITTEE MAY NOT BE
20 MEMBERS OF THE COMMISSION. THE COMMITTEE SHALL ORGANIZE BY
21 ELECTING ITS OWN OFFICERS AND BY ESTABLISHING RULES OF
22 PROCEDURE. THE ADVISORY COMMITTEE SHALL MEET WITH THE COMMISSION
23 AT STATED TIMES FIXED BY THE COMMISSION, BUT NOT LESS THAN ONCE
24 A YEAR, AT WHICH TIME THE ACTIVITIES OF THE COMMISSION WILL BE
25 DISCUSSED AND THE COMMITTEE MAY PRESENT INFORMATION AND MAKE
26 RECOMMENDATIONS. THE ADVISORY COMMITTEE MAY MEET AT SUCH OTHER
27 TIMES AS IT MAY DETERMINE AND MAY FORWARD INFORMATION AND
28 RECOMMENDATIONS TO THE COMMISSION. COMMITTEE MEMBERS SHALL BE
29 REIMBURSED ONLY FOR ACTUAL EXPENSES INCURRED IN CONNECTION WITH
30 THEIR OFFICIAL DUTIES.

1 SECTION 9. REPORTS TO BE PUBLIC INFORMATION. <—

2 (A) PUBLIC INSPECTION OF CERTAIN REPORTS.--ALL REPORTS AND
3 ANALYSES COMPILED BY OR FILED WITH THE COMMISSION SHALL BE
4 PUBLIC RECORDS AND SHALL BE AVAILABLE FOR PUBLIC INSPECTION AT
5 THE OFFICES OF THE COMMISSION DURING THE USUAL BUSINESS HOURS OF
6 THE COMMISSION.

7 (B) PUBLICATIONS OF COMMISSION.--WITHIN THE LIMITS OF ITS
8 FINANCIAL RESOURCES, THE COMMISSION SHALL PUBLISH AT LEAST EVERY
9 TWO YEARS A COMPILATION OF DATA DERIVED FROM REPORTS SUBMITTED
10 TO THE COMMISSION UNDER THE PROVISIONS OF THE ACT OF DECEMBER 6,
11 1972 (P.L.1383, NO.293), ENTITLED "AN ACT REQUIRING MUNICIPAL
12 PENSION SYSTEMS TO HAVE AN ACTUARIAL INVESTIGATION OF THE FUND
13 MADE BY AN ACTUARY WHO SHALL REPORT HIS FINDINGS TO THE
14 DEPARTMENT OF COMMUNITY AFFAIRS."

15 Section ~~8-9~~ 10. Appropriation. <—

16 The sum of \$200,000 is hereby appropriated for the fiscal
17 year 1981-1982 to the commission for the payment of its
18 expenses.

19 Section ~~9-10~~ 11. Review of commission activities. <—

20 (a) Joint review.--If no other statute requires agencies of
21 the Commonwealth to undergo a periodic review of their
22 activities, the Public Employee Retirement Study Commission
23 shall, each six years after its establishment, undergo a joint
24 review of its usefulness by a committee of the Senate designated
25 by the President pro tempore and a committee of the House of
26 Representatives appointed by the Speaker. The committees shall
27 report their findings to the General Assembly.

28 (b) Review under other statutes.--If another statute
29 requires the periodic review of agencies of the Commonwealth,
30 the Public Employee Retirement Study Commission shall be subject

1 to that statute.

2 Section ~~10-11~~ 12. Effective date.

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3 This act shall take effect immediately.