

No. 1988-112

AN ACT

SB 1441

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, to include certain Federal service as nonstate service; further providing for special early retirement; providing for further supplemented annuities and for certain optional benefits; and further providing for compensation of the Public School Employees' Retirement Board.

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

Section 1. Section 8304(b)(3), the introductory paragraph and paragraph (3) of section 8312 and section 8328(d) of Title 24 of the Pennsylvania Consolidated Statutes are amended to read:

§ 8304. Creditable nonschool service.

* * *

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

* * *

(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. *This paragraph includes service, prior to July 1, 1965, at a community college established under the act of August 24, 1963 (P.L.1132, No.484), known as the Community College Act of 1963.*

* * *

§ 8312. Eligibility for special early retirement.

Notwithstanding any provisions of this title to the contrary, for the period only of July 1, 1985, to **[June 30, 1989] September 30, 1991**, the following special early retirement provisions shall be applicable to specified eligible members as follows:

* * *

(3) During the period of July 1, 1987, to **[June 30, 1989] September 30, 1991**, a member who has credit for at least 30 eligibility points shall be entitled, upon termination of service and filing of a proper application, to receive a maximum single life annuity calculated pursuant to section 8342 without any reduction by virtue of an effective date of retirement which is under the superannuation age.

§ 8328. Actuarial cost method.

* * *

(d) Supplemental annuity contribution rate.—Contributions from the Commonwealth and other employers required to provide for the payment of supplemental annuities to annuitants as provided in section 8348 (relating to supplemental annuities) shall be determined as a percentage of the total compensation of all active members during the period for which the amount is

certified as sufficient to fund the liabilities of the supplemental retirement allowance account as a level percentage over a period of 30 years from July 1, 1967. In the event that annuities are increased by legislation enacted subsequent to July 1, 1974, the additional liability for the increase in benefits to annuitants shall be funded similarly as a level percentage over a period of 20 years from the first day of July coincident with or next following the effective date of such legislation. Notwithstanding the foregoing, the additional liability on account of any increase in annuities which is effective July 1, 1979, shall be funded by level annual payments over a period of 20 years beginning July 1, 1980. The additional liability on account of any increase in annuities which is effective July 1, 1984, shall be funded by level annual payments over a period of 20 years beginning July 1, 1984. *The additional liability on account of any increase in annuities which is effective January 1, 1989, shall be funded by level annual payments over a period of 20 years beginning January 1, 1989.*

Section 2. Title 24 is amended by adding a section to read:

§ 8348.2. Further additional supplemental annuities.

(a) *Benefits.*—Commencing with the first monthly annuity payment after January 1, 1989, any eligible benefit recipient shall be entitled to receive a further additional monthly supplemental annuity from the system. This shall be in addition to the supplemental annuities provided for in sections 8348 (relating to supplemental annuities) and 8348.1 (relating to additional supplemental annuities).

(b) *Amount of additional supplemental annuity.*—The amount of the additional monthly supplemental annuity shall be the total of the following:

- (1) Two dollars multiplied by the number of years of credited service.
- (2) Fifty cents multiplied by the number of years on retirement.

(c) *Payment.*—The additional monthly supplemental annuity provided for in this section shall be paid automatically unless the intended recipient files a written notice with the system requesting that the additional monthly supplemental annuity not be paid.

(d) *Conditions.*—The additional supplemental annuity provided for in this section shall be payable under the same terms and conditions as provided under the option plan in effect as of December 31, 1988.

(e) *Benefits paid to beneficiaries or survivors.*—No supplemental annuity effective after the death of the member shall be payable to the beneficiary or survivor annuitant of the deceased member.

(f) *Funding.*—The actuary shall annually estimate the amount of Commonwealth appropriations for the next fiscal year needed to fund, over a period of 20 years from the first day of the fiscal year during which this section becomes effective, the additional monthly supplemental annuity provided for in this section. The board shall submit the actuary's estimation to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1988, the amount estimated is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as *The Administrative Code of 1929*, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supple-

mental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated.

(g) Definitions.—As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

“Eligible benefit recipient.” A person who is receiving a superannuation, withdrawal or disability annuity and who commenced receipt of that annuity on or prior to July 1, 1987, but the supplemental annuities shall not be payable to an annuitant receiving a withdrawal annuity prior to the first day of July coincident with or following the annuitant’s attainment of superannuation age.

“Years of credited service.” The number of full years of service as a member to the credit of each benefit recipient, which years of service need not have been continuous.

