

ment system as a result of such act shall be guilty of a misdemeanor, and shall be punishable for such under the laws of the Commonwealth. Should any such change in records or any mistake in records result in any employe or beneficiary receiving from the retirement system more or less than he would have been entitled to receive had the records been correct, then on the discovery of any such error, the retirement board shall correct such error and so far as practicable shall adjust the payments which may be made for and to such person in such a manner that the actuarial equivalent of the benefit to which he was correctly entitled shall be paid.

Section 805. Construction of Act.—The provisions of this act so far as they are the same as those of existing law are intended as a continuation of such law and not as new enactments. The repeal by this act of any act of the General Assembly or part thereof shall not revive any act or part thereof heretofore repealed or superseded. The provisions of this act shall not affect any act done, liability incurred or right accrued or vested or affect any suit or prosecution pending or to be instituted to enforce any right or penalty or punish any offense under the authority of such repealed laws.

Section 806. Provisions Severable.—The provisions of this act are severable and if any of its provisions shall be held to be unconstitutional, the decision of the court shall not affect or impair any of the remaining provisions. It is hereby declared to be the legislative intent that this act would have been adopted had such unconstitutional provisions not been included herein.

Section 807. General Repealer.—All acts and parts of acts inconsistent with this act are hereby repealed.

Section 808. Effective Date.—This act shall become effective immediately.

Act effective  
immediately.

APPROVED—The 1st day of June, A. D. 1959.

DAVID L. LAWRENCE

---

No. 78.

AN ACT

Relating to the retirement of State employes; amending, revising, consolidating and changing the laws relating thereto.

## TABLE OF CONTENTS

## ARTICLE I.

## PRELIMINARY PROVISIONS

	Page
Section 101. Short Title .....	395
Section 102. Definitions .....	396

## ARTICLE II.

## MEMBERSHIP AND CREDITED SERVICE

Section 201. Mandatory and Optional Membership .....	400
Section 202. Classes of Membership .....	401
Section 203. Joint Coverage of Contributors Under Retirement System and Social Security .....	404
Section 204. Credited Service .....	404
Section 205. Prior Service .....	407
Section 206. Contributory Service .....	407
Section 207. Credit for Military Service .....	407
Section 208. Restoration of Service Credits Cancelled at Separation from Service .....	408

## ARTICLE III.

## CONTRIBUTIONS

Section 301. Members' Contributions on Account of Current Service .....	408
Section 302. Members' Contributions on Account of Past Service .....	411
Section 303. Transfer from Class B to Class A .....	413
Section 304. Contributions by Commonwealth or Other Employer .....	413
Section 305. Reductions in Commonwealth Contributions on Account of Social Security Coverage .....	415
Section 306. Appropriation by Commonwealth .....	415

## ARTICLE IV.

## BENEFITS

Section 401. Superannuation Retirement Allowances .....	416
---	-----

	Page
Section 402. Withdrawal Benefits .....	419
Section 403. Reduction of Superannuation Retirement Allowances and Withdrawal Allowances on Account of Social Security Old Age Insurance Benefits (Primary Insurance Amount) .....	422
Section 404. Member's Options .....	423
Section 405. Disability Allowances .....	425
Section 406. Return to State Service .....	426
Section 407. Death Benefits .....	427
Section 408. Medical Expenses .....	429
Section 409. Minimum Benefits for Former State Employes .....	429
Section 410. Payment of Benefits .....	430
Section 411. Nomination of Beneficiary .....	430
Section 412. Payments under Other Laws ....	431

#### ARTICLE V.

##### ADMINISTRATION

Section 501. State Employes' Retirement Board	431
Section 502. Management of Fund and Accounts .....	432
Section 503. Duties of the Retirement Board ..	433
Section 504. Duties of Heads of Departments ..	435
Section 505. Duties of State Treasurer .....	436
Section 506. Duties of State Employes .....	437

#### ARTICLE VI.

##### STATE EMPLOYES' RETIREMENT FUND AND ACCOUNTS

Section 601. Creation of Fund and Accounts ..	438
Section 602. State Employes' Retirement Fund	438
Section 603. State Annuity Accumulation Account .....	438
Section 604. State Annuity Reserve Account ..	439

	Page
Section 605. State Annuity Accumulation and Reserve Account for Original Members .....	439
Section 606. State Police Benefit Account ....	439
Section 607. Members' Annuity Savings Account .....	440
Section 608. Members' Annuity Reserve Account .....	440
Section 609. State Police Members' Annuity Reserve Account .....	440

### ARTICLE VII.

#### TRANSFERS BETWEEN THE STATE EMPLOYES' RETIREMENT SYSTEM AND THE PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Section 701. Retention or Restoration of Credits in the State Employees' Retirement System .....	441
Section 702. Transfer of Credits from the Public School Employees' Retirement System to the State Employees' Retirement System .....	442
Section 703. Transfer of Credits from the State Employees' Retirement System to the Public School Employees' Retirement System .....	443

### ARTICLE VIII.

#### GENERAL PROVISIONS

Section 801. State Guarantee .....	444
Section 802. State Supervision .....	444
Section 803. Exemption from Execution .....	444
Section 804. Subrogation .....	444
Section 805. Fraud Adjustments .....	445
Section 806. Construction of Act .....	445
Section 807. Provisions Severable .....	445
Section 808. General Repealer .....	445
Section 809. Effective Date .....	445

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

### ARTICLE I.

#### PRELIMINARY PROVISIONS

Section 101. Short Title.—This act shall be known as the "State \*Employees' Retirement Code of 1959." State Employees' Retirement Code of 1959.

\* "Empolyes'" in original.

Section 102. Definitions.—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:

(1) "Retirement system" shall mean the State Employes' Retirement System of Pennsylvania providing for the payment of retirement allowances and other benefits under the provisions of this act.

(2) "Fund" shall mean the State Employes' Retirement Fund provided for in article VI. section 602 of this act.

(3) "Commonwealth" shall mean the Commonwealth of Pennsylvania.

(4) "Retirement board" shall mean the State Employes' Retirement Board provided for in article V. section 501 of this act.

(5) "Public School Employes' Retirement System" shall mean the retirement system established on July 1, 1919, by the act of July 18, 1917 (P. L. 1043), as amended.

(6) "State employe" shall mean a person in one or more of the following categories:

(a) Any person holding a State office or position under the Commonwealth, employed on a yearly or monthly basis by the State government of the Commonwealth, in any capacity whatsoever, except any officer or employe employed on a per diem or hourly basis for less than one hundred (100) days or seven hundred fifty (750) hours other than a legislative employe, and except any officer or employe who has elected membership in the Public School Employes' Retirement System. Such definition shall include, but shall not be limited to—

(i) Any attorney, solicitor, investigator, appraiser and clerk employed by the year or by the month in the office of any register of wills, howsoever appointed whose compensation is actually paid from Commonwealth moneys.

(ii) Any judge whose salary is paid by the Commonwealth, including the Chief Justice and any judge of the Supreme Court, the President Judge and any judge of the Superior Court, and any judge or associate judge not learned in the law of any court of common pleas or orphans' court, and any judge of the Municipal Court of Philadelphia, the County Court of Allegheny County and the Juvenile Court of Allegheny County.

(iii) Any clerk and secretary employed by a judge and paid on a yearly or monthly basis by such judge from moneys appropriated by the Commonwealth for such purposes.

(iv) Any person employed by the State Board of Law Examiners of the Supreme Court of Pennsylvania.

(v) Any present, future or former member of the General Assembly, who receives or has received a salary for regular and special sessions of the General Assembly as fixed by law.

(vi) Any officer or employe of the Pennsylvania State University paid on a yearly or monthly basis, other than one paid wholly from Federal funds.

(vii) Any State officer or employe, regularly employed by the year or by the month, at a fixed annual or monthly compensation, when the General Assembly is not in session, but who during a legislative session, instead of a fixed annual or monthly salary or compensation, is paid upon a per diem basis or by a fixed salary or compensation from the legislative session or who receives no fixed annual or monthly salary but is paid only on a per diem basis during legislative sessions and subsequent thereto.

(viii) Any employe of the respective institutions acquired by the Commonwealth from counties, cities, wards, boroughs, townships, institution districts and other political subdivisions that are actually used as State mental hospitals under the provisions of the act of September 29, 1938 (P. L. 53), as amended, or are actually used as State sanitoriums or hospitals for the reception and treatment of indigent persons affected with tuberculosis or in need of other hospital treatment.

(ix) Any officer or employe of the Pennsylvania State Police.

(b) Any person eligible for membership in the Public School Employes' Retirement System, who, in accordance with the provisions of articles II. and VII., may elect membership in the State Employes' Retirement System.

(c) Any employe of any single county department of health or any joint county department of health created under the Local Health Administration Law in accordance with the act of August 24, 1951 (P. L. 1304), paid on a yearly or monthly basis.

(d) Any officer or employe, paid on a yearly or monthly basis, of the Interstate Commission of the Delaware River Basin, of the Pennsylvania Tunnel Commission, of the Pennsylvania Turnpike Commission, of the Delaware River Joint Commission, of the Delaware River Joint Toll Bridge Commission, of the State Public School Building Authority, of the General State Authority and of the State Highway and Bridge Authority, provided such commission or authority shall agree to contribute and contributes to the fund, from time to time, the moneys required to build up the reserves necessary for

the payment of the State annuities of such officers and employes without any liability on the part of the Commonwealth to make appropriations for such purposes.

(e) Any officer or employe of any separate independent public corporation created by statute (not including, however, any municipal or quasi-municipal corporation), who, immediately prior to his employment by such public corporation, was an employe of the Commonwealth, so long as they remain officers or employes of such public corporation, provided such public corporation shall agree to contribute and contributes to the fund, from time to time, the moneys required to build up the reserve necessary for the payment of the State annuities of such officers and employes without any liability on the part of the Commonwealth to make appropriations for such purposes.

In all cases of doubt, the retirement board shall determine whether any person is a State employe as defined in this paragraph, and its decision shall be final.

