

No. 1983-31

## AN ACT

SB 385

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, adding provisions relating to school subsidies; providing that employers make pickup contributions to the Public School Employees' Retirement System on behalf of school employees; further providing for contribution rates; further providing for contributions for members of the State Employees' Retirement System; and suspending temporarily a portion of an act.

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

Section 1. Title 24 of the Pennsylvania Consolidated Statutes is amended by adding a part to read:

PART II  
BASIC EDUCATION

Chapter

29. Reimbursement

CHAPTER 29  
REIMBURSEMENT

Sec.

2901. Definitions.  
2902. Payments on account of instruction.  
2903. Limitation of certain payments.  
2904. Proportionate reduction of payments.  
2905. Economic supplement.  
2906. Payments.

§ 2901. Definitions.

(a) General rule.—The following words and phrases when used in this chapter shall have the meanings given to them in this subsection unless the context clearly indicates otherwise:

“Aid ratio.” The aid ratio shall be determined in the following manner:

(1) Divide the market value per weighted average daily membership of the district by the market value per weighted average daily membership of the State.

(2) Determine the product of paragraph (1) multiplied by 0.5.

(3) Subtract the resultant product in paragraph (2) from one (1.0000) to determine the aid ratio.

$$\text{Aid Ratio} = 1.0000 - \frac{\text{District MV/WADM}}{\text{State MV/WADM}} \times 0.5$$

“Equalized millage.” A school district’s tax effort to be used for reimbursement under section 2905 (relating to economic supplement) shall be the amount of local school taxes collected during the year for which reimbursement is being computed, divided by the most recent real property valuation of the school district.

“Equalized subsidy for basic education.” For the school year 1982-1983 and each school year thereafter, each school district shall be paid by the Commonwealth an equalized subsidy for basic education, which shall consist of payments on account of instruction, as provided for in section 2902 (relating to payments on account of instruction), and an economic supplement, as provided for in section 2905 (relating to economic supplement).

“Factor for educational expense.” For the school year 1982-1983 and each school year thereafter, the factor for educational expense used to compute school district entitlements to payments on account of instruction, as provided for in section 2902 (relating to payments on account of instruction), shall be \$1,656 unless later changed by statute.

“Minimum subsidy.” For the school years 1976-1977 and 1977-1978, in no case shall a district receive for each pupil in weighted average daily membership an amount less than 10% of the actual cost of instruction or 10% of the base earned for reimbursement, whichever is the lesser amount. For the 1978-1979 school year through the 1980-1981 school year, no school district shall receive for each pupil in weighted average daily membership an amount less than 15% of the base earned for reimbursement or actual instructional expense per WADM, whichever is the lesser amount. For the 1976-1977 school year through the 1980-1981 school year, a district whose actual instruction expense per weighted average daily membership is more than \$200 less than the median actual instruction expense per weighted average daily membership, and whose equalized millage is within 15% of the median equalized millage, the reimbursement shall be \$200 below the median actual instruction expense per weighted average daily membership times the district’s aid ratio for each weighted average daily membership. For the 1982-1983 school year and each school year thereafter, no school district shall receive for each pupil in weighted average daily membership an amount less than 15% of the factor for educational expense.

“School Code.” The act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949.

(b) Other definitions.—Words and phrases not defined in subsection (a) shall have the meanings given to them in the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949.

§ 2902. Payments on account of instruction.

For the school year 1976-1977 through the 1980-1981 school year, each school district shall be paid by the Commonwealth on account of instruction of the district’s pupils an amount to be determined by multiplying the market value/income aid ratio times the actual instruction expense per weighted average daily membership or by the base earned for reimbursement, whichever is less, and by the weighted average daily membership for the district. For the school year 1976-1977, any school district which, as a result of the

impact on payments under sections 2502(d), (e) and (f) and 2592 of the School Code by reason of the market value/income aid ratio or the application of equalized millage to the base earned for reimbursement, shall suffer a reduction in subsidy entitlement, shall be held harmless from this impact and shall receive an amount which is no less than that received for 1976-1977 under sections 2502(d), (e) and (f) and 2592 of the School Code. For the 1982-1983 school year and each school year thereafter, each school district shall be paid by the Commonwealth on account of instruction of the district's pupils an amount to be determined by multiplying the district's market value/income aid ratio by the factor for educational expense (\$1,656) and by the weighted average daily membership of the district.

