

No. 392

AN ACT

Amending the act of July 18, 1917 (P. L. 1043), entitled "An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties," clarifying the provisions relating to withdrawal and selection of options where employes are placed under Social Security.

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

Public school employes' retirement system.

Section 1. Section 1 of the act of July 18, 1917 (P. L. 1043), entitled "An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of said funds; imposing powers and duties upon boards having the employment of public school employes; exempting annuities, allowances, returns, benefits, and rights from taxation and judicial process; and providing penalties," is amended by adding, after clause 9, two new clauses to read:

Section 1, act of July 18, 1917, P. L. 1043, amended by adding two new clauses 9.1 and 9.2.

DEFINITIONS.

Section 1. Be it enacted, &c., That the following words and phrases as used in this act unless a different meaning is plainly required by the context shall have the following meanings:

* * * * *

9.1. "Joint Coverage Member" of the retirement association shall mean a public school employe who shall have become a member of the retirement association at a date subsequent to May 28, 1957, or who having become a member on or before such date, shall have filed with the Retirement Board a written statement that he or she elects Social Security coverage under an agreement with the Federal Secretary of Health, Education and Welfare entered into by the Commonwealth.

9.2. "Single Coverage Member" of the retirement association shall mean a public school employe who shall have become a member of the retirement association on

or before May 28, 1957, and who either shall have filed with the Retirement Board a written statement that he or she does not elect Social Security coverage under any agreement with the Federal Secretary of Health, Education and Welfare entered into by the Commonwealth, or shall not have filed with the Retirement Board any written statement.

Subsection 6, section 8 of the act, amended May 15, 1956, P. L. 1575, June 1, 1956, P. L. 1968 and June 1, 1956, P. L. 2010, further amended.

Section 2. Subsection 6 of section 8 of the act, amended May 15, 1956 (P. L. 1575), June 1, 1956 (P. L. 1968), and June 1, 1956 (P. L. 2010), is amended to read:

SCHOOL EMPLOYEES' RETIREMENT FUND AND ACCOUNTS.

Section 8.

* * * * *

6. There shall be credited by the retirement board, to a ledger account to be known as the employees' annuity savings account, the amounts of the accumulated deductions from the salaries of contributors, made under such rules and regulations as the retirement board shall prescribe, as follows:

From the salary of each employe who is a contributor there shall be deducted and paid into the fund created by this act, through the Department of Revenue, such per centum of his or her earnable salary, as shall be computed to be sufficient, with regular interest, to procure for him or her on superannuation retirement at age sixty-two an employe's annuity equal to one one-hundred-sixtieth ($1/160$) of his or her final salary, calculated on the basis of the annual salary earnable by a contributor as an employe for the ten years of service immediately preceding retirement; for each year of service after the thirtieth day of June, one thousand nine hundred nineteen, or to procure for him or her on superannuation retirement at age sixty-two or at the end of thirty-five years of credited service in this Commonwealth, whichever is the earlier, an employe's annuity equal to one one-hundred-fortieth ($1/140$) of his or her final salary, calculated on the basis of the annual salary earnable by a contributor as an employe for the ten years of service immediately preceding retirement, for each year of service after the thirtieth day of June, one thousand nine hundred nineteen. In the case of each contributor entering or re-entering the retirement system on and after the first day of July, one thousand nine hundred fifty, and also in the case of each contributor originally carrying membership in the one one-hundred-sixtieth ($1/160$) class who, prior to the first day of July, one thousand nine hundred fifty-seven, has elected and filed with the retirement board such election to transfer to the one one-hundred-fortieth ($1/140$) class

