

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 315 Session of
2001INTRODUCED BY GERLACH, TARTAGLIONE, COSTA, CONTI, TOMLINSON,
DENT AND SCHWARTZ, FEBRUARY 6, 2001AMENDMENTS TO SENATE AMENDMENTS, HOUSE OF REPRESENTATIVES,
NOVEMBER 27, 2002

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, ~~further providing for~~ <—
3 ~~termination of annuities; further defining "class of service~~
4 ~~multiplier"; further providing for credited State service,~~
5 ~~for retention and reinstatement of service credits and for~~
6 ~~classes of service; providing for election to become a Class~~
7 ~~C-1 member; further providing for contributions by the~~
8 ~~Commonwealth and other employers, for actuarial cost method~~
9 ~~and for supplemental annuities commencing 2003; and providing~~
10 ~~for benefits completion plan.~~ FURTHER PROVIDING FOR <—
11 TERMINATION OF ANNUITIES, FOR RETENTION AND REINSTATEMENT OF
12 SERVICE CREDITS AND FOR SUPPLEMENTAL ANNUITIES COMMENCING
13 2003; AND PROVIDING FOR BENEFITS COMPLETION PLAN.

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

16 Section 1. Section 8346 of Title 24 of the Pennsylvania
17 Consolidated Statutes is amended by adding a subsection to read:

18 § 8346. Termination of annuities.

19 * * *

20 (b.1) Return to school service in an extracurricular
21 position.--An annuitant may be employed under separate contract
22 by a school entity or charter school in an extracurricular

1 position outside regular instructional hours and not part of
2 mandated curriculum without loss of annuity. Neither the
3 annuitant nor the employer shall make contributions to the
4 member's savings account or State accumulation account
5 respectively for such service. Further, such contract shall
6 contain a waiver whereby the annuitant waives any potential
7 retirement benefits that could arise from the contract and
8 releases the employer and the board from any liability for such
9 benefits.

10 * * *

11 ~~Section 2. The definition of "class of service multiplier" <—~~
12 ~~in section 5102 of Title 71 is amended to read:~~

13 ~~§ 5102. Definitions.~~

14 ~~The following words and phrases as used in this part, unless~~
15 ~~a different meaning is plainly required by the context, shall~~
16 ~~have the following meanings:~~

17 * * *

18 ~~"Class of service multiplier."~~

19 ~~Class of Service Multiplier~~

20 ~~A — 1~~

21 ~~AA — for all purposes~~

22 ~~— except~~

23 ~~— calculating regular~~

24 ~~— member contributions~~

25 ~~— on compensation~~

26 ~~— paid prior to~~

27 ~~— January 1, 2002 — 1.25~~

28 ~~AA — for purposes~~

29 ~~— of calculating~~

30 ~~— regular member~~

1 ~~—contributions~~
2 ~~—on compensation~~
3 ~~—paid prior to~~
4 ~~—January 1, 2002 —1~~
5 B ~~—1.625~~
6 C ~~—1~~
7 ~~C-1 —for all purposes~~
8 ~~—except~~
9 ~~—calculating regular~~
10 ~~—member contributions~~
11 ~~—on compensation~~
12 ~~—paid prior to~~
13 ~~—January 1, 2003 —1.25~~
14 ~~C-1 —for purposes~~
15 ~~—of~~
16 ~~—calculating regular~~
17 ~~—member contributions~~
18 ~~—on compensation~~
19 ~~—paid prior to~~
20 ~~—January 1, 2003 —1~~
21 D ~~—1.25~~
22 ~~D-1 —prior to~~
23 ~~—January 1, 1973 —1.875~~
24 ~~D-1 —on and~~
25 ~~—subsequent to~~
26 ~~—January 1, 1973 —1.731~~
27 ~~D-2 —prior to~~
28 ~~—January 1, 1973 —2.5~~
29 ~~D-2 —on and~~
30 ~~—subsequent to~~