§ 2903. Limitation of certain payments.

(a) Prior school years.—Notwithstanding any other provision of law, for the school year 1970-1971 through the school year 1980-1981, no school district shall be paid under section 2502(d) and (e) or 2592 of the School Code, whichever is applicable, and sections 2502(f), 2502.3 and 2502.4 of the School Code an amount in excess of 100% of the total approved reimbursable instructional expenditures of the school district. The provisions of this subsection shall not apply to any school district receiving any payment under section 2502(g) of the School Code.

(b) School years beginning in 1982.—

(1) Notwithstanding any other provisions of law, for the school year 1982-1983 and each school year thereafter, no school district shall be paid under sections 2902 (relating to payments on account of instruction) and 2905 (relating to economic supplement) an amount in excess of 100% of the total reimbursable instructional expenditures of the school district.

(2) For the 1982-1983 school year, all school districts qualifying for payments under sections 2902 and 2905 shall be limited to an increase payment on account of those sections which shall not exceed 9% over the sums received on account of section 2502.9 of the School Code for the 1981-1982 school year, nor shall any school district receive an increase of less than 2% of the 1981-1982 school year payments.

§ 2904. Proportionate reduction of payments.

(a) Prior school years.—If the sums appropriated for the 1978-1979 school year through the 1981-1982 school year are not sufficient to pay in full the total amounts to which all qualified school districts, intermediate units and nonpublic schools are entitled to receive under the provisions of sections 917.1-A, 919.1-A, 922.1-A, 923-A(d), 2501, 2502, 2502.3, 2502.4 and 2502.8 of the School Code for such year, the allocations to the school districts, intermediate units and nonpublic schools shall be proportionately reduced to the extent necessary to bring the aggregate of the school district, intermediate unit and nonpublic school allocations within the limits of the amounts appropriated. However, no school district's gross allocation under the provisions of the sections referred to in this subsection shall be less for the 1978-1979, 1979-1980, 1980-1981 or 1981-1982 school year than its gross allocation under those sections for the previous school year.

(b) School years beginning in 1982.—If the sums appropriated for the 1982-1983 school year and each school year thereafter are not sufficient to pay in full the total amounts to which all qualified school districts, intermediate units and nonpublic schools are entitled to receive under the provisions of sections 917.1-A, 919.1-A, 922.1-A, 923-A(d) and 2502.8 of the School Code for such year, the allocations to the school districts, intermediate units and nonpublic schools shall be proportionately reduced to the extent necessary to bring the aggregate of the school district, intermediate unit and nonpublic school allocations within the limits of the amounts appropriated.

§ 2905. Economic supplement.

(a) General rule.—For the school year 1982-1983 and each school year thereafter, each qualifying school district shall be paid, in addition to any other payments to which it is entitled, an economic supplement, based upon children in low-income families, local tax effort and population per square mile.

(b) Economic supplement based on children in low-income families.—For the school year 1982-1983 and each school year thereafter, each qualifying school district shall be paid on account of children in low-income families an amount in accordance with the following table:

Percentage of Low-Income Pupils In Average Daily Membership	Grant Per Low-Income Pupil
10 - 19.9	\$100
20 - 39.9	\$300
40 or over	\$500

For the 1982-1983 school year and each school year thereafter, low-income pupils are defined for purposes of this section as children aged 5 to 17 years, inclusive, in families receiving a grant in excess of \$2,000 from the Commonwealth on account of dependent children under Title IV of the Federal Social Security Act.

(c) Economic supplement based on local tax effort and population per square mile.—For the school year 1982-1983 and each school year thereafter, any district which levies and collects local taxes for school purposes equal to or above the median equalized millage, as defined in section 2501(9.3) of the School Code, in the year for which reimbursement is determined shall qualify for and receive a payment based upon local tax effort and population per square mile in accordance with the following table, except for qualifying districts which include a central city of a Standard Metropolitan Statistical Area and have a district population of less than 4,000 persons per square mile, which districts shall receive 3% of their instructional expenditures:

Population Per Square Mile of the Qualifying District	Payment as Percent of Instructional Expenditure
5,950 and over	5
4,000 - 5,949	3
less than 4,000	1

Notwithstanding the provisions of this table, qualifying districts having a general population of 5,950 or more persons per square mile and at least 35,000 WADMs shall be paid 19% of their instructional expenditures.

