

No. 1984-226

AN ACT

SB 1341

Amending Title 24 (Education) of the Pennsylvania Consolidated Statutes, providing that employers make pickup contributions to the Public School Employees' Retirement System on behalf of school employees; granting credit to public school employees for previous nursing service; and further providing for creditable nonschool service.

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

Section 1. The definitions of "accumulated deductions," "active member," "compensation," "date of termination of service," "full coverage member," "inactive member," "pickup contributions" and "valuation interest" in section 8102 of Title 24 of the Pennsylvania Consolidated Statutes are reenacted 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 for whom pickup contributions are being made to the fund.

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"Compensation." Pickup contributions plus any remuneration received as a school employee excluding refunds for expenses incidental to employment and excluding any severance payments.

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"Date of termination of service." The last date of service for which 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 contributions were made, whichever is earliest.

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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, 1983.

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"Inactive member." A member for whom no pickup contributions are being made, who has accumulated deductions standing to his credit in the fund and 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.

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“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.

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

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Section 2. Section 8302(a) of Title 24 is reenacted to read:

§ 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 contributions are made for at least 180 full-day sessions or 1,100 hours of employment. If such member was employed and 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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Section 3. Section 8304(b) of Title 24 is amended to read:

§ 8304. Creditable nonschool service.

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(b) Limitations on nonschool service.—Creditable nonschool service credit shall be limited to:

- (1) Intervening military service.
- (2) Other military service not exceeding five years.
- (3) Service in any public school or public educational institution in any state other than this Commonwealth or in any territory or area under the jurisdiction of the United States.
- (4) Service as an administrator, teacher, or instructor in the field of public school education for any agency or department of the government of the United States whether or not such area was under the jurisdiction of the United States.

(5) Previous service as an employee of a county board of school directors which employment was terminated because of the transfer of the administration of such service or of the entire agency to a governmental entity.

(6) Previous service as a county employee as a nurse. For every three years or major fraction thereof in previous work experience, an individual may buy one year of creditable service, not to exceed a total of five years. The purchase of this service shall begin within three years of the employee's eligibility to purchase this creditable service.

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Section 4. Sections 8321, 8322.1 and 8323(a) of Title 24 are reenacted to read:

§ 8321. Regular member contributions for current service.

Regular member contributions shall be made to the fund on behalf of each active member for current service.

§ 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 rendered 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.

§ 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 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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Section 5. Section 8324 of Title 24 is amended by adding a subsection to read:

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

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(e) Creditable work experience.—Contributions on account of T-C credit for creditable work experience pursuant to section 8304(b)(6) shall be

the present value of the full actuarial cost of the increase in the projected superannuation annuity caused by the additional service credited on account of the purchase of creditable work experience. The amount paid for the purchase of credit for creditable work experience shall not be payable as a lump sum under section 8345(a)(4)(iii) (relating to member's options). Any individual eligible to receive an annuity, excluding an annuity received under the Federal Social Security Act (42 U.S.C. § 301 et seq.), in another pension system, other than a military pension system, shall not be eligible to purchase this service.

Section 6. Sections 8502(m), 8505(g), 8506(c), (d) and (e) and 8507(b) of Title 24 are reenacted to read:

§ 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 its treasurer the required member contributions picked up and any other contributions deducted from each payroll. The treasurer shall remit to the secre-

tary 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 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 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.

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Section 7. Section 8523(a) of Title 24 is reenacted to read:

§ 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 8. 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 9. The rules and regulations formerly adopted and promulgated by the board pursuant to the pickup contribution provisions of 24 Pa.C.S. Part IV (relating to retirement for school employees), to the extent applica-

ble, shall remain in full force and effect for purposes of implementing this act. Pursuant to the rules and regulations, the employer shall pick up the required contributions by a reduction in the compensation of the employee.

Section 10. The provisions of section 1 (section 8102 insofar as it relates to pickup contributions) and sections 2, 4, 6, 7 and 8¹ of this act shall be retroactive to January 1, 1983.

Section 11. (a) Sections 3 and 5 of this act shall take effect in 60 days.

(b) The remainder of this act shall take effect immediately.

APPROVED—The 19th day of December, A. D. 1984.

DICK THORNBURGH

¹ “2, 3, 4, 7 and 8” in enrolled bill.