

THE GENERAL ASSEMBLY OF PENNSYLVANIA

# HOUSE BILL

No. 27

Session of  
2001

INTRODUCED BY HERMAN, BENNINGHOFF, NICKOL, ARMSTRONG, M. BAKER, BASTIAN, BELFANTI, CAPPELLI, COY, DeWEESE, FREEMAN, HARHAI, HESS, HUTCHINSON, LAUGHLIN, McCALL, McILHATTAN, R. MILLER, PETRARCA, PHILLIPS, READSHAW, ROSS, RUBLEY, SAINATO, SATHER, SCHULER, SEMMEL, SHANER, B. SMITH, BARD, BELARDI, CALTAGIRONE, CORRIGAN, CURRY, FAIRCHILD, GEIST, HENNESSEY, SOLOBAY, STABACK, STEELMAN, STERN, SURRA, E. Z. TAYLOR, TIGUE, TRAVAGLIO, TULLI, WANSACZ, WOGAN, WOJNAROSKI AND YUDICHAK, JANUARY 31, 2001

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JANUARY 31, 2001

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, further defining "salary  
3 deductions"; and further providing for member contributions  
4 for creditable school service, for contributions for purchase  
5 of credit for creditable nonschool service, for incomplete  
6 payments, for termination of annuities, for administrative  
7 duties of board, for reporting requirements of board, for  
8 duties of board regarding applications and elections of  
9 members, for duties of employers, for creditable non-State  
10 service, for member contributions for purchase of credit for  
11 previous State service or to become a full coverage member,  
12 for contributions for the purchase of credit for creditable  
13 non-State service and for duties of heads of departments and  
14 for rights and duties of State employees and members.

15 The General Assembly of the Commonwealth of Pennsylvania  
16 hereby enacts as follows:

17 Section 1. The definition of "salary deductions" in section  
18 8102 of Title 24 of the Pennsylvania Consolidated Statutes is  
19 amended to read:

20 § 8102. Definitions.

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

4 \* \* \*

5 "Salary deductions." The amounts certified by the board,  
6 deducted from the compensation of an active member or the State  
7 service compensation of a multiple service member who is an  
8 active member of the State Employees' Retirement System and paid  
9 into the fund.

10 \* \* \*

11 Section 2. Sections 8323(d), 8324(b) and (d) and 8325 of  
12 Title 24 are amended to read:

13 § 8323. Member contributions for creditable school service.

14 \* \* \*

15 (d) Certification and payment of contributions.--

16 (1) In all cases other than for the purchase of credit  
17 for sabbatical leave and activated military service leave  
18 beginning before the effective date of paragraph (2), the  
19 amount payable shall be certified by the board in accordance  
20 with methods approved by the actuary and may be paid in a  
21 lump sum within 90 days or, in the case of an active member  
22 or eligible State employee who is an active member of the  
23 State Employees' Retirement System, may be amortized with  
24 statutory interest through salary deductions [or by personal  
25 checks] in amounts agreed upon by the member and the board.  
26 The salary deduction amortization plans agreed to by members  
27 and the board may include a deferral of payment amounts and  
28 statutory interest until the termination of school service or  
29 State service, as the board, in its sole discretion, decides  
30 to allow. The board may limit salary deduction amortization

1 plans to such terms as the board, in its sole discretion,  
2 determines. In the case of an eligible State employee who is  
3 an active member of the State Employees' Retirement System,  
4 the agreed upon salary deductions shall be remitted to the  
5 State Employees' Retirement Board, which shall certify and  
6 transfer to the board the amounts paid.

7 (2) In the case of activated military service leave  
8 beginning before the effective date of this paragraph, the  
9 amount payable may be paid according to this subsection or  
10 subsection (c.1), but all lump sum payments must be made and  
11 all amortization payments commenced within one year of the  
12 termination of activated military service leave.

13 § 8324. Contributions for purchase of credit for creditable  
14 nonschool service.