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

1 ~~(b) Creditable leaves of absence.~~

2 * * *

3 ~~(2) An active member on paid leave granted by an~~
4 ~~employer for purposes of serving as an appointed full time~~
5 ~~official at his union rate of compensation or as an elected~~
6 ~~full time officer for a Statewide employee organization which~~
7 ~~is a collective bargaining representative under the act of~~
8 ~~June 24, 1968 (P.L.237, No.111), referred to as the Policemen~~
9 ~~and Firemen Collective Bargaining Act, or the act of July 23,~~
10 ~~1970 (P.L.563, No.195), known as the Public Employee Relations~~
11 ~~Act: Provided, That [such leave shall not be for more than~~
12 ~~three consecutive terms of the same office; that] the~~
13 ~~employer shall fully compensate the member, including, but~~
14 ~~not limited to, salary, wages, pension and retirement~~
15 ~~contributions and benefits, other benefits and seniority, as~~
16 ~~if he were in full time active service; and that the~~
17 ~~Statewide employee organization shall fully reimburse the~~
18 ~~employer for all expenses and costs of such paid leave,~~
19 ~~including, but not limited to, contributions and payment in~~
20 ~~accordance with sections 5501, 5505.1 and 5507, if the~~
21 ~~employee organization either directly pays, or reimburses the~~
22 ~~Commonwealth or other employer for, contributions made in~~
23 ~~accordance with section 5507.~~

24 * * *

25 ~~Section 4. Section 5303(b)(1) of Title 71 is amended and the~~
26 ~~section is amended by adding a subsection to read:~~

27 SECTION 2. SECTION 5303 OF TITLE 71 IS AMENDED BY ADDING A <—
28 SUBSECTION TO READ:

29 § 5303. Retention and reinstatement of service credits.

30 * * *

1 ~~(b) Eligibility points for prospective credited service.~~ <—

2 ~~(1) Every active member of the system or a multiple~~
3 ~~service member who is a school employee and a member of the~~
4 ~~Public School Employees' Retirement System on or after the~~
5 ~~effective date of this part shall receive eligibility points~~
6 ~~in accordance with section 5307 for current State service,~~
7 ~~previous State service, or creditable nonstate service upon~~
8 ~~compliance with sections 5501 (relating to regular member~~
9 ~~contributions for current service), 5504 (relating to member~~
10 ~~contributions for the purchase of credit for previous State~~
11 ~~service or to become a full coverage member), 5505 (relating~~
12 ~~to contributions for the purchase of credit for creditable~~
13 ~~nonstate service), 5505.1 (relating to additional member~~
14 ~~contributions) or 5506 (relating to incomplete payments).~~
15 ~~Subject to the limitations in sections 5306.1 (relating to~~
16 ~~election to become a Class AA member) [and] 5306.2 (relating~~
17 ~~to elections by members of the General Assembly) and 5306.3~~
18 ~~(relating to election to become a Class C 1 member), the~~
19 ~~class or classes of service in which the member may be~~
20 ~~credited for previous State service prior to the effective~~
21 ~~date of this part shall be the class or classes in which he~~
22 ~~was or could have at any time elected to be credited for such~~
23 ~~service. The class of service in which a member shall be~~
24 ~~credited for service subsequent to the effective date of this~~
25 ~~part shall be determined in accordance with section 5306~~
26 ~~(relating to classes of service).~~

27 * * *

28 (h) Purchase of certain service credit; Delaware River Joint
29 Free Bridge Commission.--

30 (1) An active member who is an employee of the Delaware

River Joint Toll Bridge Commission on the effective date of this subsection shall be eligible to obtain State service credit for the other one-half of the member's service as an employee of the former Delaware River Joint Free Bridge Commission after September 1, 1973, and before July 1, 1987, for which the member has received one-half year of State service credit for each year of service upon payment of the required contribution by the member.

(2) In order to elect the service credit, an active member shall file an application with the board no later than three years after the effective date of this subsection.

(3) The contribution to be paid by a member for the service credit shall be determined by the board to be equal to the amount paid as employee contributions to the fund by the member as an employee of the former Delaware River Joint Free Bridge Commission during the time period for which service credit is being purchased together with statutory interest to date of purchase.

(4) Upon application for the service credit, the member shall pay the contribution to the board in a lump sum within 30 days or the contribution may be amortized with statutory interest through salary deductions over a period not to exceed three years as agreed upon by the member and the board.

