

No. 1983-75

AN ACT

HB 1342

Amending the act of August 31, 1971 (P.L.398, No.96), entitled "An act providing for the creation, maintenance and operation of a county employes' retirement system, and imposing certain charges on counties and providing penalties," further defining "county employe"; and providing that counties may make pickup contributions to the county employes' retirement system on behalf of county employes.

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

Section 1. Section 2 of the act of August 31, 1971 (P.L.398, No.96), known as the County Pension Law, amended June 22, 1978 (P.L.495, No.74), is amended to read:

Section 2. Definitions.—As used in this act:

- (1) "Board" means the County Retirement Board created by this act.
- (2) "County employe" means any person, whether elected or appointed, who is employed by the county, the county institution district, in the county prison or in any other institution maintained by the county from county moneys, or who is employed by any county or State official and paid by such official from moneys appropriated by the county for such purpose, whose salary or compensation is paid in regular periodic installments or from fees collected by his office, but shall not, except as hereafter provided, include any person paid on a per diem basis, nor shall it include any person to the extent that the total of the salary and fees exceed the highest salary paid to any elected county official: *Provided, however, That after January 1, 1984, the restriction limiting the pensions of employes indexed to the highest salary paid to any elected county official shall be applicable only to any employment occurring and salary earned prior to January 1, 1984, and shall not apply to any employment which occurred and salary earned after January 1, 1984.*
- (3) "Fund" means the County Employes' Retirement Fund created by this act.
- (4) "Accumulated deductions" means the total of *pickup contributions* and the amounts deducted from the salary of a contributor and paid into the fund and standing to the credit of the members' annuity reserve account, together with the regular interest thereon.
 - (4.1) "*Compensation*" means *pickup contributions plus remuneration received as a county employe excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave.*
- (5) "Contributor" means any person who has accumulated deductions in the fund standing to the credit of the members' annuity reserve account.

(6) "Retiree" means any person in receipt of a retirement allowance under this act.

(7) "Prior service" means all service as a county employe served not later than December thirty-first, preceding the year the retirement system shall be established in any county.

(8) "Original member" means a member who was a county employe on the date of establishment of the retirement system in the county.

(9) "New member" means a member who shall have become a member of the retirement system after the establishment of the retirement system in said county.

(10) "Superannuation retirement age" means sixty years of age or upwards, except as applied to a contributor who has completed twenty years of total service, in which case superannuation retirement age means fifty-five years of age or upwards.

(11) "Final salary" means the average annual **[salary] compensation** received by the contributor for the three highest years of service in the employment of the county, or in the event a member has not served five years, the total **[salary] compensation** received divided by the number of years served.

(12) "Regular interest" means interest at the rate of four per cent compounded annually, except as established by the board for member contributions.

(13) "County annuity" means payments for life or during disability derived from contributions made by the county.

(14) "Member's annuity" means payments for life or during disability derived from contributions made by the contributor *and from pickup contributions*.

(14.1) "Pickup contributions" means regular member contributions which are made by the county on behalf of county employes for current service in accordance with section 7(c).

(15) "Retirement allowance" means the county annuity plus the member's annuity.

(16) "Vesting" means the right of a contributor who separates from service after having completed eight or more years of credited service to leave accumulated deductions credited to his account in the fund and upon reaching superannuation retirement age receive a superannuation retirement allowance.

Section 2. Sections 7, 10, 12, 14 and 16 of the act are amended to read:

Section 7. County Employes' Retirement Fund; Transfers Between Classes.—(a) There is hereby created in each county of the second class A, third class, fourth class, fifth class, sixth class, seventh class, and eighth class, in which a retirement system has been established, a County Employes' Retirement Fund which shall consist of all moneys arising from appropriations made by the county **[and]**, from contributions made by the members of the County Employes' Retirement System *and from pickup contributions* and all interest earned by the investments of moneys of the fund. The moneys contributed by the county shall be credited to a county annuity