§ 2906. Payments.

Section 2517(c) of the School Code shall apply to all payments to which a school district is entitled under any provision of sections 2502, 2502.3, 2502.4, 2502.8, 2502.9 and 2592 of the School Code for the school year 1981-1982 and to payments to which a school district is entitled under any provision of section 2502.8 of the School Code and sections 2902 (relating to payments on account of instruction) and 2905 (relating to economic supplement) for the school year 1982-1983 and each school year thereafter.

Section 2. Sections 8102, 8302(a) and 8321 of Title 24 are amended to read:

§ 8102. Definitions.

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

“Accumulated deductions.” The total of *pickup contributions* and the contributions paid into the fund by the member on account of current school service, previous school service, or creditable nonschool service and the statutory interest credited on all such contributions.

“Active member.” A school employee [who is contributing to the fund or] for whom [authorized] *pickup* contributions are being made to the fund.

“Actuarially equivalent.” Equal present values, computed on the basis of statutory interest and the mortality tables adopted by the board.

“Actuary.” The consultant to the board who shall be:

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

“Annuitant.” Any member on or after the effective date of retirement until his annuity is terminated.

“Approved leave of absence.” A leave of absence which has been approved by the employer for sabbatical leave, service as an exchange teacher, or professional study.

“Basic contribution rate.” The rate of [5 1/4% except for an active member of Class T-A or T-B, the appropriate rate based on sex and age at entry into the system] 6 1/4%.

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

“Board.” The Public School Employees’ Retirement Board or the Public School Employees’ Retirement Board.

“Class of service multiplier.”

Class of service	Multiplier
T-A	.714
T-B	.625
T-C	1.000

“Compensation.” **[Any] Pickup contributions plus any** remuneration received as a school employee excluding refunds for expenses incidental to employment and excluding any severance payments.

“Concurrent service.” Simultaneously credited school and State service.

“Creditable nonschool service.” Service other than service as a school employee for which an active member may obtain credit.

“Credited service.” School or creditable nonschool service for which the required contributions have been made or for which salary deductions or lump sum payments have been agreed upon in writing.

“Date of termination of service.” The last date of service for which **[a member makes contributions] pickup contributions are made for an active member** or, in the case of an inactive member, the effective date of his resignation or the date his employment is formally discontinued by his employer or two years following the last day of service for which **[he made] contributions were made**, whichever is earliest.

“Effective date of retirement.” The first day following the date of termination of service of a member if he has properly filed an application for an annuity within 90 days of such date or:

(1) In the case of a member who applies for an annuity subsequent to 90 days after termination of service, the date of filing such application or the date specified on the application, whichever is later.

(2) In the case of a vestee who files an application for an annuity within 90 days of his superannuation age, the attainment of such age.

(3) In the case of a finding of disability, the date certified by the board as the effective date of disability.

“Eligibility points.” Points which are accrued by an active member or a multiple service member who is an active member of the State Employees’ Retirement System for credited service and are used in the determination of eligibility for benefits as provided in section 8306 (relating to eligibility points).

“Employer.” Any governmental entity directly responsible for the employment and payment of the school employee and charged with the responsibility of providing public education within this Commonwealth, including but not limited to: State-owned colleges and universities, the Pennsylvania State University, community colleges, area vocational-technical schools, intermediate units, the State Board of Education, Scotland School for Veterans’ Children, Thaddeus Stevens **[Trade] State School of Technology**, and the Pennsylvania State Oral School for the Deaf.

“Final average salary.” The highest average compensation received as an active member during any three nonoverlapping periods of 12 consecutive months with the compensation for part-time service being annualized on the basis of the fractional portion of the school year for which credit is received; except, if the employee was not a member for three such periods, the total compensation received as an active member annualized in the case of part-time service divided by the number of such periods of membership; and, in the case of a member with multiple service credit, the final average salary shall be determined by reference to compensation received by him as a school employee or a State employee or both.

“Full coverage member.” Any member **[who has made or is making] for whom regular member pickup contributions[,] are being picked up or who has paid or has agreed to pay to the fund the actuarial equivalent of regular member contributions [over the entire period of his credited service] due on account of service prior to January 1, 1983.**

“Fund.” The Public School Employees’ Retirement Fund.