(5) In no event shall the service be creditable if the member has received, is entitled to receive, eligible to receive now or in the future or is receiving retirement benefits for such service or has retirement credit or has now or acquires in the future retirement credit under a retirement system administered and wholly or partially paid

1 for by any other governmental agency or by any private
2 employer or a retirement program approved by the employer in
3 accordance with section 5301(a)(12). In the event that State
4 service credit is granted for the service and the member
5 subsequently receives credit for the service that is
6 prohibited by this paragraph, the State service credited
7 shall be canceled and any member contributions and interest
8 paid by the member under paragraphs (3) and (4) shall be
9 refunded to the member by the board.

10 ~~Section 5. Section 5306 of Title 71 is amended by adding a~~ <—
11 ~~subsection to read:~~

12 ~~§ 5306. Classes of service.~~

13 ~~* * *~~

14 ~~(a.3) Class C 1 membership.~~

15 ~~(1) Provided that an election to become a Class C 1~~
16 ~~member is made pursuant to section 5306.3 (relating to~~
17 ~~election to become a Class C 1 member), a State employee who~~
18 ~~on July 1, 2002 is:~~

19 ~~(i) a member of Class C, other than a State police~~
20 ~~officer; or~~

21 ~~(ii) an inactive member on a leave without pay from~~
22 ~~a position in which the State employee would be a Class C~~
23 ~~active member if the employee was not on leave without~~
24 ~~pay, other than the position of State police officer;~~
25 ~~shall be classified as a Class C 1 member and receive credit~~
26 ~~for Class C 1 State service performed after June 30, 2002,~~
27 ~~upon payment of regular member contributions for Class C 1~~
28 ~~service and shall receive Class C 1 service credit for all~~
29 ~~Class C State service, other than Class C State service~~
30 ~~performed as a State police officer, performed before July 1,~~

1 ~~2002.~~

2 ~~(2) Provided that an election to become a Class C 1~~
3 ~~member is made pursuant to section 5306.3, a former State~~
4 ~~employee who was a member of Class C and who was not a State~~
5 ~~police officer, who on July 1, 2002, is a multiple service~~
6 ~~member and a school employee and a member of the Public~~
7 ~~School Employees' Retirement System, shall receive Class C 1~~
8 ~~service credit for all Class C State service, other than~~
9 ~~Class C State service performed as a State police officer.~~

10 ~~(3) A former State employee, who was a member of Class C~~
11 ~~and who was not a State police officer, who is a school~~
12 ~~employee and who after July 1, 2002 becomes a multiple~~
13 ~~service member, shall receive Class C 1 service credit for~~
14 ~~all Class C State service other than Class C State service~~
15 ~~performed as a State police officer.~~

16 ~~* * *~~

17 ~~Section 6. Title 71 is amended by adding a section to read:~~

18 ~~§ 5306.3. Election to become a Class C 1 member.~~

19 ~~(a) General rule. A person who is:~~

20 ~~(1) a member of the system; or~~

21 ~~(2) a multiple service member who is a school employee~~
22 ~~and a member of the Public School Employees Retirement~~
23 ~~System;~~

24 ~~who on July 1, 2002, is eligible for Class C 1 membership under~~
25 ~~section 5306(a.3) (relating to classes of service) may elect to~~
26 ~~become a member of Class C 1.~~

27 ~~(b) Time for making election. An election to become a Class~~
28 ~~C 1 member must be made by the member filing written notice with~~
29 ~~the board before January 1, 2003, or before the member~~
30 ~~terminates State service, or, if a school employee, before the~~

~~member terminates school service, whichever occurs first.~~

~~(c) Effect of election. Membership as a Class C 1 member shall become effective the later of July 1, 2002, or the date when the election is filed with the board and shall remain in effect until the termination of employment. Upon termination and subsequent reemployment, the member's class of service shall be credited in the class of service otherwise provided for in this part.~~

~~(d) Effect of failure to make election. Failure to elect to become a Class C 1 member within the election period set forth in subsection (b) shall result in all of the member's Class C State service, other than Class C service performed as a State Police officer, being credited as Class C service and not subject to further election or crediting as Class C 1 service upon termination and subsequent reemployment.~~