reserve account; and[,] those contributed by the members *and pickup contributions* shall be credited to a member's annuity reserve account. Upon the granting of a retirement allowance to any contributor, whether as a superannuation retirement allowance, an involuntary retirement allowance or a total disability retirement allowance, the amount of the contributor's accumulated deductions in the members' annuity reserve account shall lose their status as accumulated contributions and shall be transferred to a retired members' reserve account. Regular interest shall be credited up to the date of retirement, death or withdrawal, to the members' annuity and county annuity and retired members' reserve accounts. Where a contributor separates from county service with vesting, regular interest shall be credited to all accumulated deductions credited to his account in the fund to the date on which he attains his superannuation retirement age. The actuary shall determine the present value of the liability on account of all county annuities payable to original members and the percentage of such liability which shall be contributed by the county each year over a period of fifteen years from the time the system is established until the accumulated reserve equals the present value of said liability. All such contributions shall be credited to the county annuity reserve account. The actuary shall also determine the amount which shall be contributed by the county into the fund periodically for credit to the county annuity reserve account on account of service of all new and original members subsequent to the time the retirement system is established.

(b) Each member of the retirement system shall be required to contribute to the fund such per cent of his salary determined as follows:

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| (1) Class 1-120 | 5% |
| (2) Class 1-100 | 6% |
| (3) Class 1-80 | 7% |
| (4) Class 1-70 | 8% |
| (5) Class 1-60 | 9% |

(c) *The county may elect to contribute on behalf of each active member for current service the amount required by subsection (b) beginning the first Monday of January of the year in which the resolution to do so was adopted by the commissioners or, in counties operating under a home rule charter or optional plan, by the governing authority. Contributions made in accordance with this subsection shall be deemed "pickup contributions" and shall be treated as the county's contribution in determining tax treatment under the act of August 16, 1954, 68A Stat. 5, known as the Internal Revenue Code of 1954, for Federal tax purposes. For all other purposes pickup contributions shall be treated as contributions made by a member in the same manner and to the same extent as contributions made prior to the implementation of this subsection. The county on or before January 31 of each year shall, at the time when the income and withholding information required by law is furnished to each county employe, also furnish the amount of the pickup contribution made on the employe's behalf. Upon the effective date of the implementation of this subsection, the county shall pick up the required contributions by an equal reduction in the compensation of the member.*

(d) Each member may elect to contribute an additional amount not exceeding ten per cent more than the percentage herein required. The contributions shall be paid into the fund through payroll deductions in such manner as the board may require. All contributions including optional additional payments by members shall be credited to the members' annuity reserve account. The board may at any time, by rule, authorize members of the retirement system, whether original or new members, to transfer from the one-one hundred twentieth class, or from the one-one hundredth class, to the one-eightieth class, to the one-seventieth class, or to the one-sixtieth class. Whenever such transfers are authorized, salary deductions *or pickup contributions* applicable to the transferred members shall be based upon the per cent of salary deduction applicable while in each class.

Section 10. Compulsory Membership.—Each county officer may and all other county employes shall be required to become a member of the retirement system established by this act at the date specified in the resolution establishing the retirement system, and thereafter when first becoming a county employe. Those becoming members who have been at any time county employes prior to the first Monday of January of the year the retirement system is established shall be known as original members; and, those becoming members after that date as new members. Any person who becomes a county employe subsequent to the time the system was established, and who has been an employe of the county at any time theretofore, shall receive credit for the service prior to the time the system was established, and shall be known as an original member if he shall contribute to the fund the amount which [he] would have *been* contributed if the retirement system had been in effect during such previous employment; in which event, the county shall contribute for each employe the amount which it would have contributed if the retirement system had been in effect during such previous employment.

Section 12. Service Allowance.—In computing the length of service of a contributor for retirement purposes, full credit shall be given to each original member for each year of service rendered to the county prior to January first of the year the retirement system was established. This shall include the services of a county official whose compensation was in the form of fees collected by his office, and shall also include the services of employes paid directly by such county official out of such fees. Full credit shall also be given for each year of service of a contributor who was a per diem employe of the county for a period of at least five years prior to the time the system became effective and who averaged at least two hundred days of employment in each of such years. As soon as practicable, the board shall issue to each original member a certificate certifying the aggregate length of his service prior to January first of the year the retirement system was established. Such certificate shall be final and conclusive as to his prior service, unless thereafter modified by the board upon application of the member. The board may also give credit to any person who was a county employe for each year that he was employed for at least two hundred days per year on a per diem basis for the purpose of the computation of his retirement credit upon payment by

the employe of the amount which the board determines should have been **[his] the applicable member** contribution during such period. Such payment may be made in installments over a period fixed by the board. The time during which a member is absent from service without pay may be counted in computing the service of a contributor, if allowed by the county commissioners and approved by the board and if the employe pays **[both his personal] the member** contribution, *including the pickup contribution*, and the county's contribution into the fund based upon the contributions made the year immediately preceding the leave of absence.