15 \* \* \*

16 (b) Nonintervening military service.--The amount due for the  
17 purchase of credit for military service other than intervening  
18 military service shall be determined by applying the member's  
19 basic contribution rate plus the normal contribution rate as  
20 provided in section 8328 (relating to actuarial cost method) at  
21 the time of entry of the member into school service subsequent  
22 to such military service to one-third of his total compensation  
23 received during the first three years of such subsequent  
24 credited school service and multiplying the product by the  
25 number of years and fractional part of a year of creditable  
26 nonintervening military service being purchased together with  
27 statutory interest during all periods of subsequent school and  
28 State service to date of purchase. Upon certification of the  
29 amount due, payment may be made in a lump sum within 90 days or  
30 in the case of an active member or eligible State employee who

1 is an active member of the State Employees' Retirement System it  
2 may be amortized with statutory interest through salary  
3 deductions [or by personal checks] in amounts agreed upon by the  
4 member and the board. The salary deduction amortization plans  
5 agreed to by members and the board may include a deferral of  
6 payment amounts and statutory interest until the termination of  
7 school service or State service, as the board, in its sole  
8 discretion, decides to allow. The board may limit salary  
9 deduction amortization plans to such terms as the board, in its  
10 sole discretion, determines. In the case of an eligible State  
11 employee who is an active member of the State Employees'  
12 Retirement System, the agreed upon salary deductions shall be  
13 remitted to the State Employees' Retirement Board, which shall  
14 certify and transfer to the board the amounts paid. Application  
15 may be filed for all such military service credit upon  
16 completion of three years of subsequent credited school service  
17 and shall be credited as Class T-C service.

18 \* \* \*

19 (d) Other creditable nonschool service.--Contributions on  
20 account of Class T-C credit for creditable nonschool service  
21 other than military service shall be determined by applying the  
22 member's basic contribution rate plus the normal contribution  
23 rate as provided in section 8328 at the time of the member's  
24 entry into school service subsequent to such creditable  
25 nonschool service to his total compensation received during the  
26 first year of subsequent credited school service and multiplying  
27 the product by the number of years and fractional part of a year  
28 of creditable nonschool service being purchased together with  
29 statutory interest during all periods of subsequent school or  
30 State service to the date of purchase, except that in the case

1 of purchase of credit for creditable nonschool service as set  
2 forth in section 8304(b)(5) (relating to creditable nonschool  
3 service) the member shall pay only the employee's share unless  
4 otherwise provided by law. Upon certification of the amount due,  
5 payment may be made in a lump sum within 90 days or in the case  
6 of an active member or eligible State employee who is an active  
7 member of the State Employees' Retirement System it may be  
8 amortized with statutory interest through salary deductions [or  
9 by personal checks] in amounts agreed upon by the member and the  
10 board. The salary deduction amortization plans agreed to by the  
11 members and the board may include a deferral of payment amounts  
12 and statutory interest until the termination of school service  
13 or State service, as the board, in its sole discretion, decides  
14 to allow. The board may limit salary deduction amortization  
15 plans to such terms as the board, in its sole discretion,  
16 determines. In the case of an eligible State employee who is an  
17 active member of the State Employees' Retirement System, the  
18 agreed upon salary deductions shall be remitted to the State  
19 Employees' Retirement Board, which shall certify and transfer to  
20 the board the amounts paid.

21 \* \* \*

22 § 8325. Incomplete payments.

23 In the event that a member terminates school service or a  
24 multiple service member who is an active member of the State  
25 Employees' Retirement System terminates State service before any  
26 agreed upon payments or return of benefits on account of  
27 returning to school service or entering State service and  
28 electing multiple service have been completed the member or  
29 multiple service member who is an active member of the State  
30 Employees' Retirement System shall have the right to pay within

1 30 days of termination of school service or State service the  
2 balance due, including interest, in a lump sum and the annuity  
3 shall be calculated including full credit for the previous  
4 school service, creditable nonschool service, or full-coverage  
5 membership. In the event a member does not pay the balance due  
6 within 30 days of termination of school service or in the event  
7 a member dies in school service or within 30 days of termination  
8 of school service or in the case of a multiple service member  
9 who is an active member of the State Employees' Retirement  
10 System, does not pay the balance due within 30 days of  
11 termination of State service or dies in State service or within  
12 30 days of termination of State service and before the agreed  
13 upon payments have been completed, the present value of the  
14 benefit otherwise payable shall be reduced by the balance due,  
15 including interest, and the benefit payable shall be calculated  
16 as the actuarial equivalent of such reduced present value.