(7) "Head of the department" shall mean, (i) as applied to State employes, the head of the department or branch of service not a department of the Commonwealth of which the State employe is a member, (ii) a judge of one of the several courts of the Commonwealth whose salary is paid by the Commonwealth, and (iii) as applied to members of the General Assembly, the chief clerk of the Senate or the chief clerk of the House of Representatives as the case may be.

(8) "Contributor" shall mean any person who is presently a State employe, including one on leave of absence with or without pay, and who has accumulated deductions to his account in the fund to the credit of the members' annuity savings account.

(9) "Annuitant" shall mean any former contributor in receipt of a superannuation retirement allowance or other benefit as provided in this act.

(10) "Beneficiary" shall mean any person designated by a contributor to receive benefits after the death of such contributor.

(11) "Prior service" shall mean all service as a State employe completed not later than December 31, 1923, for which credit is allowed, and in the case of other persons who became State employes by amendment to the State Employes' Retirement Statute, shall mean all service completed prior to the date of becoming eligible to be a contributor for which credit is allowed.

(12) "Contributory service" shall mean service as a State employe for which credit is allowed on account of contributions made by a contributor.

(13) "Total credited service" shall mean contributory service plus prior service.

(14) "Superannuation retirement age" shall mean sixty (60) years of age, except as to members of the General Assembly and officers and employes of the Pennsylvania State Police for whom superannuation retirement age shall mean fifty (50) years of age.

(15) "Compensation" shall mean, (i) in the case of State employes other than members of the General Assembly and officers and employes of the Pennsylvania State Police, all compensation received, including all overtime or other extra compensation and maintenance allowances but excluding refunds for expenses incidental to employment, (ii) in the case of members of the General Assembly, six thousand dollars (\$6000), (iii) in the case of officers and employes of the Pennsylvania State Police, all compensation received exclusive of maintenance allowances and expenses.

(16) "Salary deductions" shall mean the amounts certified by the retirement board and deducted from the compensation of a contributor and paid into the fund by the State Treasurer through the Department of Revenue.

(17) "Accumulated deductions" shall mean the total of the salary deductions paid into the fund to the credit of the members' annuity savings account, together with the statutory interest credited thereon to the date of termination of the \*contributor's service as a State employe.

(18) "Statutory interest" shall mean interest at four (4) percent per annum, compounded annually.

(19) "Final average salary" shall mean, (i) in the case of State employes other than members of the General Assembly and officers and employes of the Pennsylvania State Police, the highest average annual compensation received by a contributor as a State employe during any five (5) nonoverlapping periods of twelve (12) consecutive months of contributory service, (ii) in the case of members of the General Assembly, six thousand dollars (\$6000), (iii) in the case of officers and employes of the Pennsylvania State Police, the average annual compensation earned by a contributor before any deductions have been made and exclusive of maintenance allowances and expenses for the five (5) years of service immediately preceding retirement, or in the event a member has not served five (5) years, the total compensation earned divided by the number of years served.

---

\* "contributors" in original.



(20) "State annuity" shall mean the payments derived from contributions made by the Commonwealth or other employer as provided in this act.

(21) "Member's annuity" shall mean the payments derived from contributions made by the contributor as provided in this act.

(22) "Retirement allowance" shall mean the State annuity plus the member's annuity.

(23) "Actuarial equivalent" shall mean a benefit of equal value, when computed on the basis of the mortality tables adopted by the retirement board, and statutory interest.

(24) The masculine pronoun wherever used herein shall include the feminine, except as the context otherwise specifically indicates.

## ARTICLE II.

### MEMBERSHIP AND CREDITED SERVICE

Section 201. Mandatory and Optional Membership.—

(1) Membership in the retirement system shall be mandatory for all State employes as defined in article I. section 102, except the following:

- (a) The Governor.
- (b) The Lieutenant Governor.
- (c) Members of the General Assembly.
- (d) Heads or deputy heads of any administrative department.
- (e) Members of any independent administrative board or commission.
- (f) Members of any departmental board or commission.
- (g) Members of any advisory board or commission.
- (h) The Secretary to the Governor.
- (i) The Budget Secretary.
- (j) Legislative employes.
- (k) Eligible State employes as defined in article I. section 102 paragraph (6) subparagraph (b), who are officers and employes of the Department of Public Instruction, State teachers' colleges, Thaddeus Stevens Trade School, Pennsylvania State Oral School for the Deaf, and Scotland School for Veterans' Children, and who are members of the Public School Employes' Retirement System.

(1) Eligible State employes as defined in article I. section 102 paragraph (6) subparagraph (a) clause (vi) who have elected to be members of the Public School

Employees' Retirement System under the conditions of the act of June 14, 1957 (P. L. 320) section 2.

(m) Eligible State employes as defined in article I. section 102 paragraph (6) subparagraph (c), who have elected to retain membership in the retirement system of the political subdivision by which they were employed prior to becoming employes of county departments of health.

(2) The State employes listed in subsection (1) clauses (a) through (j) of this section shall have the right to elect membership in the State Employees' Retirement System. The State employes listed in subsection (1) clauses (k), (l) and (m) of this section shall not have the right to elect membership in the State Employees' Retirement System.

(3) In the case of a State employe who became such employe on or after September 1, 1957, whose membership is mandatory, such membership shall commence as of the effective date of employment. In the case of a State employe whose membership is optional, such membership shall commence as of the date of original eligibility for membership, or such later date as he may choose, provided that he complies with the provisions of article III. section 302.

Section 202. Classes of Membership.—

(1) Membership in the retirement system shall be comprised of the following classes:

(a) Class A which shall consist of all contributors who elected prior to May 18, 1937, to make contributions at a rate determined to provide a member's annuity of one one-hundredth ( $1/100$ ) of final average salary for each year of service and to have a State annuity calculated on the basis of one one-hundredth ( $1/100$ ) of final average salary for each year of service, and all State employes becoming contributors on or after May 18, 1937, whose benefits are compulsorily on such basis, except for the provisions of paragraphs (c), (d) and (e) of this subsection.

(b) Class B which shall consist of all contributors who elected prior to May 18, 1937, to make contributions at a rate determined to provide a member's annuity of one one-hundred-sixtieth ( $1/160$ ) of final average salary for each year of service, and to have a State annuity calculated on the basis of one one-hundred-sixtieth ( $1/160$ ) of final average salary for each year of service, and who have not subsequently elected to become members of Class A.

(c) Class C which shall consist of all officers or employes of the Pennsylvania State Police who are contributors and for each of whom a member's annuity is calculated on the basis of one one-hundredth ( $1/100$ )

of final average salary for each year of service and a State annuity is calculated on the basis of two one-hundredths ( $2/100$ ) of final average salary for each year of service.

(d) Class D which shall consist of all members of the General Assembly who have elected to become contributors and for each of whom a combined member's annuity and State annuity shall be calculated on the basis of two and one-half one-hundredths ( $2\frac{1}{2}/100$ ) of final average salary for each year of qualified legislative service, such service to be defined as follows:

(i) All years of service as a member of the General Assembly in the case of a contributor who was a member or member-elect of the General Assembly on December 1, 1954.

(ii) All years of service as a member of the General Assembly previous to July 5, 1947, and after December 1, 1954, in the case of a contributor becoming a member of the General Assembly after December 1, 1954, who had been a member of the General Assembly previous to July 5, 1947.

(iii) All years of service as a member of the General Assembly after December 1, 1954, in the case of any other contributor becoming a member of the General Assembly after such date.

(e) Class E which shall consist of all judges who are contributors and each of whom has elected to have his combined member's and State annuity calculated on the basis of four one-hundredths ( $4/100$ ) of his final average salary for each of the first ten (10) years of service as a judge and three one-hundredths ( $3/100$ ) thereof for his subsequent service as a judge. Such elections shall be made within thirty (30) days after July 5, 1957, or if taking office as a judge or becoming a contributor after that date, within thirty (30) days after taking such office or becoming such contributor.

(2) The membership of each class defined in subsection (1) of this section shall be divided as follows:

(a) Original members who shall consist of the following:

(i) Any State employe, as defined in article I. section 102 paragraph (6) subparagraph (a), who was at any time a State employe prior \* to January 1, 1925, whether or not such employment has been continuous and who became a contributor on or before May 31, 1952.

(ii) Any judge, as defined in article I. section 102 paragraph (6) subparagraph (a) clause (ii), who has elected to become a member of the retirement system and who was in service on the second Monday of January, 1930, and any person elected or appointed a judge after

\* "and" in original.

that date who, at the time of his election or appointment, was an original member of the retirement system and who was retired, voluntarily or involuntarily, as an original member and was, at the time of his election or appointment as a judge, receiving a retirement allowance as an original member.

(iii) Any State employe, as defined in article I. section 102 paragraph (6) subparagraph (a) clause (iv), who was employed on May 20, 1949, by the State Board of Law Examiners of the Supreme Court of Pennsylvania and who had been continuously so employed since January 1, 1940, who on May 20, 1949, was a contributor.

(iv) Any State employe, as defined in article I. section 102 paragraph (6) subparagraph (a) clause (v), who (i) was a member of the General Assembly on September 1, 1947, and who elected on or before December 31, 1947, to become a contributor as of January 1, 1947, or (ii) was a member of the General Assembly on September 1, 1949, and who elected on or before December 31, 1949, to become a contributor as of January 1, 1949, or (iii) was a member of the General Assembly on September 1, 1951, and who elected on or before May 31, 1952, to become a contributor as of January 1, 1951, or (iv) any person who was formerly a member of the General Assembly and who on September 1, 1949, or who on September 1, 1951, was a contributor. In the case of any contributor who, at any time prior to becoming such contributor, has been a member of the General Assembly or a per diem or other legislative employe, the period of such service as a member of the General Assembly or as such per diem or other legislative employe shall be included in computing the period of service of such contributor as if he had been an original member.