“Years on retirement.” The number of full years as of July 1, 1988, which have elapsed since the eligible benefit recipient commenced the receipt of an annuity and during which the eligible benefit recipient received an annuity.

Section 3. Section 8501(d) of Title 24 is amended to read:

§ 8501. Public School Employees’ Retirement Board.

* * *

(d) Compensation and expenses.—The members of the board who are members of the system shall serve without compensation [but]. Members of the board who are members of the system and who are employed by a governmental entity shall not suffer loss of salary or wages through serving on the board. The board, on request of the employer of any member of the board who is an active professional or nonprofessional member of the system, may reimburse such employer for the salary or wages of the member, or for the cost of employing a substitute for such member, while the member is necessarily absent from employment to execute the duties of the board. The members of the board who are not members of either the school system or the State Employees’ Retirement System may be paid \$100 per day when attending meetings and all board members shall be reimbursed for any necessary expenses. However, when the duties of the board as mandated are not executed, no compensation or reimbursement for expenses of board members shall be paid or payable during the period in which such duties are not executed.

* * *

Section 4. Sections 5304(c) and 5308.1 of Title 71 are amended to read:

§ 5304. Creditable nonstate service.

* * *

(c) Limitations on nonstate service.—Creditable nonstate 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; or service as an administrator, teacher,*

or instructor in the field of 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, the total of such service not exceeding the lesser of ten years or the number of years of active membership in the system, as an officer or employee of the Department of Education or as an administrator, teacher, or instructor employed in any State-owned educational institution or The Pennsylvania State University; [or]

(4) previous service with a governmental agency other than the Commonwealth which employment with said agency was terminated because of the transfer by statute of the administration of such service or of the entire agency to the Commonwealth[.];

(5) *service as a temporary Federal employee assigned to an air quality control complement for the Pennsylvania Department of Environmental Resources at any time during the period of 1970 through 1975. This service time may be purchased only if the member makes an election to purchase within one year of the effective date of this paragraph, and the member shall pay an amount which is equal to the full actuarial cost of the increased benefit obtained by virtue of the purchase as provided in section 5505(f);*

(6) *service in the Cadet Nurse Corps with respect to any period of training as a student or graduate nurse under a plan approved under section 2 of the act of June 15, 1943 (Public Law 78-73, 57 Stat. 153), if the total period of training under such plan was at least two years, the credit for such service not to exceed three years; or*

(7) *service prior to July 1, 1971, at a community college established under the act of August 24, 1963 (P.L.1132, No.484), known as the Community College Act of 1963.*

* * *

§ 5308.1. Eligibility for special early retirement.

Notwithstanding any provisions of this title to the contrary, for the period only of July 1, 1985, to **[June 30, 1989] September 30, 1991**, the following special early retirement provisions shall be applicable to specified eligible members as follows:

(1) During the period of July 1, 1985, to **[June 30, 1989] September 30, 1991**, an active member who has attained the age of at least 53 years and has accrued at least 30 eligibility points shall be entitled, upon termination of State service and compliance with section 5907(f) (relating to rights and duties of State employees and members), to receive a maximum single life annuity calculated under section 5702 (relating to maximum single life annuity) without a reduction by virtue of an effective date of retirement which is under the superannuation age.

(2) During the period of July 1, 1985, to **[June 30, 1989] September 30, 1991**, an active member who has attained the age of at least 50 years but not greater than 53 years and has accrued at least 30 eligibility points shall be entitled, upon termination of State service and compliance with section 5907(f), to receive a maximum single life annuity calculated under section 5702 with a reduction by virtue of an effective date of retirement

which is under the superannuation age of a percentage factor which shall be determined by multiplying the number of months, including a fraction of a month as a full month, by which the effective date of retirement precedes the attainment of age 53 by 0.25%.

Section 5. Section 5505 of Title 71 is amended by adding a subsection to read:

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

* * *

(f) Temporary Federal service.—Contributions on account of credit for service as a temporary Federal employee assigned to an air quality control complement for the Department of Environmental Resources during the period of 1970 through 1975, as authorized in section 5304(c)(5) (relating to creditable nonstate service), shall be equal to the full actuarial cost of the increased benefit obtained by virtue of the purchase. The increased benefit attributable to the purchased service shall be the difference between:

(1) the annual amount of a standard single life annuity, beginning at the earliest possible superannuation age, calculated assuming no future salary increases, assuming credit for the service to be purchased; and

(2) the annual amount of a standard single life annuity, calculated on the same basis, but excluding credit for the service to be purchased.