17 Section 3. Section 8346(a) of Title 24 is amended and the  
18 section is amended by adding a subsection to read:

19 § 8346. Termination of annuities.

20 (a) General rule.--If an annuitant returns to school service  
21 or enters or has entered State service and elects multiple  
22 service membership, any annuity payable to him under this part  
23 shall cease effective upon the date of his return to school  
24 service or entering State service and in the case of an annuity  
25 other than a disability annuity the present value of such  
26 annuity, adjusted for full coverage in the case of a joint  
27 coverage member who makes the appropriate back contributions for  
28 full coverage, shall be frozen as of the date such annuity  
29 ceases. An annuitant who is credited with an additional 10% of  
30 membership service as provided in section 8302(b.2) (relating to

1 credited school service) and who returns to school service,  
2 except as provided in subsection (b), shall forfeit such  
3 credited service and shall have his frozen present value  
4 adjusted as if his 10% retirement incentive had not been applied  
5 to his account. In the event that the cost-of-living increase  
6 enacted December 18, 1979, occurred during the period of such  
7 State or school employment, the frozen present value shall be  
8 increased, on or after the member attains superannuation age, by  
9 the percent applicable had he not returned to service.

10 (a.1) Return of benefits.--In the event an annuitant whose  
11 annuity ceases pursuant to this section receives any annuity  
12 payment, including a lump sum payment pursuant to section 8345  
13 (relating to member's options) on or after the date of his  
14 return to school service or entering State service, he shall  
15 return to the board the amount so received plus statutory  
16 interest. The amount payable shall be certified in each case by  
17 the board in accordance with methods approved by the actuary and  
18 shall be paid in a lump sum within 90 days or in the case of an  
19 active member or State employee who is an active member of the  
20 State Employees' Retirement System may be amortized with  
21 statutory interest through salary deductions in amounts agreed  
22 upon by the member and the board. In the case of a State  
23 employee who is an active member of the State Employees'  
24 Retirement System, the agreed upon salary deductions shall be  
25 remitted to the State Employees' Retirement Board, which shall  
26 certify and transfer to the board the amounts paid.

27 \* \* \*

28 Section 4. Sections 8502(m) and 8504(b) of Title 24 are  
29 amended to read:

30 § 8502. Administrative duties of board.

1       \* \* \*

2       (m) Member contributions and interest.--The board shall  
3 cause each member's contributions, including payroll deductions,  
4 pickup contributions and all other payments, including, but not  
5 limited to, amounts collected by the State Employees' Retirement  
6 System for the reinstatement of previous school service or  
7 creditable nonschool service, and amounts paid to return  
8 benefits paid after the date of return to school service or  
9 entering State service representing lump sum payments made  
10 pursuant to section 8345(a)(4)(iii) (relating to member's  
11 options) and member's annuity payments, but not including other  
12 benefits returned pursuant to section 8346(a.1) (relating to  
13 termination of annuities) to be credited to the account of such  
14 member and shall pay all such amounts into the fund. Such  
15 contributions shall be credited with statutory interest until  
16 date of termination of service, except in the case of a vestee,  
17 who shall have such interest credited until the effective date  
18 of retirement or until the return of his accumulated deductions,  
19 if he so elects; and in the case of a multiple service member  
20 who shall have such interest credited until termination of  
21 service in both the school and the State systems.

22       \* \* \*

23   § 8504. Duties of board to report to State Employees'  
24               Retirement Board.

25       \* \* \*

26       (b) Multiple service membership of State employees.--Upon  
27 receipt of notification from the State Employees' Retirement  
28 Board that a former school employee has become an active member  
29 in the State Employees' Retirement System and has elected to  
30 receive credit for multiple service, the board shall certify to



1 the State Employees' Retirement Board and concurrently to the  
2 member:

3 (1) The total credited service in the system and the  
4 number of years and fractional part of a year of service  
5 credited in each class of service.