“Governmental entity.” Board of school directors, board of public education, intermediate unit board of directors, area vocational-technical board, any governing board of any agency or authority created by them, and the Commonwealth.

“Inactive member.” A member **[who is not making regular member contributions] for whom no pickup contributions are being made**, who has accumulated deductions standing to his credit in the fund and **[who has contributed to the fund] for whom contributions have been made** within the last two school years or a multiple service member who is active in the State Employees’ Retirement System.

“Intervening military service.” Active military service of a member who was a school employee immediately preceding his induction into the armed services or forces of the United States in order to meet a draft obligation excluding any voluntary extension of such obligational service and who becomes a school employee within 90 days of the expiration of such service.

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

“Joint coverage member contributions.” Regular member contributions reduced for a joint coverage member.

“Member.” Active member, inactive member, annuitant, or vestee.

“Member’s annuity.” The single life annuity which is actuarially equivalent on the effective date of retirement to the accumulated deductions standing to the member’s credit in the members’ savings account.

“Military service.” All active military service for which a member has received a discharge other than an undesirable, bad conduct, or dishonorable discharge.

“Multiple service.” Credited service of a member who has elected to combine his credited service in both the Public School Employees’ Retirement System and the State Employees’ Retirement System.

“Pickup contributions.” **Regular or joint coverage member contributions which are made by the employer for active members for current service on and after January 1, 1983.**

“Previous school service.” Service rendered as a school employee including service in any summer school conducted by a school district of the Commonwealth prior to the member’s most recent entrance in the system.

“Public school.” Any or all classes or schools within this Commonwealth conducted under the order and superintendence of the Department of Education including, but not limited to: all educational classes of any employer charged with the responsibility of public education within this Commonwealth as well as those classes financed wholly or in part by the

Federal Government, State-owned colleges and universities, the Pennsylvania State University, community colleges, area vocational-technical schools, intermediate units, the State Board of Education, Scotland School for Veterans' Children, Thaddeus Stevens [Trade] *State School of Technology*, and the Pennsylvania State Oral School for the Deaf.

“Regular member contributions.” The product of the basic contribution rate and the compensation of the member.

“Salaried employee.” A school employee who is compensated on the basis of an annual salary.

“Salary deductions.” The amounts certified by the board, deducted from the compensation of an active member and paid into the fund.

“School employee.” Any person engaged in work relating to a public school for any governmental entity and for which work he is receiving regular remuneration as an officer, administrator or employee excluding, however, any independent contractor or a person compensated on a fee basis.

“School service.” Service rendered as a school employee.

“School year.” The 12-month period which the governmental entity uses for purposes of administration regardless of the actual time during which a member renders service.

“Severance payments.” Any payments for unused vacation or sick leave and any additional compensation contingent upon retirement including payments in excess of the scheduled or customary salaries provided for members within the same governmental entity with the same educational and experience qualifications who are not terminating service.

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

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

“State service.” Service rendered as a State employee and credited as service in the State Employees' Retirement System.

“Statutory interest.” Interest at 4% per annum, compounded annually.

“Superannuation annuitant.” An annuitant whose annuity became payable on or after the attainment of superannuation age.

“Superannuation or normal retirement age.”

Class of service	Age
T-A	62 or any age upon accrual of 35 eligibility points
T-B	62



T-C

62 or age 60 provided the member has at least 30 eligibility points or any age upon accrual of 35 eligibility points

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

“System.” The Public School Employees’ Retirement System of Pennsylvania as established by the act of July 18, 1917 (P.L.1043, No.343), and codified by the act of June 1, 1959 (P.L.350, No.77).

“Valuation interest.” Interest at 5 1/2% per annum, compounded annually and applied to all accounts other than the members’ savings account.

“Vestee.” A member with ten or more eligibility points who has terminated school service, has left his accumulated deductions in the fund, and is deferring filing of an application for receipt of an annuity.

§ 8302. Credited school service.