and who contributes the per centum of his or her salary computed to be sufficient for new entrants of the one one-hundred-fortieth (1/140) class as of age attained at nearest birthday of such transferred contributor as of July first, one thousand nine hundred and fifty: Provided, That the contributor who elects to enter the one one-hundred-fortieth (1/140) class pays at the rate corresponding to his attained age as of July first, one thousand nine hundred and fifty, and makes up in a lump sum payment at the time of transfer the additional contributions which would have been made from July first, one thousand nine hundred and fifty to date of transfer: And provided, That in the case of employes who were employed during the year which began July first, one thousand nine hundred and thirty-two and ended June thirtieth, one thousand nine hundred and thirty-three, who have elected to contribute on the basis of salary receivable during said year, such percentage shall be computed on the basis of said salary: And provided, That, in any case, if the deduction so computed shall exceed five per centum of his or her earnable salary and the employe shall so elect, there shall be deducted five per centum of his or her earnable salary: Provided, however, That these privileges are not available to contributors in the one one-hundred-fortieth (1/140) class: And further provided, That a disability annuitant in the one one-hundred-sixtieth (1/160) class heretofore or hereafter restored to school service shall be permitted to transfer to the one one-hundred-fortieth (1/140) class. Such beneficiary restored to school service as a member of the one one-hundred-fortieth (1/140) class shall be required to contribute at a per centum rate of his or her earnable salary computed to be sufficient for new entrants of the one one-hundred-fortieth (1/140) class as of age attained at nearest birthday of the transferred contributor at the date of transfer. The rate per centum of said deduction from salary shall be based on such mortality and other tables as the retirement board shall adopt, together with regular interest, and shall be computed to remain constant during the prospective school service of the contributor.

Where the Commonwealth has entered into an agreement with the Federal Secretary of Health, Education and Welfare to place services covered by the retirement system created by this act under the Federal Social Security Act, the board shall rule that, as of the effective date of the agreement, the rate of benefits payable to a *joint coverage* member after the age at which social security benefits are payable shall be adjusted so that the retirement or *withdrawal* allowance then payable, shall be reduced by an amount equal to forty (40) percent of the primary insurance amount of social security paid or

payable to him, whether received or not. *Any such reduction shall apply only to that portion of benefits based on wages as defined in the Federal Insurance Contributions Act. Any such reduction shall be limited to the State annuity as provided in section 14, 3, II (B) *(a).* [the] The board shall reduce the rate of [member] contributions of each joint coverage member with respect to wages as defined in the Federal Insurance Contributions Act [to the extent permitted by the rate of benefits provided for in this subsection] by forty (40) percent of the tax on employes prescribed by the Federal Insurance Contributions Act exclusive of that portion of such tax attributable to disability coverage.

Section 9.1 of the act, added June 1, 1956, P. L. 1968, further amended.

Section 3. Section 9.1 of the act, added June 1, 1956 (P. L. 1968), is amended to read:

PAYMENTS ON ACCOUNT OF SOCIAL SECURITY DEDUCTIONS FROM APPROPRIATIONS.

Section 9.1. Where the Superintendent of Public Instruction enters into an agreement with the Commonwealth to place under the Federal Social Security Act all [employes of all school districts and joint schools, and departments in the Commonwealth, and other employes eligible for coverage thereunder,] *joint coverage members of the retirement association*, the Commonwealth shall pay on account of the school districts and joint schools and departments and on account of [the] *such* employes thereof into the contribution fund created under the provisions of the act of January five, one thousand nine hundred fifty-two (Pamphlet Laws 1833), entitled "An act to provide for the coverage of certain officers and employes of the Commonwealth and its political subdivisions under the old-age and survivor insurance provisions of Title II of the Federal Social Security Act, as amended; creating the State Agency and conferring powers and imposing duties upon the State Agency; authorizing the State Agency to enter into agreements with the Federal Security Administrator and with political subdivisions under certain terms and conditions; providing for the Commonwealth's contribution under agreements with the Federal Security Administrator and for the collection and payment of employer and employe contributions; authorizing interstate cooperation in certain cases; creating a Contribution Fund; and making appropriations," such amounts and at such times as are required to be paid on account of such coverage.