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

8 (3) If the member has elected payroll deductions  
9 pursuant to section 8323 (relating to member contributions  
10 for creditable school service) or 8324 (relating to  
11 contributions for purchase of credit for creditable nonschool  
12 service), the amount of the deductions and the period over  
13 which they are to be made.

14 \* \* \*

15 Section 5. Section 8505(b) of Title 24 is amended and the  
16 section is amended by adding a subsection to read:

17 § 8505. Duties of board regarding applications and elections of  
18 members.

19 \* \* \*

20 (b) State employees electing multiple service status.--Upon  
21 receipt of notification from the State Employees' Retirement  
22 Board that a former school employee has become an active member  
23 in the State Employees' Retirement System and has elected to  
24 become a member with multiple service status, the board shall:

25 (1) In case of a member who is receiving an annuity from  
26 the system[, discontinue]:

27 (i) Discontinue payments, transfer the present  
28 value[, at that time,] of the member's annuity at the  
29 time of entering State service, plus the amount withdrawn  
30 in a lump sum payment, on or after the date of entering

1       State service, pursuant to section 8345 (relating to  
2       member's options), with statutory interest to date of  
3       transfer, minus the amount to be returned to the board on  
4       account of return to service that the board has  
5       determined is to be credited in the member's savings  
6       account, from the annuity reserve account to the  
7       [members'] member's savings account and resume crediting  
8       of statutory interest on the amount restored to his  
9       credit [and transfer].

10       (ii) Transfer the balance of the present value of  
11       the total annuity, minus the amount to be returned to the  
12       board on account of return to service that the board has  
13       determined is to be credited in the State accumulation  
14       account, from the annuity reserve account to the State  
15       accumulation account.

16       (iii) Certify to the member the amount of lump sum  
17       and annuity payments with statutory interest to be  
18       returned to the board by him, and of those amounts, which  
19       amount shall be credited to the member's savings account  
20       and credited with statutory interest as such payments are  
21       returned and which amount shall be credited to the State  
22       accumulation account.

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

27       (3) In case of a member who is not receiving an annuity  
28       from the system and his accumulated deductions were  
29       withdrawn, certify to the member the accumulated deductions  
30       as they would have been at the time of his separation had he

1       been a full coverage member together with statutory interest  
2       for all periods of subsequent State and school service to the  
3       date of repayment. Such amount shall be restored by him and  
4       shall be credited with statutory interest as such payments  
5       are restored.

6       \* \* \*

7       (k) School employees electing multiple service status.--Upon  
8       receipt of notification from the State Employees' Retirement  
9       Board that a member who has elected multiple service membership  
10      has elected to restore State service or purchase creditable non-  
11      State service in the State Employees' Retirement System or is  
12      obligated to return benefits to the State Employees' Retirement  
13      Board on account of electing multiple service membership has  
14      elected to pay all or part of the amount due to the State  
15      Employees' Retirement Board by salary deductions, the board  
16      shall collect from the employee the amounts certified by the  
17      State Employees' Retirement Board as due and owing by the member  
18      and shall certify and transfer to the State Employees'  
19      Retirement Board the amounts so collected.

20      Section 6. Sections 8506(c), (g,) and (h) and 8507(c) of  
21      Title 24 are amended to read:

22      § 8506. Duties of employers.

23      \* \* \*

24      (c) Member and employer contributions.--The employer shall  
25      certify to its treasurer the required member contributions  
26      picked up and any other contributions, including, but not  
27      limited too, amounts collected for the State Employees'  
28      Retirement Board for the reinstatement of previous State service  
29      or creditable non-State service and amounts paid to return  
30      benefits paid after the date of return to State service or