~~Section 7. Section 5507(a) of Title 71 is amended to read:
§ 5507. Contributions by the Commonwealth and other employers.~~

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

~~* * *~~

~~Section 8. Section 5508 of Title 71 is amended by adding a subsection to read:~~

1 ~~§ 5508. Actuarial cost method.~~

2 * * *

3 ~~(h) Determination of liability for Class C 1 service.~~

4 ~~Notwithstanding any other provision of this part or other law,~~
5 ~~the total additional accrued actuarial liability resulting from~~
6 ~~Class C 1 service shall be determined by the actuary as part of~~
7 ~~the first annual valuation made after the effective date of this~~
8 ~~subsection. The resulting additional accrued liability shall be~~
9 ~~paid by the Pennsylvania Liquor Control Board and the~~
10 ~~Pennsylvania State Police, the amount of which shall be divided~~
11 ~~between the agencies in accordance with the percentage of total~~
12 ~~Class C 1 members in each agency's employ, in annual payments~~
13 ~~over a period of ten years from the first day of July,~~
14 ~~coincident with or next following the first valuation made after~~
15 ~~the effective date of this subsection. The amount of each annual~~
16 ~~accrued liability contribution for Class C 1 service shall be~~
17 ~~equal to the amount of such contribution for the first annual~~
18 ~~payment.~~

19 Section 9 3. Section 5708.7(g) of Title 71 is amended to <—
20 read:

21 § 5708.7. Supplemental annuities commencing 2003.

22 * * *

23 (g) Eligible benefit recipient.--As used in this section,
24 the term "eligible benefit recipient" means a person:

25 (1) who is receiving a superannuation, withdrawal or
26 disability annuity on July 1, 2003;

27 (2) whose most recent effective date of retirement is
28 prior to [January 1,] July 2, 2002; and

29 (3) whose credited service does not include any service
30 credited as either Class AA, Class D-4 or Class T-D service.

1 Notwithstanding the above, the supplemental annuities provided
2 under this section shall not be payable to an annuitant
3 receiving a superannuation or withdrawal annuity prior to the
4 first day of July coincident with or following the annuitant's
5 attainment of superannuation age.

6 Section ~~10~~ 4. Title 71 is amended by adding a section to <—
7 read:

8 § 5941. Benefits completion plan.

9 Notwithstanding any other law to the contrary, the board
10 shall establish and serve as trustee of a retirement benefit
11 plan within the meaning of, in conformity with and then only to
12 the extent and so long as permitted by IRC § 415(m) for the
13 purpose of providing such retirement benefits as would otherwise
14 have been payable under this part to annuitants of the system on
15 or after July 2, 2001, but for the application of the
16 limitations on benefits of IRC § 415. The board may, in its sole
17 discretion and within the limits of IRC § 415(m) and this
18 section, determine all terms and provisions of the plan,
19 including but not limited to, the cost of and procedures for
20 funding the plan as provided in this section. The Commonwealth
21 and other employers whose employees are members of the system
22 shall make contributions to the plan on behalf of all members in
23 such amounts as shall be certified by the board.

24 Section ~~11~~ 5. The addition of 24 Pa.C.S. § 8346(b.1) shall <—
25 apply retroactively to July 1, 2001.

26 Section ~~12~~ 6. No payments from the plan authorized by 71 <—
27 Pa.C.S. § 5941 shall be made until the first calendar month
28 beginning 90 days following the receipt by the State Employees'
29 Retirement Board of a determination by the Internal Revenue
30 Service that the plan established by the State Employees'

1 Retirement Board conforms with Section 415(m) of the Internal
2 Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 415(m)) and
3 such regulations as may have been promulgated thereunder and
4 until the assets of the plan as provided in 71 Pa C.S. § 5941
5 are sufficient to satisfy the plan's projected liabilities in
6 the following year.

7 Section ~~13~~ 7. This act shall take effect as follows: <—

8 (1) The addition of 71 Pa.C.S. § 5303(h) shall take
9 effect in 60 days.

10 (2) The remainder of this act shall take effect
11 immediately.