(v) Any State employe, as defined in article I. section 102 paragraph (6) subparagraph (a) clause (viii), who was an employe of any of the respective institutions acquired by the Commonwealth from any county, city, ward, borough, township, institution district or other political subdivision, who was at any time an employe of such institution, county, city, ward, borough, township, institution district or other political subdivision prior to January 1, 1925, whether or not such employment had been continuous, and who became a contributor on or before May 31, 1957.

(vi) Any State employe, as defined in article I. section 102 paragraph (6) subparagraph (a) clause (ix), who was employed by the Pennsylvania State Police or the State Highway Patrol prior to January 1, 1925, and who is an employe of the Pennsylvania State Police.

(vii) Any person who has become a State employe by change of definition and who was not originally classed

as such, and any person not classed as a State employe at the time of entering the service of the Commonwealth but who later became a State employe because of a change in employment or method of compensation, provided such person shall have become a contributor on or before December 31 next following the effective date of the act under the provisions of which he is enabled to become a contributor and he expressly elects to become an original member. This provision shall not apply to officers and employes of the Pennsylvania State Police.

(b) New members who shall consist of all State employes, other than original members as defined above, who shall become contributors.

Section 203. Joint Coverage of Contributors Under Retirement System and Social Security.—The membership of each class defined in section 202 subsection (1) shall belong to one of the following groups:

(1) Joint Coverage Group, consisting of any State employe who shall become a member of the retirement system on 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 elects social security coverage under agreement with the Federal Secretary of Health, Education and Welfare entered into by the Commonwealth for State employes, except \*any State employe who is excluded from social security coverage under the provisions of the Federal Social Security Act.

(2) Single Coverage Group, consisting of any State employe who is excluded from social security coverage under the provisions of the Federal Social Security Act, and any State employe who became a member of the retirement system on or before May 28, 1957, and who has either filed with the retirement board a written statement that he does not elect social security coverage under any agreement with the Federal Secretary of Health, Education and Welfare entered into by the Commonwealth for State employes, or who has not filed with the retirement board any written statement electing such coverage.

Section 204. Credited Service.—

(1) In computing the length of service of a contributor for retirement purposes, a year of service shall mean a period of twelve (12) months during which a contributor is a State employe and for which he receives an annual salary or other compensation. The time during which a State employe is on furlough or on leave of absence without pay shall not be counted in computing

\* "and" in original.

the credited service or the final average salary of the contributor, except as provided in subsection (6) of this section and in section 207. In the case of a member of the General Assembly, two (2) years of credited service shall be allowed for the two (2) year term of a member of the House and four (4) years of credited service shall be allowed for the four (4) year term of a member of the Senate regardless of the actual period during which the General Assembly is in session. In cases where a member of the General Assembly is elected to fill an unexpired term or a member does not complete his term, proportionate adjustment shall be made in the period of credited service.

(2) Any person who became a member of the Pennsylvania Motor Police subsequent to January 1, 1938, or a member of the Pennsylvania State Police subsequent to June 1, 1943, and who shall have been at any time theretofore in the employ of the Commonwealth shall receive credit for any such service prior to January 1, 1938, or prior to June 1, 1943, as the case may be, upon complying with the provisions of article III. section 302.

(3) Employees of the Department of Public Instruction, State teachers' colleges, Thaddeus Stevens Trade School, Pennsylvania State Oral School for the Deaf and Scotland School for Veterans' Children shall be allowed credit for periods of service for which credit was originally allowed in the Public School Employees' Retirement System, provided such employes have withdrawn their accumulated deductions from the said system, have become members of the State Employees' Retirement System and paid their accumulated deductions into the State Employees' Retirement Fund in accordance with the provisions for such transfer of membership.

(4) Employees of any single county department of health or any joint county department of health, as defined in article I. section 102 paragraph (6) subparagraph (c), who become contributors, shall be allowed credit for service from the time they first entered the employ of the political subdivision, provided such employes shall pay to the retirement system back contributions in accordance with the provisions of article III. section 302.

(5) Employees of the respective institutions acquired by the Commonwealth, as defined in article I. section 102 paragraph (6) subparagraph (a) clause (viii), who as of June 16, 1947, or who on or before May 31, 1957, became contributors, shall be allowed credit for service from the time they first entered the employ of such institution, provided such employes shall pay to the retirement system the required back contributions in accordance with the provisions of article III. section 302.

(6) A State employe who was loaned to the United States Government, defined as (i) any person who was a State employe and who was an employe of the Commonwealth paid on a yearly or monthly basis and was loaned to the United States Government on and after January 1, 1942, pursuant to the telegram from the President of the United States dated December 19, 1941, to the Governor of the Commonwealth requesting the loan of certain employes to the United States Government and who has since been returned to State employment in accordance with Public Law 549 of the Seventy-Ninth Congress of the United States, or (ii) any State employe employed in the Bureau of Employment Security of the Department of Labor and Industry and who was employed between July 1, 1933, and November 15, 1946, by the United States Government, performing employment service functions in Pennsylvania offices of the National Reemployment Service or the State Employment Service of the Commonwealth, and who, during that time, was not covered by any other retirement or pension system and including any employe who, while the employment service was on loan to the United States Government, was hired by the United States Government and was transferred to the Commonwealth on November 16, 1946, in accordance with Public Law 549 of the Seventy-Ninth Congress of the United States, but shall not include any person who, while in the employment of the United States Government with respect to such employment, became a member of any retirement or pension system financed, in whole or in part, by funds of the United States Government and continued to receive credit in such other system for such service after his employment by the Commonwealth, shall be allowed credit for the period during which he was employed by the United States Government, provided he has elected within six (6) months after May 17, 1956, to make contributions as provided in section 302 subsection (2) clause (h). In the case of State employes defined in clause (ii) of this subsection, the period of service during which such State employe was employed by the United States Government shall not be included in determining the equalizing component on retirement under the provisions of article IV. section 401 subsection (1) paragraph (a) clause (ii).

The right of any State employe who was loaned to the United States Government to obtain credit for service in accordance with this paragraph shall be contingent on the availability of moneys in the Administration Fund created under section 602 of the Unemployment Compensation Law, approved December 5, 1936 (P. L. 2897) and the payment from such fund of the moneys required to build up the reserves necessary for the pay-

ment of State annuities to all such employes who take advantage of the provisions of this paragraph.

(7) The total period of credited service of a member for retirement purposes under the provisions of this act shall consist of the prior service for which the member has received credit and his contributory service.

Section 205. Prior Service.—Prior service shall consist of all service of an original member completed not later than December 31, 1923, and in the case of other persons who become State employes by amendments to State Employes' Retirement Statute shall consist of all service completed prior to the date of becoming eligible to be a contributor.

Section 206. Contributory Service. — Contributory service shall consist of service subsequent to December 31, 1924, on account of which contributions required under this act to secure such credit are held to the credit of the contributor in the members' annuity savings account.

Section 207. Credit for Military Service.—

(1) A State employe who during the period from December 7, 1941, to July 27, 1953, entered into active military service, defined as full time service in the armed forces of the United States, under a requisition from or by executive order of the President of the United States, or in the armed forces organized for the defense of the Commonwealth by the authority of this Commonwealth, shall be allowed credit for the period during which he was in active military service and salary deductions were paid into the fund either during such active military service or thereafter in accordance with the provisions of article III. sections 301 and 302.

(2) A State employe who is a contributor and who after July 27, 1953, shall, in time of war or armed conflict, enlist or shall at any time enlist to meet his draft obligations or be drafted into active military service, defined as active service in any of the armed services or forces of the United States or of the Commonwealth, shall be considered to be on military leave of absence and shall have his retirement rights determined as if he was in the active, continuous and uninterrupted employ of his employer for the period during which he was on military leave of absence, provided that he complies with the provisions of article III. sections 301 and 302. Every military leave of absence shall expire ninety (90) days after the expiration of the first period of an employe's enlistment which expires at a time when the United States is not engaged in a war or armed conflict, or in the case of an employe who was drafted, such leave



of absence shall expire ninety (90) days after the expiration of the period for which he was drafted.

(3) Any State employe who is separated from active military service by an undesirable, bad conduct or dishonorable discharge, shall not be entitled to any of the retirement rights provided for in subsection (2) of this section, except such vested rights acquired prior thereto by virtue of payments made according to the provisions of article III. section 301.

Section 208. Restoration of Service Credits Cancelled at Separation from Service.—When a contributor ceases to be a State employe his credited service is cancelled if he withdraws his accumulated deductions, but should he return to State service there shall be restored to him the annuity rights forfeited by him at the time of separation from service and he shall, at retirement, be entitled to have full credit for each year of service, if (i) he returns to service within twenty (20) years of the date of his separation from service, and (ii) he shall have restored to the fund, to the credit of the members' annuity savings account in such manner as may be agreed upon by the State employe and the retirement board, his accumulated deductions as they were at the time of his separation. In the case of any State employe who has heretofore retired or who shall hereafter retire voluntarily or involuntarily and who shall later return to State service, his annuity allowance shall cease upon reentry into State service until subsequent retirement.

### ARTICLE III.

#### CONTRIBUTIONS

Section 301. Members' Contributions on Account of Current Service.—

(1) From the salary of each member of the single coverage group who is a contributor, there shall be deducted and paid into the fund, by the State Treasurer through the Department of Revenue, such percent of his salary as shall be computed according to the class of his membership as follows:

(a) A member of Class A shall be required to contribute at a rate computed by the actuary to be sufficient with statutory interest to procure for him on superannuation retirement a member's annuity equal to one one-hundredth (1/100) of his final average salary for each year of service after December 31, 1923, except that if the deduction so computed shall exceed seven (7) percent of his compensation, the member may request the retirement board to be permitted to contribute at the lesser rate, and if the retirement board finds that there are reasons which justify such reduction, then there shall be deducted seven (7) percent of his compensation.

(b) A member of Class B shall be required to contribute at a rate computed by the actuary to be sufficient with statutory interest to procure for him on superannuation retirement a member's annuity equal to one one-hundred-sixtieth ( $1/160$ ) of his final average salary for each year of service after December 31, 1923.

(c) A member of Class C shall be required to contribute at the same rate of contribution according to age as is required of a member of Class A.