1 entering school service, deducted from each payroll. On July 1,  
2 1996, and upon any later effective date of employment of any  
3 noneligible member to whom limitation under IRC § 401(a)(17)  
4 applies or is expected to apply, the employer shall identify to  
5 its treasurer or other payroll administrator the member or  
6 members to whom such limit applies or may apply and shall cause  
7 any such member's contributions deducted from payroll and the  
8 employer's contribution on his behalf to cease at the limitation  
9 under IRC § 401(a)(17) on the payroll date if and when such  
10 limit shall be reached. The treasurer shall remit to the  
11 secretary of the board each month the total of the member  
12 contributions and the amount due from the employer determined in  
13 accordance with section 8327 (relating to payments by  
14 employers). If, upon crediting the remittance of a noneligible  
15 member's contributions to the member's savings account, the  
16 board shall determine that such account shall have been credited  
17 with pickup contributions attributable to compensation which is  
18 in excess of the annual compensation limit under IRC §  
19 401(a)(17), or with total member contributions for such member  
20 which would cause such member's contributions or benefits to  
21 exceed any applicable limitation on contributions or benefits  
22 under IRC § 401(a)(17), the board shall as soon as practicable  
23 refund to the member from his individual member account such  
24 amount, together with the statutory interest thereon, as will  
25 cause the member's total member contributions not to exceed the  
26 applicable limit. The payment of any such refund to the member  
27 shall be charged to the member's savings account.

28 \* \* \*

29 (g) Former State employee contributors.--The employer shall,  
30 upon the employment of a former member of the State Employees'

1 Retirement System who is not an annuitant of the State  
2 Employees' Retirement System, advise such employee of his right  
3 to elect multiple service membership within [30] 365 days of  
4 entry into the system and, in the case any such employee who so  
5 elects has withdrawn his accumulated deductions, require him to  
6 restore his accumulated deductions as they would have been at  
7 the time of his separation had he been a full coverage member,  
8 together with statutory interest for all periods of subsequent  
9 State and school service to date of repayment. The employer  
10 shall advise the board of such election.

11 (h) Former State employee annuitants.--The employer shall,  
12 upon the employment of an annuitant of the State Employees'  
13 Retirement System who applies for membership in the system,  
14 advise such employee that he may elect multiple service  
15 membership within [30] 365 days of entry into the system and  
16 that if he so elects his annuity from the State Employees'  
17 Retirement System will be discontinued effective upon the date  
18 of his return to school service and, upon termination of school  
19 service and application for an annuity, the annuity will be  
20 adjusted in accordance with section 8346 (relating to  
21 termination of annuities). The employer shall advise the board  
22 of such election.

23 \* \* \*

24 § 8507. Rights and duties of school employees and members.

25 \* \* \*

26 (c) Multiple service membership.--Any active member who was  
27 formerly an active member in the State Employees' Retirement  
28 System may elect to become a multiple service member. Such  
29 election shall occur no later than [30] 365 days after becoming  
30 an active member in this system.

1       \* \* \*

2       Section 7. The definition of "salary deductions" in section  
3 5102 of Title 71 is amended to read:

4   § 5102. Definitions.

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

8       \* \* \*

9       "Salary deductions." The amounts certified by the board,  
10 deducted from the compensation of an active member or the school  
11 service compensation of a multiple service member who is an  
12 active member of the Public School Employees' Retirement System  
13 and paid into the fund.

14       \* \* \*

15       Section 8. Sections 5304(a), 5504((b), 5505(b) and (d) and  
16 5506 of Title 71 are amended to read:

17   § 5304. Creditable nonstate service.

18       (a) Eligibility.--An active member or a multiple service  
19 member who is a school employee and an active member of the  
20 Public School Employees' Retirement System shall be eligible for  
21 Class A service credit for creditable nonstate service as set  
22 forth in subsections (b) and (c) except that intervening  
23 military service shall be credited in the class of service for  
24 which the member was eligible at the time of entering into  
25 military service and for which he makes the required  
26 contributions and except that a multiple service member who is a  
27 school employee and an active member of the Public School  
28 Employees' Retirement System shall not be eligible to purchase  
29 service credit for creditable non-State service set forth in  
30 subsection (c)(5).