(a) Computation of credited service.—In computing credited school service of a member for the determination of benefits, a full-time salaried school employee shall receive one year of credit for each school year or the corresponding fraction thereof, in accordance with the proportion of the full school year for which the required regular member contributions have been made. A per diem or hourly school employee shall receive one year of credited service for each nonoverlapping period of 12 consecutive months in which he is employed and for which **[he contributes] contributions are made** for at least 180 full-day sessions or 1,100 hours of employment. If such member was employed and **[contributed] contributions were made** for less than 180 full-day sessions or 1,100 hours, he shall be credited with a fractional portion of a year determined by the ratio of the number of full-day sessions or hours of service actually rendered to 180 full-day sessions or 1,100 hours, as the case may be. A part-time salaried employee shall be credited with the fractional portion of the year which corresponds to the service actually rendered in relation to the service required as a comparable full-time salaried employee. In no case shall a member receive more than one year of credited service for any 12 consecutive months or a member who has elected multiple service receive an aggregate in the two systems of more than one year of credited service for any 12 consecutive months.

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§ 8321. Regular member contributions for current service.

**[Every active member shall make regular] Regular** member contributions **shall be made to the fund on behalf of each active member** for current service **[by salary deductions]**.

Section 3. Title 24 is amended by adding a section to read:

§ 8322.1. *Pickup contributions.*

*All contributions required to be made under sections 8321 (relating to regular member contributions for current service) and 8322 (relating to joint coverage member contributions), with respect to current school service ren-*

*dered by an active member on or after January 1, 1983, shall be picked up by the employer and shall be treated as the employer's contribution in determining tax treatment under the United States Internal Revenue Code for Federal tax purposes. For all other purposes, under this part and otherwise, the pickup contributions shall be treated as contributions made by a member in the same manner and to the same extent as contributions made by a member prior to January 1, 1983.*

Section 4. Sections 8323(a), 8502(m), 8505(g), 8506(c), (d) and (e), 8507(b) and 8523(a) of Title 24 are amended to read:

§ 8323. Member contributions for creditable school service.

(a) Previous school service, sabbatical leave and full coverage.—The contributions to be paid by an active member or an eligible State employee for credit for reinstatement of all previously credited school service, school service not previously credited, sabbatical leave as if he had been in full-time daily attendance, or full-coverage membership shall be sufficient to provide an amount equal to the accumulated deductions which would have been standing to the credit of the member for such service had **[he made]** regular member contributions *been made* with full coverage at the rate of contribution necessary to be credited as Class T-C service and had such contributions been credited with statutory interest during the period the contributions would have been made and during all periods of subsequent school and State service up to the date of purchase.

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§ 8502. Administrative duties of board.

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(m) Member contributions and interest.—The board shall cause each member's contributions, including payroll deductions, *pickup contributions* and all other payments, to be credited to the account of such member and shall pay all such amounts into the fund. Such contributions shall be credited with statutory interest until date of termination of service, except in the case of a vestee, who shall have such interest credited until the effective date of retirement or until the return of his accumulated deductions, if he so elects; and in the case of a multiple service member who shall have such interest credited until termination of service in both the school and the State systems.

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

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(g) Initial annuity payment and certification.—The board shall make the first monthly payment to a member who is eligible for an annuity within 60 days of the filing of his application for an annuity and receipt of the required data from the employer of the member. Concurrently the board shall certify to such member:

(1) The accumulated deductions standing to his credit showing separately the amount contributed *by the member, the pickup contribution* and the interest credited to the date of termination of service.

(2) The number of years and fractional part of a year credited in each class of service.

(3) The final average salary on which his annuity is based as well as any applicable reduction factors due to age or election of an option or both.

(4) The total annuity payable under the option elected and the amount and effective date of any future reduction on account of social security old-age insurance benefits.

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§ 8506. Duties of employers.

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(c) Member and employer contributions.—The employer shall certify to **[his] its** treasurer the required member contributions *picked up and any other contributions* deducted from each payroll. The treasurer shall remit to the secretary of the board each month the total of the member contributions and the amount due from the employer determined in accordance with section 8327 (relating to payments by employers).

(d) New employees subject to mandatory membership.—Upon the assumption of duties of each new school employee whose membership in the system is mandatory, the employer shall no later than 30 days thereafter cause an application for membership, which application shall include the employee's home address, birthdate certified by the employer, previous school or State service and any other information requested by the board, and a nomination of beneficiary to be made by such employee and filed with the board and shall make **[payroll deductions] pickup contributions** from the effective date of school employment.