(d) A member of Class D shall be required to contribute at one and one-quarter ( $1\frac{1}{4}$ ) times the rate of contribution required of a member \*of Class A.

(e) A member of Class E shall, beginning July 1, 1957, be required to contribute during the first ten (10) years of service as a judge at double the rate of contribution required of a member of Class A and during the remainder of his service as a judge at one and one-half ( $1\frac{1}{2}$ ) times the rate of contribution required of such member.

(f) The rate percent of said deductions from compensation shall be based on such mortality and other tables as the retirement board shall, from time to time, adopt, together with the statutory interest, and shall be computed to remain constant during the prospective service of the contributor.

(2) The deductions from salaries in accordance with subsection (1) of this section shall be subject to the following conditions:

(a) In the case of an annuitant restored to service as a contributor, the rate of deduction from compensation shall be determined on the basis of the age which was used to determine the rate applicable prior to becoming an annuitant.

(b) In the case of a State employe whose service credits were cancelled upon separation from service and have been restored according to the provisions of article II, section 208, the rate of deduction from compensation shall be determined on the basis of the age which was used to determine the rate applicable prior to the date of separation from service.

(c) In the case of a State employe who has transferred service credit from prior membership in the Public School Employes' Retirement System, the rate of deduction from compensation shall be determined by the age at which such employe began to contribute to the Public School Employes' Retirement Fund.

(d) A contributor who, under prior law, had elected to contribute at a five (5) percent rate, may continue such rate of contribution.

\* "or" in original.

(e) No contributor who, prior to May 18, 1937, ceased to make contributions, shall be required to continue to contribute to the fund after he shall have become eligible for superannuation retirement if he shall have already completed ten (10) years of service. However, any such contributor may elect at any time before superannuation retirement to resume contributions to the fund and shall also have the privilege to pay into the fund an amount equal to the total amount he would have contributed had he not elected to cease to make contributions.

(f) Every contributor who, after May 18, 1937, becomes eligible for superannuation retirement shall be required to make contributions so long as he shall remain in State service.

(3) A State employe who shall have entered military service may continue to pay salary deductions into the fund as follows:

(a) A State employe who entered into active military service on or prior to July 27, 1953, and who made an election within thirty (30) days after July 3, 1941, or within thirty (30) days after his induction into active military service, shall have the right for the period of such military service and for a period of one (1) year after the completion of such military service to continue to pay into the fund his salary deductions on the basis of his salary on the date of his entry into active military service, so long as such active military service has not been voluntarily extended after such State employe has had the opportunity for any reason to be discharged or to resign.

(b) Whenever, after July 27, 1953, a State employe shall be granted a military leave of absence, he may continue to make regular payments into the fund during the period of his military leave of absence: Provided, That he shall so signify to the retirement board, in writing, within sixty (60) days after the commencement of his military leave of absence or within sixty (60) days after July 8, 1957, whichever is later. The amount of such payments shall be the same as they would have been had he not been granted a military leave of absence but had instead remained actively in his employment. The time of making such payments shall be mutually agreed upon by the employe and the retirement board but in no event shall be less frequent than semi-annually.

(4) The amount of deduction from the salary of a member of the joint coverage group shall be computed in the manner described in subsection (1) of this section for a member of the single coverage group, except that the amount of such deduction from salary shall be reduced with respect to wages (as defined in the Federal

Insurance Contributions Act) by forty (40) percent of the tax on employes prescribed by the Federal Contributions Act exclusive of that portion of such tax attributable to disability coverage. Such reduction in the rate of contribution for a member of the joint coverage group shall be effective as of January 1, 1956, or later date of qualification as a contributor.

Section 302. Members' Contributions on Account of Past Service.—

(1) In the case of a State employe who is given credit for service prior to becoming a contributor with the requirement that such employe make contributions with respect to such service, back payments may be made in a lump sum or may be spread over a period of years by having the regular payroll deduction of such employe increased by not less than one-third ( $\frac{1}{3}$ ) of the amount thereof. Such deduction increase shall be credited to such back payments until the amount thereof shall be paid in full, unless such contributor is retired under the provisions of this act before such back payments have been completed. Any such deduction increase may be anticipated in full by the contributor at any time, and shall be anticipated in full at the time of superannuation retirement before a full superannuation retirement allowance is granted. If not so anticipated, the member's annuity shall be calculated on the total accumulated deductions standing to his credit and his State annuity shall be reduced by an amount equivalent to the reduction which occurs in the member's annuity due to the amount of back payments not so anticipated.

(2) The following members are entitled to make contributions on account of past service according to the provisions of subsection (1) of this section:

(a) A State employe as defined in article I. section 102 paragraph (6) subparagraph (c).

(b) A State employe as defined in article I. section 102 paragraph (6) subparagraph (a) clause (viii).

(c) Any State employe who became an original member as defined in article II. section 202 subsection (2) and who had not made contributions from the date of being eligible as an original member.

(d) A new member of the retirement system, as defined in article II. section 202 subsection (2), who does not become a contributor when first eligible, may make back contributions to the date of original eligibility or such later date as he may choose, subject to the provisions of clauses (e) and (f) of this subsection where applicable.

(e) Any member of the General Assembly who was not a member of the retirement system on March 24,

1956, may elect, prior to the expiration of his present term in the General Assembly, to become a new member of the retirement system as of the date he became a member of the General Assembly upon payment to the fund of back contributions.

(f) A judge who is not a member of the retirement system on July 5, 1957, may elect, prior to the expiration of his present term as a judge, to become a new member of the retirement system as of the date when he became a judge upon payment to the fund of back contributions.

(g) A contributor who was originally a member of Class B and who became a member of Class A in accordance with the provisions of section 303, shall make back contributions equal to the difference between the sum of the amounts that would have been deducted from his salary each payroll period had he elected to contribute as a member of Class A and the sum of the amounts actually deducted.

(h) A State employe who was loaned to the United States Government and who has returned to State employment and who has elected to receive credit for the period during which he was employed by the United States Government, shall pay into the fund a sum equal to what would have been his total salary deductions during the said period of employment by the United States Government calculated on the basis of his salary on the first date of his employment with the United States Government. In no event shall increased salary deductions determined according to the provisions of subsection (1) be an amount less than sufficient to pay such total back payments by the time the member reaches superannuation retirement age.

(i) A State employe who entered active military service between December 7, 1941, and July 27, 1953, and who does not elect to pay into the fund during the period of his active military service an amount equal to his salary deductions, may, during the period of such active military service and for a further period of one (1) year after completion of such active military service, pay into the fund an amount which shall be equal to the periodic salary deductions multiplied by the number of the pay periods during which he was absent from State employment or State service in active military service to the credit of the members' annuity savings account in such manner as may be agreed upon by the State employe and the retirement board, but in no event shall such payments be made in installments less than sufficient to pay such amount by the time the member attains superannuation retirement age.

(j) A State employe who, subsequent to July 27, 1953, shall have been granted a military leave of absence and who discontinues making payments into the fund and who returns to his employment upon the expiration of his military leave of absence, shall have his retirement rights determined on the basis that he was in the active, continuous and uninterrupted employ of his employer for the period during which he was on military leave of absence: Provided, That he complies with the following:

(i) He shall within six (6) months after he returns to his employment give written notice to the retirement board of his desire to have his retirement rights determined in such manner, and

(ii) He shall pay into the retirement fund an amount equal to the total payments he would have made had he continued payments during his military leave of absence. Payment of such amount may be spread over a period of time agreeable to the retirement board and the employe, which in no event shall exceed a period commencing with the date he returned to his employment and equal in duration to the duration of his military leave of absence. Such agreed upon payments shall be made in the same manner as his regular payments into the fund are made.

Section 303. Transfer from Class B to Class A.—A contributor, whether an original member or a new member, who was a member of Class B and who was separated from State service on June 1, 1949, who returns to State service after that date and rejoins the retirement system, may transfer from Class B to Class A, provided such transfer is requested, in writing, within sixty (60) days from the date of return to State service. In the event of such transfer of membership, the percent of salary deductions applicable to such transferred member of Class A shall be based upon the same age of the contributor as was used in determining the percent of salary deduction applicable while a member of Class B.

Section 304. Contributions by Commonwealth or Other Employer.—

(1) Contributions on account of members of Class A, Class B, Class D and Class E shall be as follows:

(a) On July 1 and January 1 of each year covering the preceding six (6) months, the Commonwealth shall pay, through the Department of Revenue into the retirement fund on account of new members, such amount as shall be certified by the retirement board as necessary to provide by such method of payment during the prospective active service of such new members the State annuity reserves required at the time of retirement for their State annuities, which amount shall be credited

by the retirement board to the ledger account known as the State annuity accumulation account. The amount so certified by the retirement board shall be computed as a percentage of the total salaries earnable by all contributors during the period for which the amount is certified. The percentage shall be computed as a level percentage of the prospective compensation of all contributors and shall be based on such mortality and other tables as shall be adopted by the retirement board, and on statutory interest. Such percentage shall be computed on the basis of each actuarial valuation and shall be determined by deducting from the present value of the liabilities of the State annuity accumulation account the sum of the assets credited to that account on the valuation date and dividing the remainder by the present value of the future salaries of all contributors.

(b) The Commonwealth shall, from the General Fund, from special operating funds and from other agencies and from other employers whose employes are covered as State employes under this act, pay into the fund, through the Department of Revenue, on account of each original member of the retirement system and until the accumulated reserve equals the present value of the liability with respect to all such original members, such amounts as shall be certified by the retirement board to be sufficient when combined with the total amount in the fund to the credit of the State annuity accumulation and reserve account for original members to provide the State annuities payable by the Commonwealth during the year then current to the original members then retired or to be retired as provided in this act.

(c) The General Assembly shall, from time to time, appropriate moneys sufficient to make the payments to former State employes provided for in article IV. section 409.