1       \* \* \*

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

5       \* \* \*

6       (b)   Certification and method of payment.--The amount payable  
7   shall be certified in each case by the board in accordance with  
8   methods approved by the actuary and shall be paid in a lump sum  
9   within 30 days or in the case of an active member or eligible  
10 school employee who is an active member of the Public School  
11 Employees' Retirement System may be amortized with statutory  
12 interest through salary deductions in amounts agreed upon by the  
13 member and the board. The salary deduction amortization plans  
14 agreed to by members and the board may include a deferral of  
15 payment amounts and statutory interest until the termination of  
16 school service or State service, as the board, in its sole  
17 discretion, decides to allow. The board may limit salary  
18 deduction amortization plans to such terms as the board, in its  
19 sole discretion, determines. In the case of an eligible school  
20 employee who is an active member of the Public School Employees'  
21 Retirement System, the agreed upon salary deductions shall be  
22 remitted to the Public School Employees' Retirement Board, which  
23 shall certify and transfer to the board the amounts paid.

24   § 5505.   Contributions for the purchase of credit for creditable  
25               nonstate service.

26       \* \* \*

27       (b)   Nonintervening military service.--

28           (1)   The amount due for the purchase of credit for  
29   military service other than intervening military service  
30   shall be determined by applying the member's basic

1 contribution rate, the additional contribution rate plus the  
2 Commonwealth normal contribution rate for active members at  
3 the time of entry, subsequent to such military service, of  
4 the member into State service to his average annual rate of  
5 compensation over the first three years of such subsequent  
6 State service and multiplying the result by the number of  
7 years and fractional part of a year of creditable  
8 nonintervening military service being purchased together with  
9 statutory interest during all periods of subsequent State and  
10 school service to date of purchase. Upon application for  
11 credit for such service, payment shall be made in a lump sum  
12 within 30 days or in the case of an active member or eligible  
13 school employee who is an active member of the Public School  
14 Employees' Retirement System it may be amortized with  
15 statutory interest through salary deductions in amounts  
16 agreed upon by the member and the board. The salary deduction  
17 amortization plans agreed to by members and the board may  
18 include a deferral of payment amounts and statutory interest  
19 until the termination of school service or State service, as  
20 the board, in its sole discretion, decides to allow. The  
21 board may limit salary deduction amortization plans to such  
22 terms as the board, in its sole discretion, determines. In  
23 the case of an eligible school employee who is an active  
24 member of the Public School Employees' Retirement System, the  
25 agreed upon salary deductions shall be remitted to the Public  
26 School Employees' Retirement Board, which shall certify and  
27 transfer to the board the amounts paid. Application may be  
28 filed for all such military service credit upon completion of  
29 three years of subsequent State service and shall be credited  
30 as Class A service.



1 (2) Applicants may purchase credit as follows:

2 (i) one purchase of the total amount of creditable  
3 nonintervening military service; or

4 (ii) one purchase per 12-month period of a portion  
5 of creditable nonintervening military service.

6 The amount of each purchase shall be not less than one year  
7 of creditable nonintervening military service.

8 \* \* \*

9 (d) Nonmilitary and nonmagisterial service.--Contributions  
10 on account of credit for creditable nonstate service other than  
11 military and magisterial service shall be determined by applying  
12 the member's basic contribution rate, the additional  
13 contribution rate plus the Commonwealth normal contribution rate  
14 for active members at the time of entry subsequent to such  
15 creditable nonstate service of the member into State service to  
16 his compensation at the time of entry into State service and  
17 multiplying the result by the number of years and fractional  
18 part of a year of creditable nonstate service being purchased  
19 together with statutory interest during all periods of  
20 subsequent State and school service to the date of purchase.

21 Upon application for credit for such service payment shall be  
22 made in a lump sum within 30 days or in the case of an active  
23 member or eligible school employee who is an active member of  
24 the Public School Employees' Retirement System it may be  
25 amortized with statutory interest through salary deductions in  
26 amounts agreed upon by the member and the board. The salary  
27 deduction amortization plans agreed to by members and the board  
28 may include a deferral of payment amounts and statutory interest  
29 until the termination of school service or State service, as the  
30 board, in its sole discretion, decides to allow. The board may

1 limit salary deduction amortization plans to such terms as the  
2 board, in its sole discretion, determines. In the case of an  
3 eligible school employee who is an active member of the Public  
4 School Employees' Retirement System, the agreed upon salary  
5 deductions shall be remitted to the Public School Employees'  
6 Retirement Board, which shall certify and transfer to the board  
7 the amounts paid.