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

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

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(b) Application for membership.—A new employee who is not currently a member of the system and whose membership is mandatory or a new employee whose membership in the system is not mandatory but who desires to become a member of the system shall execute an application for membership and a nomination of beneficiary **[and shall make the proper contributions]**.

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§ 8523. Members' savings account.

(a) Credits to account.—The members' savings account shall be the ledger account to which shall be credited the amounts of the *pickup contributions made by the employer and* contributions or lump sum payments made by active members in accordance with the provisions of Chapter 83 (relating to membership, contributions and benefits).

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Section 5. The definitions of "full coverage member," "member's annuity," "pickup contributions," "social security integration accumulated deductions" and "total accumulated deductions" in section 5102 of Title 71 are amended and a definition is added to read:

§ 5102. Definitions.

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

\* \* \*

*"Additional accumulated deductions." The total of the additional member contributions paid into the fund on account of current service or previous State or creditable nonstate service, together with the statutory interest credited thereon until the date of termination of service. In the case of a vestee, statutory interest shall be credited until the effective date of retirement. A member's account shall not be credited with statutory interest for more than two years during a leave without pay.*

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

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

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

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"Social security integration accumulated deductions." The total of the [additional] member contributions paid into the fund on account of social security integration credit, together with the statutory interest credited thereon until the date of termination of service or until the date of withdrawal thereof, whichever is earlier. In the case of a vestee statutory interest shall be credited until the effective date of retirement. A member's account

shall not be credited with statutory interest for more than two years during a leave without pay.

\* \* \*

“Total accumulated deductions.” The sum of the regular accumulated deductions, *additional accumulated deductions*, the social security integration accumulated deductions, and all other contributions paid into the fund for the purchase of credit for service or other coverage together with all statutory interest credited thereon until the date of termination of service. In the case of a vestee, statutory interest shall be credited until the effective date of retirement. A member’s account shall not be credited with statutory interest for more than two years during a leave without pay.

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Section 6. Sections 5302(b), 5306(a), 5502, 5503.1, 5504(a), 5505(b) and (d) of Title 71 are amended to read:

§ 5302. Credited State service.

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(b) Creditable leaves of absence.—A member on leave without pay who is studying under a Federal grant approved by the head of his department or who is engaged up to a maximum of two years of temporary service with the United States Government, another state or a local government under the Intergovernmental Personnel Act of 1970, 5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772, shall be eligible for credit for such service: Provided, That contributions are made in accordance with sections 5501 (relating to regular member contributions for current service), *5505.1 (relating to additional member contributions)* and 5507 (relating to contributions by the Commonwealth and other employers), the member returns from leave without pay to active State service for a period of at least one year, and he is not entitled to retirement benefits for such service under a retirement system administered by any other governmental agency.

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§ 5306. Classes of service.

(a) Class A membership.—A State employee who is a member of Class A on the effective date of this part or who becomes a member of the system subsequent to the effective date of this part shall be classified as a Class A member and receive credit for Class A service upon payment of regular *and additional* member contributions for Class A service.

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§ 5502. Social security integration member contributions.

Contributions shall be made on behalf of a member of any class who prior to March 1, 1974 has elected social security integration coverage and the amount of such contribution shall be [5%] *6 1/4%* of that portion of his compensation in excess of the maximum wages taxable under the provisions of the Federal Social Security Act, 42 U.S.C.A. § 301 et seq., in addition to the regular member contributions which, after such election, shall be determined on the basis of the basic contribution rate of 5% *and the additional member contribution of 1 1/4%*: Provided, That a member may elect to discontinue social security integration coverage and shall thereafter be ineligible

to accrue any further social security integration credits or any additional benefits on account of social security integration membership.

§ 5503.1. Pickup contributions.

All contributions required to be made under sections 5501 (relating to regular member contributions for current service), 5502 (relating to social security integration member contributions) [**and**], 5503 (relating to joint coverage member contributions)[,] **and section 5505.1 (relating to additional member contributions)**, with respect to current State service rendered by an active member on or after January 1, 1982, shall be picked up by the Commonwealth or other employer and shall be treated as the employer's contribution in determining tax treatment under the United States Internal Revenue Code for Federal tax purposes. For all other purposes, under this part and otherwise, such pickup contributions shall be treated as contributions made by a member in the same manner and to the same extent as contributions made by a member prior to January 1, 1982.