(2) Contributions on account of members of Class C shall be as follows:

The Commonwealth shall, from the General Fund and from the Motor License Fund, contribute, from time to time, such amounts as shall be certified by the retirement board as necessary, in addition to the amounts received under the provisions of the act of May 12, 1943, (P. L. 259), as amended, to provide the State annuity reserve required at the time superannuation retirement, disability retirement or withdrawal allowances are payable under the provisions of article IV. The amounts sufficient to provide State annuities equivalent to the State annuities received by members of Class A or Class B, as the case may be, shall be credited to the State annuity accumulation account in the case of new members or to the State annuity accumulation and reserve account

for original members in the case of original members. Any additional amounts shall be credited to the State Police benefit account. The \*amounts to be paid by the Commonwealth from the General Fund and the Motor License Fund into the fund shall be apportioned according to the same ratios as are used to apportion appropriations for salaries of members of the Pennsylvania State Police.

Section 305. Reductions in Commonwealth Contributions on Account of Social Security Coverage.—In determining the contributions payable by the Commonwealth and other employers on account of new members and original members in accordance with the provisions of section 304, the retirement board shall take into account the reduction in the benefits for members of the joint coverage group due to the offset of benefits payable under social security and the appropriation shall be correspondingly reduced for such members.

Section 306. Appropriation by Commonwealth.—

(1) The retirement board shall prepare and submit to the Budget Secretary on or before November 1 of each even-numbered year an itemized estimate of the amounts necessary to be appropriated by the Commonwealth out of the Motor License and General Funds to the fund to complete the payment of said obligations of the Commonwealth accruing during the biennium beginning June 1 of the following year, and it shall be the duty of the General Assembly to make an appropriation sufficient to provide for such obligations to the Commonwealth, and the amount so appropriated shall be included in the general appropriation bill and shall be paid by the State Treasurer through the Department of Revenue into the fund upon warrants of the Auditor General in accordance with requisitions presented by the retirement board.

(2) The General Fund of the Commonwealth shall not be held liable to appropriate the moneys required to build up the reserves necessary for the payment of the State annuities of contributors whose salary or compensation is payable from special operating funds or agreed to be paid by other agencies from moneys not in the State Treasury, but the appropriations or payments necessary for such purposes shall be paid into the fund only from moneys in such special operating funds or by such agencies. In case any such special fund or agency shall fail to provide the moneys necessary for such purpose, then for such period as moneys are not so provided the credits on which the State annuity of such contributors is based shall not be increased but the rights of such contributors in the retirement system shall nevertheless

\* "accounts" in original.



be continued and payroll deductions shall continue in the case of such contributors to be credited to their members' annuity savings accounts.

## ARTICLE IV.

### BENEFITS

Section 401. Superannuation Retirement Allowances.—

(1) Upon retirement at or after superannuation retirement age, a contributor who is a member of the single coverage group and whose entire service shall have been in one class of membership, shall receive a superannuation retirement allowance in accordance with the following provisions:

(a) The superannuation retirement allowance of a member of Class A shall consist of a member's annuity which shall be the actuarial equivalent of his accumulated deductions and a State annuity. The State annuity shall consist of the following components, the sum of which shall not exceed fifty (50) percent of his final average salary:

(i) A basic component of one one-hundredth (1/100) of his final average salary for each year of total credited service.

(ii) An equalizing component equal to the amount, if any, by which the member's annuity is less than the State annuity attributable to contributory service.

(iii) A prior service component applicable to original members of one one-hundredth (1/100) of his final average salary for each year of prior service.

(iv) In the event of superannuation retirement after April 18, 1952, a minimum allowance component equal to the amount, if any, by which the superannuation retirement allowance otherwise payable is less than one thousand two hundred dollars (\$1,200), provided the contributor has twenty-five (25) years or more of credited service in the Commonwealth or if less than twenty-five (25) years of such service, then such proportional amount of one thousand two hundred dollars (\$1,200) as the years of such credited service bear to twenty-five (25) years.

(b) The superannuation retirement allowance of a member of Class B shall consist of a member's annuity which shall be the actuarial equivalent of his accumulated deductions and a State annuity. The State annuity shall consist of the following components, the sum of which shall not exceed fifty (50) percent of his final average salary:

(i) A basic component of one one-hundred-sixtieth ( $1/160$ ) of his final average salary for each year of total credited service.

(ii) An equalizing component which shall be equivalent to the amount, if any, by which the member's annuity is less than the State annuity attributable to contributory service.

(iii) A prior service component applicable to original members of one one-hundred-sixtieth ( $1/160$ ) of his final average salary for each year of prior service.

(c) The superannuation retirement allowance of a member of Class C shall consist of a member's annuity which shall be the actuarial equivalent of his accumulated deductions and a State annuity. The State annuity shall consist of the following components, the sum of which shall not exceed fifty (50) percent of his final average salary:

(i) A basic component of two one-hundredths ( $2/100$ ) of his final average salary for each year of total credited service.

(ii) A prior service component applicable to original members of two one-hundredths ( $2/100$ ) of his final average salary for each year of prior service.

(iii) An accelerating component equal to the additional member's annuity which the accumulated deductions standing to his credit would purchase if he were age sixty (60) at the time of retirement.

(d) The superannuation retirement allowance of a member of Class D, who is a member of the General Assembly at time of retirement, shall consist of a combined member's annuity and State annuity equal to two and one-half one-hundredths ( $2\frac{1}{2}/100$ ) of his final average salary for each year of qualified legislative service as defined in article II, section 202 subsection (1) (d).

(e) The superannuation retirement allowance of a member of Class E, who has served at least one (1) full elective term or ten (10) years in the aggregate as a judge continuously or otherwise, shall consist of a combined member's annuity and State annuity equal to four one-hundredths ( $4/100$ ) of his final average salary for each year of service during his first ten (10) years as judge, and thereafter equal to three one-hundredths ( $3/100$ ) thereof for each such year of service. The total superannuation retirement allowance payable to a member of Class E, after election of an option as provided in section 404 of this article, shall not exceed eighty (80) percent of his final average salary.

(2) Upon retirement at or after superannuation retirement age, a contributor who is a member of the single coverage group and who has credit for service in two or more classes of membership, shall receive a superannuation retirement allowance calculated as follows:

(a) Where a contributor has transferred from Class B to Class A, his superannuation retirement allowance shall consist of a member's annuity which shall be the actuarial equivalent of his accumulated deductions and a State annuity which shall consist of—

(i) A component of one one-hundred-sixtieth ( $1/160$ ) of his final average salary for each year of service prior to the date of transfer.

(ii) A component of one one-hundredth ( $1/100$ ) of his final average salary for each year of service subsequent to the date of transfer.

(iii) A prior service component, applicable to original members, which shall equal one one-hundred-sixtieth ( $1/160$ ) of his final average salary multiplied by total years of prior service multiplied by the ratio of years of contributory service at the one one-hundred-sixtieth ( $1/160$ ) rate to total years of contributory service plus one one-hundredth ( $1/100$ ) of his final average salary multiplied by total years of prior service multiplied by the ratio of years of contributory service at the one one-hundredth ( $1/100$ ) rate to total years of contributory service.

(b) Where a contributor is a member of Class C at the time of superannuation retirement and has credit for service as a member of Class A or Class B, his superannuation retirement allowance shall consist of the retirement allowance on account of service as a member of Class C calculated according to the provisions of subsection (1) paragraph (c) of this section and in addition the retirement allowance on account of service as a member of Class A or Class B calculated according to the provisions of subsection (1) paragraph (a) or (b), as the case may be, of this section and having a value equal to the present value of the annuities beginning at superannuation retirement age for members of Class A or Class B, as the case may be.

(c) Where a contributor has credit for service as a member of Class C but is a member of Class A or Class B at the time of superannuation retirement, his superannuation retirement allowance shall consist of the retirement allowance on account of service as a member of Class A or Class B calculated according to the provisions of subsection (1) paragraph (a) or (b), as the case may be, of this section and in addition the retirement allowance on account of service as a member of Class C calculated according to the provisions of subsection (1) paragraph (c) of this section.

(d) Where a contributor is a member of Class D at the time of superannuation retirement and has credit for service as a member of Class A or Class B, his superannuation retirement allowance shall consist of the retirement allowance on account of service as a member

of Class D calculated according to the provisions of subsection (1) paragraph (d) of this section, and in addition the retirement allowance on account of service as a member of Class A or Class B calculated according to the provisions of subsection (1) paragraph (a) or (b), as the case may be, of this section and having a value equal to the present value of the annuities beginning at superannuation retirement age for members of Class A or Class B, as the case may be.

(e) Where a contributor has credit for service as a member of Class D but is a member of Class A at the time of superannuation retirement, his retirement allowance shall be the larger of the following:

(i) The retirement allowance on account of service as a member of Class A calculated according to the provisions of subsection (1) paragraph (a) of this section, and in addition the retirement allowance on account of service as a member of Class D calculated according to the provisions of subsection (1) paragraph (d) of this section, or

(ii) The retirement allowance computed by including his accumulated deductions and years of service as a member of Class D and his accumulated deductions and years of service as a member of Class A.

(f) Where a contributor is a member of Class E at the time of superannuation retirement and has credit for service as a member of Class A or Class B, his superannuation retirement allowance shall consist of the retirement allowance on account of service as a member of Class E calculated according to the provisions of subsection (1) paragraph (e) of this section, and in addition the retirement allowance on account of service as a member of Class A or Class B calculated according to the provisions of subsection (1) paragraph (a) or (b), as the case may be, of this section.

(3) Upon retirement on or after superannuation retirement age, a contributor who is a member of the joint coverage group shall receive a superannuation retirement allowance computed in accordance with the applicable provisions of subsections (1) and (2) of this section but reduced in accordance with the provisions of section 403.

#### Section 402. Withdrawal Benefits.—

(1) Upon discontinuance of service before reaching superannuation retirement age, by resignation or dismissal or for any reason other than death or receipt of a disability allowance or leave of absence without pay, a contributor who ceases to be a State employe shall be paid on demand from the fund.