8 \* \* \*

9 § 5506. Incomplete payments.

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

1 service or dies in school service or within 30 days of  
2 termination of school service and before the agreed upon  
3 payments have been completed, the present value of the benefit  
4 otherwise payable shall be reduced by the balance due, including  
5 interest, and the benefit payable shall be calculated as the  
6 actuarial equivalent of such reduced present value.

7 Section 9. Section 5706(a) of Title 71 is amended and the  
8 section is amended by adding a subsection to read:

9 § 5706. Termination of annuities.

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

1 the capacity of an independent contractor or as a member of an  
2 independent board or commission or as a member of a departmental  
3 administrative or advisory board or commission when such members  
4 of independent or departmental boards or commissions are  
5 compensated on a per diem basis for not more than 150 days per  
6 calendar year.

7 \* \* \*

8 (a.2) Return of benefits.--In the event an annuitant whose  
9 annuity ceases pursuant to this section receives any annuity  
10 payment, including a lump sum payment pursuant to section 5705  
11 (relating to member's options) on or after the date of his  
12 return to State service or entering school service, he shall  
13 return to the board the amount so received plus statutory  
14 interest. The amount payable shall be certified in each case by  
15 the board in accordance with methods approved by the actuary and  
16 shall be paid in a lump sum within 30 days or in the case of an  
17 active member or school employee who is an active member of the  
18 Public School Employees' Retirement System may be amortized with  
19 statutory interest through salary deductions in amounts agreed  
20 upon by the member and the board. In the case of a school  
21 employee who is an active member of the Public School Employees'  
22 Retirement System, the agreed upon salary deductions shall be  
23 remitted to the Public School Employees' Retirement Board, which  
24 shall certify and transfer to the board the amounts paid.

25 \* \* \*

26 Section 10. Sections 5902(1) and 5904(b) of Title 71 are  
27 amended to read:

28 § 5902. Administrative duties of the board.

29 \* \* \*

30 (1) Member contributions.--The board shall cause all pickup

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

14 \* \* \*

15 § 5904. Duties of the board to report to the Public School  
16 Employees' Retirement Board.

17 \* \* \*

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

25 (1) the total credited service in the system and the  
26 number of years and fractional part of a year of service  
27 credited in each class of service;

28 (2) the annual compensation received each calendar year  
29 by the member for credited State service; [and]

30 (3) the social security integration credited service to

1       which the member is entitled and the average noncovered  
2       salary upon which the single life annuity attributable to  
3       such service will be computed[.]; and

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

11      \* \* \*

12      Section 11. Section 5905(b) of Title 71 is amended and the  
13      section is amended by adding a subsection to read:

14      § 5905. Duties of the board regarding applications and  
15              elections of members.

16      \* \* \*

17      (b) School employees electing multiple service status.--Upon  
18      receipt of notification from the Public School Employees'  
19      Retirement Board that a former State employee has become an  
20      active member in the Public School Employees' Retirement System  
21      and has elected to become a member with multiple service status  
22      the board shall:

23              (1) in case of a member receiving an annuity from the  
24      system[, discontinue]:

25              (i) discontinue payments, transfer the present  
26              value[, at that time,] of the member's annuity at the  
27              time of entering school service, plus the amount  
28              withdrawn in a lump sum payment, on or after the date of  
29              entering school service, pursuant to section 5705  
30              (relating to member's options), with statutory interest

1        to date of transfer, minus the amount to be returned to  
2        the board on account of return to service, that the board  
3        has determined is to be credited in the member's savings  
4        account, from the annuity reserve account to the  
5        [members'] member's savings account and resume crediting  
6        of statutory interest on the amount restored to his  
7        credit [and transfer];

8            (ii) transfer the balance of the present value of  
9        the total annuity, minus the amount to be returned to the  
10       board on account of return to service that the board has  
11       determined is to be credited in the State accumulation  
12       account, from the annuity reserve account to the State  
13       accumulation account; and