The Commonwealth shall be reimbursed to the extent of the total amounts contributable by [the employes]

* "A" in original.

joint coverage members and to one-half the amounts contributable by the school district, joint schools and departments.

The Superintendent of Public Instruction and the State Treasurer are hereby authorized to cause to be deducted, and paid into or retained in the State Treasury from any moneys due to any employer on account of appropriation for schools or other purposes, the amounts reimbursable under the provisions of this section.

Section 4. Subsection 1.1 of section 12 of the act, added April 25, 1949 (P. L. 752), is amended to read:

Subsection 1.1, section 12 of the act, added April 25, 1949, P. L. 752, further amended.

WITHDRAWAL.

Section 12. * * *

1.1. Should a contributor in the one one-hundred-fortieth (1/140) class so separate from the school service after having completed twenty-five years of credited service in this Commonwealth before reaching age sixty-two or completing thirty-five years of credited service in this Commonwealth, whichever is the earlier, he or she shall be paid or receive a withdrawal allowance as he or she may elect, as follows:—

(a) the full amount of the accumulated deductions standing to his or her individual credit in the employes' annuity savings account as of the date of such separation from school service, or, in lieu thereof, should he or she so elect—

(b) an annuity beginning immediately which shall be of equivalent actuarial value of said accumulated deductions and, in addition, a State annuity beginning immediately having a value equal to the present value of a State annuity beginning at age sixty-two or at the end of thirty-five years of credited service in this Commonwealth, whichever is the earlier, calculated in accordance with the provisions of said act. Such State annuity shall be based upon the final salary of the withdrawing member and the years of credited service in this Commonwealth to the date of withdrawal from service, and shall include any State annuity related to prior service or supplemental State annuity provided for in section fourteen. The same options provided for in section fifteen of said act, with respect to annuities payable on superannuation retirement, shall be available in connection with any annuity entered upon under the provisions of this subsection.

(c) *where the Retirement Board has ruled that the rate of the benefits payable to a member after the age at which social security benefits are payable shall be adjusted so that the withdrawal allowance then payable*

shall be reduced by an amount equal to forty (40) percent of the primary insurance amount of social security paid or payable to him, such reduction shall be subject to the same limitations as are specified in clause 5 of section 14 with respect to the superannuation retirement allowance.

Clauses 3 and 5, section 14 of the act, clause 3 amended December 6, 1955, P. L. 794, and clause 5, added June 1, 1956, P. L. 1968, further amended.

Section 5. Clauses 3 and 5 of section 14 of the act, clause 3, amended December 6, 1955 (P. L. 794) and clause 5, added June 1, 1956 (P. L. 1968), are amended to read:

SUPERANNUATION RETIREMENT.

Section 14. Retirement for superannuation shall be as follows:

* * * * *

ALLOWANCE ON SUPERANNUATION RETIREMENT.

3. On retirement for superannuation a contributor who is an employe shall receive a retirement allowance which shall consist of:

I. An employe's annuity, which shall be the actuarial equivalent of his or her accumulated deductions; and

II. A State annuity, the amount of which shall be determined, as follows:

(A) If the contributor is a member of the one one-hundred-sixtieth (1/160) class—

[(A)] (a) A State annuity of one one-hundred-sixtieth (1/160) of his or her final salary for each year of service; and

[(B)] (b) In addition thereto, if a present employe, a further State annuity of one one-hundred-sixtieth (1/160) of his or her final salary for each year of prior service, as certified to said present employe in the certificate issued to him or her by the retirement board under the provisions of section eleven of this act.

(B) If the contributor is a member of the one one-hundred-fortieth (1/140) class —

[(A)] (a) A State annuity of one one-hundred-fortieth (1/140) of his or her final salary for each year of service; and

[(B)] (b) In addition thereto, if a present employe, a further State annuity of one one-hundred-fortieth (1/140) of his or her final salary for each year of prior service, as certified to said present employe in the certificate issued to him or her by the retirement board under the provisions of section eleven of this act; and

[(C)] (c) In addition thereto, an additional State annuity which shall be equivalent to the amount, if any,

by which the employe's annuity is less than the State annuity for service rendered after the thirtieth day of June, one thousand nine hundred nineteen.