(a) In the case of a member of Class A, Class B, Class D or Class E—

(i) The full amount of the accumulated deductions standing to his individual credit in the members' annuity savings account as of the termination of such service, or in lieu thereof should he so elect—

(ii) An annuity beginning at time of withdrawal or a deferred annuity beginning at superannuation retirement age, which shall be the actuarial equivalent of said deductions.

(b) In the case of a member of Class C, the amount standing to his credit in the members' annuity savings account shall be paid to him if no application for return of accumulated deductions shall have been made within six (6) months after resignation.

(c) In the case of members of classes other than Class C, the accumulated deductions left by a former State employe or contributor whose State employment is terminated shall no longer be credited with any interest after September 1, 1945, even though such accumulated deductions are not withdrawn in accordance with the provisions of this subsection nor shall interest be credited on accumulated deductions of any contributor who is on leave of absence without pay other than military leave of absence or in the case of civil service employes on furlough.

(2) Upon discontinuance of service before reaching superannuation retirement age, a contributor who is a member of the single coverage group and whose entire service shall have been in one class of membership, if qualified in accordance with the following provisions, may elect to receive a withdrawal allowance computed for his class of membership as follows:

(a) The withdrawal allowance of a member of Class A, Class B or Class C, who is discontinued from service not voluntarily after having completed ten (10) years of total service or voluntarily after having completed twenty-five (25) years of total service, shall consist of—

(i) A member's annuity which shall be the actuarial equivalent at the date of receipt of benefits of his accumulated deductions, and

(ii) A State annuity having a value equal to the present value of a State annuity beginning at superannuation retirement age calculated in accordance with the provisions of subsection (1) paragraph (a) (b) or (c) of section 401, as the case may be.

(b) The withdrawal allowance of a member of Class D, who discontinues his qualified legislative service voluntarily or involuntarily after having completed ten (10) years of such service, shall consist of a combined member's annuity and State annuity having a value

equal to the present value of such annuity beginning at superannuation retirement age calculated in accordance with the provisions of section 401 subsection (1) paragraph (d).

(c) The withdrawal allowance of a member of Class E, who discontinues his judicial service voluntarily or involuntarily after having completed twenty (20) years of judicial service, shall consist of a combined member's annuity and State annuity having a value equal to the present value of such annuity beginning at superannuation retirement age calculated in accordance with the provisions of section 401, subsection (1), paragraph (e).

(3) Upon discontinuance of service before reaching superannuation retirement age, a contributor who is a member of the single coverage group and who has credit for service in two or more classes of membership, shall receive a withdrawal allowance calculated as follows:

(a) Where a contributor has transferred from Class B to Class A and is discontinued from service not voluntarily after having completed ten (10) years of total service or voluntarily after having completed twenty-five (25) years of total service, his withdrawal allowance shall consist of—

(i) A member's annuity which shall be the actuarial equivalent of his accumulated deductions, and

(ii) A State annuity having a value equal to the present value of such annuity beginning at superannuation retirement age calculated in accordance with the provisions of section 401 subsection (2) paragraph (a).

(b) Where a contributor who is a member of Class C and has credit for service as a member of Class A or Class B is discontinued from service not voluntarily after having completed ten (10) years of total service or voluntarily after having completed twenty-five (25) years of total service, his withdrawal allowance shall have a value equal to the present value of the allowance beginning at superannuation retirement age provided for in section 401 subsection (2) paragraph (b).

(c) Where a contributor who is a member of Class A or Class B and who has credit for service as a member of Class C is discontinued from service not voluntarily after having completed ten (10) years of total service or voluntarily after having completed twenty-five (25) years of total service, his withdrawal allowance shall have a value equal to the present value of the allowance beginning at superannuation retirement age provided for in section 401 subsection (2) paragraph (c).

(d) Where a contributor who is a member of Class D and who has credit for service as a member of Class A or Class B is discontinued from service voluntarily or not voluntarily after ten (10) years of qualified legis-

lative service, his withdrawal allowance shall have a value equal to the present value of the allowance beginning at superannuation retirement age provided for in section 401 subsection (2) paragraph (d).

(e) Where a contributor who is a member of Class A and who has credit for service as a member of Class D is discontinued from service not voluntarily after having completed ten (10) years of total service or voluntarily after having completed twenty-five (25) years of total service, his withdrawal allowance shall have a value equal to the present value of the allowance beginning at superannuation retirement age provided for in section 401 subsection (2) paragraph (e).

(f) Where a contributor who is a member of Class E and who has credit for service as a member of Class A or Class B is discontinued from service voluntarily or involuntarily after having completed twenty (20) years of judicial service, his withdrawal allowance shall have a value equal to the present value of the allowance beginning at superannuation retirement age provided for in section 401 subsection (2) paragraph (d).

(4) Upon discontinuance of service before reaching superannuation retirement age, a contributor who is a member of the joint coverage group and who is qualified to receive a withdrawal allowance shall be entitled to receive a withdrawal allowance computed in accordance with the applicable provisions of subsections (2) and (3) of this section but reduced in accordance with the provisions of section 403 of this article.

Section 403. Reduction of Superannuation Retirement Allowances and Withdrawal Allowances on Account of Social Security Old Age Insurance Benefits (Primary Insurance Amount).—

(1) The superannuation retirement allowance or the withdrawal allowance provided for in section 401 or section 402, as the case may be, of this article payable to a member of the joint coverage group after the age at which social security old age insurance benefits become 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 provisions:

(a) The eligibility of such member for the old age insurance benefit (primary insurance amount) and the amount of such old age insurance benefit upon which the reduction in his allowance shall be based, shall be computed by the retirement 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 shall be included.

(b) The reduction in benefits in accordance with this subsection shall apply only to that portion of benefits based on wages as defined in the Federal Insurance Contributions Act.

(c) The reduction of benefits in accordance with this subsection shall be limited to the State annuity provided in section 401 subsection (1) paragraph (a) (i) or (b) (i), as the case may be.

(d) The reduction in benefits in accordance with this subsection shall not apply to that portion of a contributor's retirement allowance which is based upon accumulated deductions standing to his credit in the members' annuity savings account.

(e) The reduction in benefits in accordance with this subsection shall not be applied in the case of a woman annuitant until age sixty-five (65), unless such annuitant shall have elected to receive social security benefits prior to age sixty-five (65).

(f) The retirement allowance based on his credited service prior to January 1, 1956, shall remain to his credit without adjustment and credits for service subsequent to such date up to the date of retirement shall be at the adjusted rate provided herein.

(g) That portion of the annuitant's retirement allowance based on credits for service subsequent to the initial date of social security coverage namely January 1, 1956, shall not be less than the amount of his member's annuity based on contributions for the same period.

(h) The total sum including social security old age insurance benefits to be received upon superannuation retirement or withdrawal by a member of the joint coverage group who was a contributor as of January 1, 1956; shall not be less than the allowance that would be paid in the absence of his election to become a member of the joint coverage group.

(i) Whenever the amount of the reduction from the superannuation retirement allowance shall have been once determined, it shall remain fixed for the duration of the allowance, except that any decrease in the old age insurance benefit under the Federal Social Security Act shall result in a corresponding decrease in the amount of the reduction from the allowance.

(2) The reduction provided for in subsection (1) of this section shall not apply to disability allowances payable under the provisions of section 405 of this article.

#### Section 404. Member's Options.—

(1) At the time of his superannuation retirement under the provisions of section 401 of this article or upon withdrawal under the provisions of section 402 of this article or within sixty (60) days thereafter, a con-



tributor may elect to receive his benefits in conformance with any one of the following plans:

(a) The allowances provided for in section 401 or section 402, as the case may be, payable throughout life dated from the time of his superannuation retirement or withdrawal, or

(b) The full amount of the accumulated deductions standing to his individual credit in the members' annuity savings account, except in the case of a member of Class C retiring for superannuation, unless the allowance of such member of Class C is computed to be less than ten dollars (\$10.00) per month, in which case, it shall be mandatory for such member of Class C to receive his benefits in accordance with this paragraph, or

(c) The actuarial equivalent at the time of superannuation retirement or withdrawal of his member's annuity, State annuity or superannuation retirement allowance or withdrawal allowance in a lesser superannuation retirement allowance or withdrawal allowance payable throughout life, according to any one of the following provisions:

Option 1. If he dies before receiving in payments the present value of his member's annuity, State annuity or superannuation retirement or withdrawal allowance as it was at the time of his superannuation retirement or withdrawal, the balance shall be paid to his legal representatives or to such person having an insurable interest in his life as he shall nominate by written designation, duly acknowledged and filed with the retirement board at the time of his superannuation retirement or withdrawal or before his death if subsequent to retirement.

Option 2. Upon his death, his member's annuity, State annuity or superannuation retirement or withdrawal allowance shall be continued throughout the life of, and paid to such person having an insurable interest in his life as he shall nominate by written designation, duly acknowledged and filed with the retirement board at the time of his retirement.

Option 3. Upon his death one-half ( $\frac{1}{2}$ ) of his member's annuity, State annuity or superannuation retirement or withdrawal allowance shall be continued throughout the life of, and paid to such person having an insurable interest in his life as he shall nominate by written designation, duly acknowledged and filed with the retirement board at the time of his retirement.

Option 4. Some other benefit or benefits shall be paid to either the contributor or such other person or persons as he shall nominate, provided such other benefit or benefits shall, together with such lesser member's annuity or lesser State annuity or lesser retirement allowance, be certified by the actuary of the retirement board

to be of equivalent actuarial value and shall be approved by the retirement board.

(2) In calculating allowances payable to a member of the joint coverage group under an option enumerated in subsection (1) of this section, which is the actuarial equivalent of an allowance adjusted for the social security reduction under the provisions of section 403 of this article, the present value of such adjusted allowance shall be determined by taking into account the reduction applicable upon the attainment of the age at which social security benefits are payable.