14           (iii) certify to the member the amount of lump sum  
15       and annuity payments with statutory interest to be  
16       returned to the board by him, and of those amounts, which  
17       amount shall be credited to the member's savings account  
18       and credited with statutory interest as such payments are  
19       returned and which amount shall be credited to the State  
20       accumulation account; or

21        (2) in case of a member who is not receiving an annuity  
22        and has not withdrawn his total accumulated deductions,  
23        continue or resume the crediting of statutory interest on his  
24        total accumulated deductions during the period his total  
25        accumulated deductions remain in the fund; or

26        (3) in case of a former State employee who is not  
27        receiving an annuity from the system and his total  
28        accumulated deductions were withdrawn, certify to the former  
29        State employee the accumulated deductions as they would have  
30        been at the time of his separation had he been a full

coverage member together with statutory interest for all periods of subsequent State 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.

\* \* \*

(j) State employees' electing multiple service status.-- Upon receipt of notification from the Public School Employees' Retirement Board that a member who has elected multiple service membership has elected to restore school service or purchase creditable nonschool service in the Public School Employees' Retirement System or is obligated to return benefits to the Public School Employees' Retirement Board on account of electing multiple service membership has elected to pay all or part of the amount due to the Public School Employees' Retirement Board by salary deductions, the board shall collect from the employee the amounts certified by the Public School Employees' Retirement Board as due and owing by the member and shall certify and transfer to the Public School Employees' Retirement Board the amounts so collected.

Section 12. Sections 5906(c), (g) and (h) and 5907(c) of Title 71 are amended to read:

§ 5906. Duties of heads of departments.

\* \* \*

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



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

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

8 \* \* \*

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 [30] 365 days  
14 of entry into the system to become a multiple service member,  
15 and in the case of any such employee who so elects and has  
16 withdrawn his accumulated deductions, require him to reinstate  
17 his credit in the Public School Employees' Retirement System.  
18 The head of the department shall advise the 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 [30] 365 days of entry into  
25 the system and if he so elects his public school employee's  
26 annuity will be discontinued effective upon the date of his  
27 return to State service and, upon termination of State service  
28 and application for an annuity, the annuity will be adjusted in  
29 accordance with section 5706 (relating to termination of  
30 annuities). The head of department shall advise the board of

1 such election.

2 \* \* \*

3 § 5907. Rights and duties of State employees and members.

4 \* \* \*

5 (c) Multiple service membership.--Any active member who was  
6 formerly an active member in the Public School Employees'  
7 Retirement System may elect to become a multiple service member.  
8 Such election shall occur no later than [30] 365 days after  
9 becoming an active member in this system.

10 \* \* \*

11 Section 13. (a) Notwithstanding the limitation contained in  
12 24 Pa.C.S. § 8507(c), any active member of the Public School  
13 Employees' Retirement System who was formerly an active member  
14 in the State Employees' Retirement System and whose service  
15 credit in the State Employees' Retirement System has not been  
16 converted to service credited in another public pension plan or  
17 retirement system in this Commonwealth may elect to become a  
18 multiple service member on or before December 31, 2003.

19 (b) Notwithstanding the limitation contained in 71 Pa.C.S. §  
20 5907(c), any active member of the State Employees' Retirement  
21 System who was formerly an active member of the Public School  
22 Employees' Retirement System and whose service credit in the  
23 Public School Employees' Retirement System has not been  
24 converted to service credited in another public pension plan or  
25 retirement system in this Commonwealth may elect to become a  
26 multiple service member on or before December 31, 2003.

27 Section 14. (a) Except as provided in subsection (b), this  
28 act shall apply retroactively to the date of enactment.

29 (b) Deceased members of the State Employees' Retirement  
30 System or Public School Employees' Retirement System with a date

1 of death on or before 180 days after the enactment of this act,  
2 or their personal representatives, may not elect multiple  
3 service membership pursuant to this act.

4 Section 15. This act shall take effect on the first day of  
5 the month next following 180 days after the date of enactment.