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

(a) Amount of contributions.—The contributions to be paid by an active member or eligible school employee for credit for total previous State service or to become a full coverage member shall be sufficient to provide an amount equal to the regular **and additional** accumulated deductions which would have been standing to the credit of the member for such service had regular **and additional** member contributions been made with full coverage in the class of service and at the rate of contribution applicable during such period of previous service and had his regular **and additional** accumulated deductions been credited with statutory interest during all periods of subsequent State and school service up to the date of purchase.

\* \* \*

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

\* \* \*

(b) Nonintervening military service.—The amount due for the purchase of credit for military service other than intervening military service shall be determined by applying the member's basic contribution rate, **the additional contribution rate** plus the Commonwealth normal contribution rate for active members at the time of entry, subsequent to such military service, of the member into State service to his average annual rate of compensation over the first three years of such subsequent State service and multiplying the result by the number of years and fractional part of a year of creditable non-intervening military service being purchased together with statutory interest during all periods of subsequent State and school service to date of purchase. Upon application for credit for such service, payment shall be made in a lump sum within 30 days or in the case of an active member it may be amortized with statutory interest through salary deductions in amounts agreed upon by the member and the board. Application may be filed for all such

military service credit upon completion of three years of subsequent State service and shall be credited as Class A service.

\* \* \*

(d) Nonmilitary and nonmagisterial service.—Contributions on account of credit for creditable nonstate service other than military and magisterial service shall be determined by applying the member's basic contribution rate, *the additional contribution rate* plus the Commonwealth normal contribution rate for active members at the time of entry subsequent to such creditable nonstate service of the member into State service to his compensation at the time of entry into State service and multiplying the result by the number of years and fractional part of a year of creditable nonstate service being purchased together with statutory interest during all periods of subsequent State and school service to the date of purchase. Upon application for credit for such service payment shall be made in a lump sum within 30 days or in the case of an active member it may be amortized with statutory interest through salary deductions in amounts agreed upon by the member and the board.

\* \* \*

Section 7. Title 71 is amended by adding a section to read:

§ 5505.1. *Additional member contributions.*

*In addition to regular or joint coverage member contributions and social security integration contributions, contributions shall be made on behalf of each active member, regardless of class of service, at the rate of 1 1/4% of compensation until such time as the actuary certifies that all accrued liability contributions have been completed in accordance with the actuarial cost method provided in section 5508(b) (relating to actuarial cost method).*

Section 8. Sections 5702(a)(3) and (4), 5704(e), 5707(d), 5903(d) and 5933(a) of Title 71 are amended to read:

§ 5702. Maximum single life annuity.

(a) General rule.—Any full coverage member who is eligible to receive an annuity pursuant to the provisions of section 5308(a) or (b) (relating to eligibility for annuities) shall be entitled to receive a maximum single life annuity attributable to his credited service and equal to the sum of the following single life annuities beginning at the effective date of retirement:

\* \* \*

(3) If eligible, a single life annuity which is actuarially equivalent to the regular *and additional* accumulated deductions attributable to contributions as a member of Class C, but not less than such annuity determined as if the member were age 60 on the effective date of retirement, actuarially reduced in the event the member is under superannuation age on the effective date of retirement.

(4) If eligible, a single life annuity which is actuarially equivalent to the amount by which his regular *and additional* accumulated deductions attributable to any credited service other than as a member of Class C are greater than one-half of the actuarially equivalent value on the effective date of retirement of the annuity as provided in paragraph (1) attributable to service other than Class C for which regular or joint coverage member contributions were made.

\* \* \*

§ 5704. Disability annuities.

\* \* \*

(e) Termination of State service.—Upon termination of disability annuity payments in excess of an annuity calculated in accordance with section 5702, a disability annuitant who does not return to State service may file an application with the board for an amount equal to the excess, if any, of the **[regular] total** accumulated deductions standing to his credit at the effective date of disability over one-third of the total disability annuity payments received. If the annuitant on the date of termination of service was eligible for an annuity as provided in section 5308(b) (relating to eligibility for annuities), he may file an application with the board for an election of an optional modification of his annuity.

\* \* \*

§ 5707. Death benefits.