#### Section 405. Disability Allowances.—

(1) Upon qualification for a disability allowance according to the provisions of article V. section 506, a contributor, if not a member of Class C, who has had at least five (5) years of service and who is under superannuation retirement age, shall receive a disability allowance which shall consist of a member's annuity which shall be the actuarial equivalent of his accumulated deductions and a State annuity which shall consist of the following components:

(a) A basic component which together with the member's annuity shall be sufficient to produce a disability allowance of one-ninetieth ( $1/90$ ) of his final average salary multiplied by the number of his years of credited service, and

(b) A minimum allowance component equal to the amount, if any, by which the sum of the member's annuity and the basic component of the State annuity is exceeded by the lesser of—

(i) Thirty (30) percent of his final average salary, or

(ii) Eight-ninths ( $8/9$ ) of the superannuation retirement allowance to which he would have been entitled at superannuation retirement age, if he had remained in service as a State employe and had received the same annual compensation which he was receiving immediately preceding disability.

(2) Where a contributor deferred taking membership and has not completed the payment of back contributions required in accordance with the provisions of article III. section 302 at the time of receiving a disability benefit, then the State annuity shall be the amount to which the member would have been entitled had the back contributions been completed at the time of becoming a member.

(3) Upon qualification for a disability allowance according to the provisions of article V. section 506 a contributor who is a member of Class C and who is under retirement age, shall receive a disability allowance which shall consist of a member's annuity which shall be the actuarial equivalent of his accumulated deductions and

a State annuity. The State annuity shall consist of the following components, the sum of which shall not exceed fifty (50) percent of his final average salary:

(a) A basic component equal to two one-hundredths (2/100) of his final average salary multiplied by the number of years of credited service, and

(b) A minimum allowance component equal to the amount, if any, by which the basic component is less than thirty (30) percent of his final average salary.

(4) Should a physician or physicians, designated by the retirement board, report and certify to the retirement board that a disability annuitant is no longer physically or mentally incapacitated for the performance of duty, and should the retirement board concur in such report, then the disability allowance shall be discontinued, or should such physician or physicians thereupon report and certify to the retirement board that such disability annuitant is able to engage in a gainful occupation, and should the retirement board concur in such report, then the disability annuitant's present salary or wages shall be ascertained and he shall continue to receive a disability allowance, but the sum of the disability allowance and the disability annuitant's present salary or wages shall in no event exceed three hundred fifty dollars (\$350.00) per month.

Section 406. Return to State Service.—The allowance of a contributor who has retired for superannuation or has withdrawn and who shall return to State service and shall later discontinue his service, shall be computed according to the following provisions:

(1) A contributor whose service prior to superannuation retirement or withdrawal and subsequent to his return to State service was \*as a member of Class A, shall receive a superannuation retirement allowance or withdrawal allowance computed as follows:

(a) A member's annuity which shall be the actuarial equivalent of the accumulated deductions standing to his credit in the \*\*members' annuity savings account at the time of return to State service plus the deductions accumulated subsequent to return to State service, and

(b) A State annuity computed with respect to total credited service according to the provisions of section 401 subsection (1) paragraph (a) or section 402 subsection (2) paragraph (a), as the case may be.

(2) A contributor whose service prior to superannuation retirement or withdrawal was as a member of Class D and whose service subsequent to his return to State service was as a member of Class A or Class E, shall receive upon withdrawal prior to age sixty (60) the

\* "as" omitted in original.

\*\* "member's" in original.

retirement allowance he was receiving at the time of return to State service, and in addition the withdrawal allowance computed according to the provisions of section 402 subsection (2) with respect to Class A or Class E service, as the case may be.

Section 407. Death Benefits.—

(1) A member of Class A, Class B or Class C who is entitled to a superannuation retirement allowance by reason of having reached superannuation retirement age or who is entitled to a withdrawal allowance by reason of having completed twenty-five (25) years of total service and any member of Class D having completed ten (10) years of qualified legislative service and any member of Class E having completed twenty (20) years of judicial service, may file with the retirement board a written application for retirement, in the form required for such application, but requesting that such retirement shall become effective as of the time of his death, electing one of the options provided in article IV. section 404 and nominating a beneficiary under said option as required in said section. In all such cases, the application shall be held by the retirement board until the contributor shall file a later application in the usual manner for a superannuation retirement allowance or until the death of the contributor occurring while in State service, at which time his retirement shall become effective with the same benefits to the designated beneficiary as if the contributor had retired on the day immediately preceding his death.

(2) Any member of Class A, Class B or Class C who is entitled to a superannuation retirement allowance by reason of having reached superannuation retirement age or who is entitled to a withdrawal allowance by reason of having completed twenty-five (25) years of total service and any member of Class D having completed ten (10) years of qualified legislative service and any member of Class E having completed twenty (20) years of judicial service, and who has died while in State service before filing with the retirement board a written application for a superannuation retirement allowance as provided in subsection (1) of this section, shall be considered as having elected Option 1 as provided in article IV. section 404 as of the date of his death. In such event, payment under Option 1 shall be made to the beneficiary designated in the nomination of beneficiary form on file with the retirement board, or if said beneficiary has predeceased the contributor, to the legal representative of said contributor.

(3) The provisions of subsections (1) and (2) of this section shall apply to all contributors who become eligible for retirement before July 29, 1953, and who have died

since January 1, 1950, without having filed a written application as required in paragraph (1) of this section: Provided, however, That application for payment of benefits shall be made on or before December 13, 1956.

(4) Should a contributor who is not eligible for retirement in accordance with the provisions of subsections (1) and (2) of this section die before retirement, his accumulated deductions shall be paid to such person as he shall have nominated by written designation, duly executed and filed with the retirement board. In case any contributor has failed to nominate a beneficiary or the beneficiary nominated shall have died prior to the death of the contributor, and in either event, the amount of his accumulated deductions is less than one hundred dollars (\$100.00), the retirement board may, if letters testamentary or of administration have not been taken out on the estate of such contributor within six (6) months of death, pay such accumulated deductions on the claim of the undertaker or any person or persons or political subdivision, who or which shall have paid the claim of the undertaker.

(5) Should an annuitant receiving a disability allowance die before the total allowance received for disability shall be at least equal to the amount of his accumulated deductions at the time of receiving such disability allowance, then the retirement board shall pay to the designated beneficiary or to the estate of the deceased annuitant an amount equal to the difference between the allowance actually received and the accumulated deductions at time of receiving the disability allowance. If such amount due to a designated beneficiary or to the deceased annuitant's estate is less than one hundred dollars (\$100.00) and no letters have been taken out on the estate within six (6) months after death, then payment may be made to the undertaker or to any person or political subdivision, who or which shall have paid the claim of the undertaker.

(6) In the case of a member of Class C, if the retirement board shall find that a contributor died as a direct and proximate result of injuries received in the course of his employment or while receiving a disability allowance resulting from such injuries, an allowance shall be paid to his widow so long as she remains his widow, and if and when such widow dies or remarries, then to his children under eighteen (18) years of age, and if and when there are not children under eighteen (18) years of age, then to the parent or parents of the deceased member if they are dependent. The allowance payable in such case shall consist of—

(a) A member's annuity which shall be the actuarial equivalent of the accumulated deductions to the credit of the deceased contributor.

(b) A State annuity equal to fifty (50) percent of the final average salary of the deceased contributor less the amount which is paid to any such widow, children or dependent parent or parents under the workmen's compensation laws of the Commonwealth during the period such compensation is paid or payable.

Section 408. Medical Expenses.—In the case of a member of Class C, the State Employees' Retirement Fund shall, upon approval by the retirement board, be available for the payment of the necessary and proper medical, surgical and hospital expenses incurred as a direct and proximate result of illness contracted or injuries received in the course of a contributor's employment, except as otherwise and expressly provided. The fund shall, upon approval by the retirement board, also, be available for the payment of that portion of the necessary and proper medical, surgical and hospital expenses not exceeding two hundred dollars (\$200.00) but in excess of twenty-five dollars (\$25.00) incurred by a contributor for any one other illness in the calendar year, except as otherwise expressed or herein provided. However, in no event shall any charge for medical, surgical or hospital expenses of a contributor whether incurred because of illness contracted or injuries received in the course of, or outside of the course of employment, be allowed until the contributor has resorted to all other funds that might be rightfully charged with such expenses and there is a balance remaining unpaid.

Section 409. Minimum Benefits for Former State Employees.—

(1) Every annuitant who on November 8, 1955, or at any time thereafter up to December 6, 1955, was receiving either a retirement allowance or a disability allowance under the provisions of this act, shall receive, in addition to the benefits otherwise provided by this act, a further State annuity which shall be the equivalent of the amount, if any, by which such allowance otherwise payable is less than one thousand two hundred dollars (\$1,200) annually, where the contributor has twenty-five (25) years or more of credited service in the Commonwealth, or if less than twenty-five (25) years of such service, then such proportionate amount of one thousand two hundred dollars (\$1,200) as the years of such credited service bear to twenty-five (25) years.

(2) If the whole or any portion of a retirement allowance is based upon membership as a member of Class B, then in the calculations relating to the minimum allowance provided for in subsection (1) of this section, an adjustment shall be made as to such retirement allowance or any portion thereof in the ratio that one one-

hundred-sixtieth (1/160) bears to one one-hundredth (1/100).

(3) In the event that a beneficiary is receiving a reduced retirement allowance because of having elected an option under the provisions of section 404 of this article, such additional State annuity, if any, shall be related to the amount of the full allowance he would have received if no option had been elected, and in the event that an annuitant when entering upon the retirement allowance has elected an option providing for survivor annuity and the annuitant has later died and the survivor beneficiary is in receipt of a survivor annuity, then the additional State annuity, if any, payable to such survivor beneficiary shall be such reduced amount as under the provisions of section 404 of this article is related to the additional State annuity, if any, which would have been payable to the retired member if such option had not been elected.

Section 410. Payment of Benefits.—

(1) A member's annuity, a State annuity or a super-annuation retirement or withdrawal allowance granted under the provisions of this act, shall be paid in equal monthly installments and shall not be increased, decreased, revoked or repealed, except as otherwise provided in this act. Where an annuitant has heretofore died or shall hereafter die and there shall be due to the estate of such annuitant a sum less than one hundred dollars (\$100.00) and letters testamentary or of administration have not been taken on the estate of such annuitant within six (6) months of death, the retirement board may pay the amount due on the claim of the undertaker or to any person or persons or political subdivision, who or which shall have paid the claim of the undertaker.