The earliest possible superannuation age shall be the age at which the member becomes first eligible for superannuation retirement assuming continued full-time service and credit for the amount of service which the member has elected to purchase, or the current attained age of the member, whichever is later. The full actuarial cost of the increased benefit attributable to the purchased service shall be the actuarial present value of a deferred annuity equal to the amount of the increased benefit determined above, beginning at the earliest possible superannuation age and payable for life, calculated using a preretirement interest assumption of 1.5%, a post-retirement interest assumption of 4%, no preretirement mortality assumption and standard postretirement mortality assumptions. The purchase payment shall be made in lump sum by the member within 30 days of certification by the board of the required purchase amount or may be amortized through salary deductions in amounts agreed upon by the member and the board with interest payable on the unpaid balance at the rate applicable to the most recently issued 30-year bonds of the United States Treasury Department.

Section 6. Section 5508(e) of Title 71 is amended to read:

§ 5508. Actuarial cost method.

* * *

(e) Supplemental annuity contribution rate.—Contributions from the Commonwealth required to provide for the payment of supplemental annuities as provided in section 5708 shall be determined as a percentage of the total compensation of all active members during the period for which the amount is certified as sufficient to fund the liabilities of the supplemental annuity account as of July 1, 1969, as a level percentage over a period of 20

years from such date. In the event that supplemental annuities are increased by legislation enacted subsequent to July 1, 1969, the additional liability for the increase in benefits shall be funded as a level percentage over a period of 20 years from the July first, coincident with or next following the effective date of such legislation. The additional liability for the increase in benefits which is effective July 1, 1984, shall be funded as a level annual payment over a period of 20 years beginning July 1, 1984. *The additional liability on account of any increase in annuities which is effective January 1, 1989, shall be funded by level annual payments over a period of 20 years beginning January 1, 1989.*

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

§ 5708.2. *Further additional supplemental annuities.*

(a) *Benefits.*—Commencing with the first monthly annuity payment after January 1, 1989, any eligible benefit recipient shall be entitled to receive a further additional monthly supplemental annuity from the system. This shall be in addition to the supplemental annuities provided for in sections 5708 (relating to supplemental annuities) and 5708.1 (relating to additional supplemental annuities).

(b) *Amount of additional supplemental annuity.*—The amount of the additional monthly supplemental annuity shall be the total of the following:

- (1) *Two dollars multiplied by the number of years of credited service.*
- (2) *Fifty cents multiplied by the number of years of retirement.*

(c) *Payment.*—The additional monthly supplemental annuity provided for in this section shall be paid automatically unless the intended recipient files a written notice with the system requesting that the additional monthly supplemental annuity not be paid.

(d) *Conditions.*—The additional supplemental annuity provided for in this section shall be payable under the same terms and conditions as provided under the option plan in effect as of December 31, 1988.

(e) *Benefits paid to beneficiaries or survivors.*—No supplemental annuity effective after the death of the member shall be payable to the beneficiary or survivor annuitant of the deceased member.

(f) *Funding.*—The actuary shall annually estimate the amount of Commonwealth appropriations for the next fiscal year needed to fund, over a period of 20 years from the first day of the fiscal year during which this section becomes effective, the additional monthly supplemental annuity provided for in this section. The board shall submit the actuary's estimation to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1988, the amount estimated is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated.

(g) *Definitions.*—As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

“Eligible benefit recipient.” *A person who is receiving a superannuation, withdrawal or disability annuity and who commenced receipt of that annuity on or prior to July 1, 1987, but the supplemental annuities shall not be payable to an annuitant receiving a withdrawal annuity prior to the first day of July coincident with or following the annuitant’s attainment of superannuation age.*

“Years of credited service.” *The number of full years of service as a member to the credit of each benefit recipient, which years of service need not have been continuous.*

“Years on retirement.” *The number of full years as of July 1, 1988, which have elapsed since the eligible benefit recipient commenced the receipt of an annuity and during which the eligible benefit recipient received an annuity.*

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, shall not apply to this act.

Section 9. This act shall take effect as follows:

- (1) The amendment to 24 Pa.C.S. § 8501 shall take effect immediately.
- (2) The remainder of this act shall take effect January 1, 1989, or immediately, whichever is later.

APPROVED—The 21st day of October, A. D. 1988.

ROBERT P. CASEY