\* \* \*

(d) Disability annuitants ineligible for withdrawal annuity.—In the event of the death of a disability annuitant who was not entitled to receive benefits under subsection (a), his beneficiary shall be paid the excess of the **[regular] total** accumulated deductions standing to his credit on the effective date of disability over one-third of the total disability payments received.

\* \* \*

§ 5903. Duties of the board to advise and report to heads of departments and members.

\* \* \*

(d) Transfer from joint coverage membership certifications.—Upon receipt of an application from a joint coverage member who elects to become a full coverage member, the board shall certify to the member the effective date of such transfer and the prospective rate for regular *and additional* member contributions.

§ 5933. Members' savings account.

(a) Credits to account.—The members' savings account shall be the ledger account to which shall be credited the amounts of the pickup contributions made by the Commonwealth or other employer and contributions or lump sum payments made by active members in accordance with the provisions of sections 5501 (relating to regular member contributions for current service), 5502 (relating to social security integration member contributions), 5503 (relating to joint coverage member contributions), 5504 (relating to member contributions for the purchase of credit for previous State service or to become a full coverage member) **[and]**, **5505.1 (relating to additional member contributions)** and 5505 (relating to contributions for the purchase of credit for creditable nonstate service).

\* \* \*

Section 9. The following provisions of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, are repealed to the extent specified:

Section 2501(9.2), (14), (15) and (17.1), insofar as inconsistent.



Section 2501(12), (12.1), (13), (16) and (17), absolutely.

Section 2502(d), insofar as inconsistent.

Section 2502(f), (f.1) and (g), absolutely.

Section 2502.3, absolutely.

Section 2502.4, absolutely.

Section 2502.5, insofar as inconsistent.

Section 2502.6, insofar as inconsistent.

Section 2502.7, absolutely.

Section 2502.9, absolutely.

Section 2517(d), insofar as inconsistent.

Section 2592, absolutely.

Section 10. The provisions of section 7 of the act of July 9, 1981 (P.L.208, No.66), known as the Public Employee Retirement Study Commission Act, are suspended for the purpose of considering this bill and all amendments to it.

Section 11. Notwithstanding any other provisions of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, the board of school directors of each school district is authorized to reopen its 1983-1984 budget, to make any revisions in the budget heretofore adopted or for the purpose of reducing tax levies to reflect anticipated increases in subsidies payable to the school district during the 1983-1984 fiscal year under the provisions of this act.

Section 12. Within 30 days of the receipt by the board of a ruling from the Internal Revenue Service that pickup contributions under this amendatory act are not to be included in the gross income of the employee until they are distributed or made available, pursuant to 26 U.S.C. § 414(h) (relating to tax treatment of certain contributions), or within 30 days after the passage of this act, whichever is later, the board shall adopt and promulgate rules and regulations implementing this act. After the effective date of the rules and regulations, the employer shall pick up the required contributions by a reduction in the compensation of the employee. Prior thereto, each employer shall continue to withhold Federal income taxes based upon pickup contributions.

Section 13. Increased contributions to the Public School Employees' Retirement Fund as a result of the increase in the basic contribution rate shall be used to improve the actuarial soundness of the fund by reducing accrued liability.

Section 14. For the fiscal year 1983-1984, the General Assembly hereby appropriates an amount necessary for the Governor to increase the Commonwealth's contribution to the Public School Employees' Retirement Fund by an amount equivalent to the increase of the member contributions during the fiscal year 1983-1984 as a result of the change in the basic contribution rate as provided in section 8102 of Title 24. This executive authorization shall be implemented by the Governor on or before October 1, 1983.

Section 15. The provisions of sections 2, 3 and 4 of this act are expressly nonseverable. In the event a court of competent jurisdiction rules finally that the salary reductions mandated in these sections are legally or constitutionally impermissible, these sections shall be void.

Section 16. (a) Except as provided in the following subsections, the amendments to Title 24 shall take effect immediately and shall be retroactive to January 1, 1983.

(b) Sections 1 (adding Chapter 29 of Title 24) and 9 (repeals) shall take effect immediately and shall be retroactive to July 1, 1983.

(c) The amendments to the definition of "basic contribution rate" in section 8102 of Title 24 and all of the amendments to Title 71 shall take effect immediately.

APPROVED—The 22nd day of July, A. D. 1983.

DICK THORNBURGH