



# Senate Finance Committee

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## BILL SUMMARY

### SENATE BILL 596, PN 646 (SENATOR ORIE)

#### *Summary:*

Senate Bill 596 would amend Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes to provide for a centrally administered statewide retirement system for all local government police employees.

The bill amends Sections of Title 24 to change the name of the State Employees Retirement System to the "Government Employees Retirement System." References to state employee are changed to "government employee." Also adds references to the "Local Government Police Employees' Retirement Board" where applicable in those sections with regard to reporting of multiple services credits between PSERS and what is presently SERS. [Sections affected: 8102, 8301(a)(1), 8303(c), 8306(a), 8346(d), 8501(d), 8503(c), 8504, 8505(b), 8506(d), (e), (g) and (h) and 8507(a), (c) and (d)].

Amends Title 71 to **establish the Local Government Police Employees' Retirement Board** "to collect retirement and other employee benefit contributions from local government police employees and local governments" and "to manage the resulting assets as reserves for present and future retirement benefit payments." **Re-names** the State Employees Retirement System, **the Government Employees Retirement System**, which will now contain two boards-the State Employees Retirement Board and The Local Government Police Employees Retirement Board (LGPEB).

The Local Government Police Employees' Retirement Board shall be an independent administrative board and consist of three local government officials or employees and three active or retired local government police employees appointed by the Governor and confirmed by the Senate. (pp. 100-101).

Establishes two funds, the State Employees Retirement Fund and ***The Local Government Police Employees' Retirement Fund*** shall be a pension trust fund comprising a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, and residual equities or balances, and changes therein segregated for the purpose of accounting for assets held by and used under the direction of the Local Government Police Employees' Retirement Board in a trustee capacity for the members and beneficiaries of the system. (pp. 138-139).

Defines "***local government***" to include a municipality, except a county, or an association of these municipalities cooperating under 53 Pa.C.S. Ch. 23 Subch. A (relating to intergovernmental cooperation). (p. 29).

Amends Section 5301(d) of Title 71 to provide for **mandatory membership** by all full-time local government police employees whose effective dates of local government employment are after December 31, 2005. (except those in a particular group who are covered by a collective bargaining agreement). (p. 38).

**Classes of Service.** Establishes four classes of service for police employees (**P1-P4**) and Superannuation ages. Multipliers are 1.25, 1.125, 1, and .875 respectively. (pp. 21-22). Superannuation ages. (pp.36-37).

**“Credit for service.”** Full-time local police officers shall receive credit for service in each period for which contributions are made, but in no case shall the police officer receive more than one year's credit for any 12 consecutive months, 26 consecutive biweekly pay periods or 52 consecutive weekly pay periods. (p. 40).

**Existing police retirement systems.** An existing local police employee retirement system (established and maintained by a local government and created before January 1, 2006), may continue to operate until all its members have been transferred into the new system or until it has no members or beneficiaries representing actual or potential liabilities, whichever occurs earlier. (p. 58).

**Application by local government.** After December 31, 2005, a local government shall submit an application for participation in the system no later than 15 days after the employment of a local government police employee unless no retirement system exists for previously hired police employees and the local government has no plans to provide retirement benefits for police employees. (p. 59). Procedures for application to be established by the LGPEB.

**Designation of class of service.** If it has an existing plan, the local government must designate a class of service multiplier that provides aggregate benefits not less than those previously provided. If it has no current plan, it may designate any class it wishes to provide. If the aggregate benefits provided under the local government police employee retirement system exceed the highest applicable class of service multiplier for police employees, the local government shall designate the highest applicable class of service multiplier (p. 60).

Before the transfer date, the Local Government Police Employees' Retirement Board shall cause the actuary to value both the benefit structure of the current local government system and the benefit structure of the state government system using standard methodology to determine actuarial present value of future benefits under each system. The resulting values shall determine the lowest class of service multiplier that may be designated by the local government (p. 62).

**Provisions relating to optional transfers into system. (pp. 65-68):**

**Optional Transfer.** A local government may transfer police into state system, if 2/3 of members of current system approve, the local government pays the state system the actuarial value, and passage of a resolution to do so. (pp. 62-63).

**Employer contribution Rate.** The amount of the local government employer contributions shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the Local

Government Police Employees' Retirement Board. (p. 81). Payments to be made not later than 30 days after the quarter. (p. 84). The General Fund shall not be held liable to appropriate the moneys required to build up the reserves necessary for the payment of benefits to employees of such local governments. (p. 84). Amounts not paid after 90 days shall be deducted from intergovernmental revenues which would otherwise be paid to the local government. (p. 85). The legal remedy available to the state is mandamus (p. 86).

***Part-time officers' pensions.*** A local government shall not establish any retirement fund for part-time police employees except through the establishment of simplified employee pension individual retirement accounts. (p. 58).

***Revision of general municipal pension system State aid program:***

The maximum allocation under the state aid program during calendar year 2006 and thereafter, shall not exceed the aggregate actual employer financial requirements of its employee pension plans as calculated under section 402(f)(2) of that act.

The aggregate actual employer financial requirements calculated for each eligible municipality under the Municipal Pension Plan Funding Standard and Recovery Act shall not include the actual employer financial requirements of the police pension plan of the municipality if the municipality has elected to transfer its police employees and is funding or could be funding its actual employer financial requirements for those police employees through disbursements from the residual assets of the police pension fund of the municipality.

If in any year there are unallocated moneys in the general municipal pension system state aid program, the unallocated moneys shall be held as a reserve for allocation in the subsequent year. In the event that the unallocated moneys in any year exceed 10% of the total moneys available for allocation in that year, the excess moneys shall be paid to the General Fund. (pp. 69-70).

***Supplemental local government retirement benefit accumulation plan:***

The Local Government Police Employees' Retirement Board shall establish and administer a supplemental local government retirement benefit accumulation plan that provides for the maintenance of individual accounts for eligible members who are employed by a participating local government. (pp. 71-76).