Section 14. Superannuation Retirement Allowance.—(a) Any contributor who has reached superannuation retirement age may retire for superannuation by filing with the board a written statement duly signed by the contributor setting forth at what time he desires to be retired. The application shall retire the contributor at the time so specified.

(b) On retirement for superannuation, a retiree shall receive a retirement allowance which shall consist of: (i) a member's annuity which shall be the actuarial equivalent of his accumulated deductions standing to his credits in the members' annuity reserve account, and (ii) a county annuity equal to one-one hundred twentieth of his final salary multiplied by each year of total service, and, in addition thereto in the case of an original member, one-one hundred twentieth of his final salary multiplied by each year of prior service. At any time the board by rule may, by increasing the county annuity, authorize the payment of a minimum retirement allowance of one hundred dollars (\$100) per month to every beneficiary who shall thereby retire for superannuation after twenty years service.

(c) Whenever the board has by rule authorized the members of the retirement system to transfer from the one-one hundred twentieth class to the one-one hundredth class, or whenever the board shall hereafter by rule authorize the transfer to the one-eightieth class, to the one-seventieth class or the one-sixtieth class, the county annuity shall be calculated as follows:

(1) For service prior to the time of transfer, at the one-one hundred twentieth rate, the one-one hundredth rate, the one-eightieth rate, the one-seventieth rate or the one-sixtieth rate as the case may be.

(2) For service subsequent to the time of transfer to the time of retirement, or to the time of a subsequent transfer, at the rate applicable during such period.

(3) For all service prior to the time of commencing contribution, as the time **[he contributed] member contributions were made** at the one-one hundred twentieth rate bears to the total time of contribution and as the time **[he contributed] member contributions were made** at any other rate herein provided for bears to the total time of contribution.

Section 16. Involuntary Retirement Allowance; Voluntary Retirement Allowance after Twenty Years of Service.—(a) Should a contributor be discontinued from service not voluntarily, or an elected county officer complete his term of office and discontinue service after having completed eight years of total service, or voluntarily after having completed twenty years of total service but before reaching superannuation retirement age, except as herein

provided for certain contributors who have completed twenty years of total service, he shall be paid as he may elect, as follows:

(1) The full amount of the accumulated deduction standing to his credit in the members' annuity reserve account; or

(2) A member's annuity of equivalent actuarial value to his accumulated deductions standing to his credit in the members' annuity reserve account, and, in addition, a county annuity which is the actuarial equivalent of a county annuity beginning at superannuation retirement age but based on the period of service up to the date of discontinuance from service and not on the period of service required to reach superannuation retirement age. The same options shall be available to retirees in case of involuntary retirement as provided herein in the case of superannuation retirement. In the event a contributor, after having completed eight or more years of total service, heretofore has or hereafter shall be discontinued from service because of appointment or election to a position incompatible with his service as a county employe or officer and such employe or officer has not reached the superannuation retirement age, such withdrawal shall be considered involuntary **[and]**; the *accumulated deductions and the* contributions of **[the contributor and]** the county, at the option of the employe or officer, shall remain in the fund until superannuation age has been reached. In the event a refund of accumulated contributions has been made and the county's accumulated contributions have been withdrawn under the above circumstances, the employe or officer shall be permitted to repay into and the county shall be required to reimburse the fund the amounts paid out, with interest to the date of repayment, thereby reestablishing the rights of the contributor in said fund even though superannuation retirement age has been reached and benefits shall be paid as if the original severance had been involuntary.

(b) Any contributor who has completed twenty years of total service and who has reached the superannuation retirement age shall be entitled to the superannuation retirement allowance provided in section 14.

Section 3. (a) This act shall be retroactive to January 1, 1983.

(b) This act shall take effect immediately.

APPROVED—The 20th day of December, A. D. 1983.

DICK THORNBURGH