(C) In addition to the provisions of clauses II. (A) and (B) above, in the event of the retirement of a contributor prior to September first, one thousand nine hundred fifty, if a member of the one one-hundred-sixtieth (1/160) class, or in the event of such retirement on and after July first, one thousand nine hundred fifty, if a member of the one one-hundred-fortieth (1/140) class, a further State annuity which shall be equivalent to the amount, if any, by which the superannuation retirement allowance otherwise payable is less than one thousand two hundred dollars (\$1200) where the contributor has forty years or more of credited service in this Commonwealth, or if less than forty years of such service, then such proportional amount of such one thousand two hundred dollars (\$1200) as the years of such credited service bear to forty years.

* * * * *

5. Where the board has ruled that the rate of the benefits payable to a *joint coverage* member after the age at which social security benefits are payable shall be adjusted so that the retirement allowance then payable, shall be reduced by an amount equal to forty (40) percent of the primary insurance amount of social security paid or payable to him, such reduction shall be subject to the following limitations:

(a) Upon attainment of the age at which social security benefits are payable by a beneficiary receiving a retirement allowance for superannuation, or upon retirement of a contributor after attaining that age, his eligibility to the old age insurance benefit and the primary insurance amount of social security upon which the reduction in the retirement allowance shall be based, shall be computed by the board in the manner specified in the Federal Social Security Act, except that in determining such *eligibility and such* amount only wages or compensation for services covered by the retirement system created by this act shall be included.

(b) His credits accrued for service to the date of such change shall remain to his credit without adjustment, and credits for service subsequent to the date of such change to the time of retirement shall be at the adjusted rate as provided in section 8 (6).

(c) That portion of a member's retirement allowance based on credits for service subsequent to the date of the change shall not be less than the amount of his member's annuity based on contributions for the same period.

(d) The reduction shall not apply to allowances for total disability payable under section 13 of this act.

[(e) In determining the need for any further state annuity payable under subsection * 3 II (B) (d) of this section, the primary insurance amount of social security paid or payable to a member shall be included with the superannuation retirement allowance as the basis for computing such need.]

[(f)] (e) Whenever the amount of the reduction from the retirement allowance shall have been once determined, it shall remain fixed for the duration of the allowance, except that any decrease in the primary insurance amount under the social security act shall result in a corresponding decrease in the amount of the reduction from the allowance.

[(g)] (f) The total sum including social security benefits to be received upon retirement by an employe who is a member of the system at the time of the change shall not be less than the allowance that would be paid by the retirement system in the absence of such change.

Section 15 of the act, amended June 22, 1931, P. L. 864, further amended by adding a new paragraph.

Section 6. Section 15 of the act, amended June 22, 1931 (P. L. 864), is amended by adding a new paragraph at the end of the section to read:

OPTIONS.

Section 15. * * *

* * * * *

In calculating the retirement allowance payable to a joint coverage member under an option enumerated in this section which is the actuarial equivalent of a retirement allowance adjusted under the provisions of paragraph (C) of subsection 1.1 of section 12 and of clause 5 of section 14, the present value of such adjusted retirement allowance shall be determined by taking into account the reduction applicable upon attainment of the age at which benefits are payable.

APPROVED—The 13th day of July, A. D. 1957.

GEORGE M. LEADER

No. 393

AN ACT

Amending the act of July 18, 1917 (P. L. 1043), entitled "An act establishing a public school employes' retirement system, and creating a retirement board for the administration thereof; establishing certain funds from contributions by the Commonwealth and contributing employes, defining the uses and purposes thereof and the manner of payments therefrom, and providing for the guaranty by the Commonwealth of certain of

* "clause" in original.