(2) No requisition shall be signed by the chairman of the retirement board for any State annuity granted under any of the provisions of this act, unless the contributor entitled to the annuity shall, during his lifetime, hold himself in readiness to advise and consult with his successor or associates and to perform such duties, as he shall be called upon to perform, of a character similar to those which he performed at the time of retirement as shall be reasonable in view of his physical condition, residence and occupation.

Section 411. Nomination of Beneficiary.—Every contributor shall have the authority to change the person nominated by him as the beneficiary by written designation, duly acknowledged and filed with the retirement board up until but not after the time of retirement, except as provided in section 404 for annuitants who have elected Option 1.

Section 412. Payments under Other Laws.—No payment provided for in this act shall be reduced on account of any other benefits, now or hereafter provided for, under any workmen's compensation law or any other law, except as otherwise herein provided.

## ARTICLE V.

### ADMINISTRATION

Section 501. State Employees' Retirement Board.—

(1) The retirement board created by this act shall be in the Department of State, and shall consist of the following:

(a) The Secretary of the Commonwealth who shall be chairman thereof.

(b) The State Treasurer.

(c) One (1) member who shall be appointed by the Governor of the Commonwealth, who shall serve until his successor is appointed.

(d) Two (2) members of the retirement system elected from among their number in a manner to be approved by those persons named in clauses (a), (b) and (c) of this subsection, one to serve for one (1) year, one for two (2) years, and whose \*successors shall be elected for a term of three (3) years from among the members of the retirement system in a manner to be approved by the retirement board.

A vacancy occurring during the term shall be filled for the unexpired term by the appointment of a successor in the same manner as his predecessor. Until the establishment of the retirement system and the election of two (2) representatives therefrom, the persons named in clauses (a), (b) and (c) of this subsection are employed to perform the duties of the retirement board.

(2) Each member of the retirement board shall take an oath of office that he will, so far as it develops upon him, diligently and honestly, administer the affairs of said retirement board and that he will not knowingly violate or wilfully permit to be violated any of the provisions of law applicable to this act. Such oath shall be subscribed by the member making it and certified by the officer before whom it is taken and shall be immediately filed in the office of the Secretary of the Commonwealth.

(3) The expenses of the administration of this act by the retirement board, exclusive of the payment of retirement allowances and of the other benefits provided for in this act, shall be paid by the Commonwealth by biennial appropriation from the General Fund made on the

\* "successor" in original.



basis of estimates submitted by the retirement board. The members of the retirement board shall serve without compensation, but shall be reimbursed from the aforesaid appropriations for any necessary expenditures and no contributor shall suffer loss of salary or wages through serving on the retirement board.

(4) The Secretary of the Commonwealth shall, with the approval of the Governor, appoint a secretary and clerical, medical and other employes and shall contract for such actuarial and investment counsel as may be necessary.

(5) The compensation of all persons so appointed shall be fixed by the Secretary of the Commonwealth with the approval of the Governor and in conformity with the standards established by the Executive Board of this Commonwealth.

(6) For the purposes of this act, the retirement board shall possess the powers and privileges of a corporation. The Attorney General of the Commonwealth shall be the legal advisor of the retirement board.

(7) The retirement board created by this act shall be deemed a departmental administrative board within the Department of State and shall be subject in all respects to the laws of the Commonwealth limiting the powers of departmental administrative boards with regard to the expenditure of money and prescribing the duties of departmental boards with reference to the making of financial reports, furnishing of financial and budgetary information to the department with which it is connected and the making of biennial reports.

#### Section 502. Management of Fund and Accounts.—

(1) The members of the retirement board shall be the trustees of the fund created by this act and shall have exclusive control and management of the said fund and full power to invest the same, subject, however, to all the terms, conditions, limitations and restrictions, imposed by this act, upon the making of investments, and subject, also, to the terms, conditions, limitations and restrictions, imposed by law, upon administrative departments, boards, commissions and officers of the State government in making investments, and subject to like terms, conditions, limitations and restrictions, said trustees shall have power to hold, purchase, sell, assign, transfer or dispose of any of the securities and investments in which any of the moneys in the fund created by this act shall have been invested as well as of the proceeds of said investments and of any moneys belonging to said fund.

(2) The retirement board shall, annually, allow statutory interest on the mean amount for the preceding year

to the credit of each of the accounts created in accordance with the provisions of this act. The amount so allowed shall be, annually, credited thereto by the retirement board.

(3) The State Treasurer shall be the custodian of the fund created by this act.

(4) All payments from the fund created by this act shall be made by the State Treasurer only upon warrants drawn by the Auditor General in accordance with requisitions signed by the chairman of the retirement board and countersigned by the secretary of the retirement board, and no requisition shall be drawn except by order of the retirement board, duly entered in the record of its proceedings.

(5) For the purpose of meeting disbursements for annuities and other payments in excess of the receipts, there shall be kept available, by the State Treasurer, an amount, not exceeding ten (10) percent of the total amount in the fund created by this act, on deposit in any bank or banks in this Commonwealth organized under the laws thereof or under the laws of the United States or with any trust company or companies incorporated by any law of this Commonwealth, provided said bank or trust company or companies shall furnish adequate security for said deposit, and provided that the sum so deposited in any one bank or trust company shall not exceed twenty-five (25) percent of the paid-up capital and surplus of said bank or trust company.

(6) Except as herein provided, no trustee or any person connected with the retirement board shall have any interest, direct or indirect, in the gains or profits of any investments made by the retirement board nor as such, directly or indirectly, receive any pay or emoluments for his services. And no trustee or person connected with said retirement board, directly or indirectly, for himself or as an agent or partner of others shall borrow any of its funds or deposits or in any manner use the same, except to make such current and necessary payments as are authorized by the retirement board as provided in this act, nor shall any trustee or person connected with said retirement board become surety or become in any manner an obligor for moneys loaned by or borrowed of said retirement board.

(7) By the name of "The State Employees' Retirement System," all of the business of the system shall be transacted, its fund invested, all requisitions for money drawn and payments made, and all of its cash and securities and other property shall be held.

Section 503. Duties of the Retirement Board.—

(1) Subject to the limitations of this act and of law, the retirement board shall, from time to time, establish

rules and regulations for the administration of the fund and ledger accounts created by this act and for the transaction of its business.

(2) The retirement board shall keep in convenient form such data as shall be necessary for actuarial valuation of the various accounts created by this act.

(3) In the years 1927 and 1930 and in every fifth year thereafter, the actuary of the retirement board shall make an actuarial investigation into the mortality and service experience of the contributors, annuitants and beneficiaries, as defined in this act, and shall make a valuation of the various accounts created by this act and on the basis of such investigation and valuation, the retirement board shall—

(a) Adopt the retirement system one or more mortality tables and such other tables as shall be deemed necessary.

(b) Certify the rates of deduction from compensation necessary to pay the annuities authorized under the provisions of this act.

(c) Certify, biennially, the amount of appropriation which shall be made by the Commonwealth and other agencies to the State Employees' Retirement Fund, which amount shall be based on estimates furnished by the actuary, and shall be credited to the proper accounts created by this act.

(4) The retirement board shall prepare and submit to the Budget Secretary, on or before the first day of November of each even-numbered year, an itemized estimate of the amounts necessary to be appropriated from the General Fund and the Motor License Fund to complete the payments of the obligations of the Commonwealth during the fiscal biennium beginning June first of the following year.

(5) The retirement board shall prepare and have published, annually, a financial statement showing the condition of the fund and the various accounts created by this act and setting forth such other facts, recommendations and data as may be of use in the advancement of knowledge concerning State employes' pensions and annuities, and said retirement board shall submit said financial statement to the Governor of the Commonwealth of Pennsylvania and shall file copies in the office of the Secretary of the Commonwealth, of the State Insurance Department and of the head of each department for use of the State employes and the public.

(6) As soon as practicable after each original member shall have joined the retirement system, the retirement board shall issue to him a certificate certifying to the aggregate length of his prior service. This certificate shall be final and conclusive as to his prior service, unless

thereafter modified by the retirement board either upon the application of the member or upon its own initiative.

(7) In every case where the retirement board has received an application for a disability allowance, the retirement board shall designate a physician or physicians to examine such contributor at his place of residence or at a place mutually agreed upon. A disability allowance shall not be approved, unless—

(a) Such physician or physicians shall certify to the retirement board that said contributor is physically or mentally incapacitated for the performance of duty and that said contributor ought to be retired.

(b) The retirement board shall concur in such report.

(8) Once each six (6) months and at such other times as may be deemed necessary, the retirement board shall require any annuitant receiving a disability allowance, while still under the retirement age, to undergo medical examination by a physician or physicians designated by the retirement board, said examination to be made at the place of residence of said annuitant or other place mutually agreed upon.

(9) The retirement board shall furnish, annually, to the head of each department a statement for each employe of such department of the accumulated deductions standing to his credit in the members' annuity savings account.

(10) The retirement board shall keep a record of all its proceedings, which shall be open to inspection by the public.

(11) The retirement board shall perform such other functions as are required for the execution of the provisions of this act.

#### Section 504. Duties of Heads of Departments.—

(1) The head of each department, board, commission or other agency of the Commonwealth shall cause an application for membership to be executed by each new employe upon assumption of his duties, except for State employes whose membership in the retirement system is not mandatory according to the provisions of article II, section 201 and shall make payroll deductions from the effective date of employment.

(2) The head of each department shall, upon the employment or entering into office of any State employe whose membership in the retirement system is not mandatory, inform such employe of the retirement system and of his opportunity to become a member of the retirement system.

(3) The head of each department shall, on the first of each calendar month, notify the retirement board of the employment or the entering into office of new State

employes and shall submit to the retirement board a statement showing the name, sex, title, compensation, duties and date of birth of each such new State employe and shall also notify the retirement board, at the same time, of all removals, withdrawals and changes of salary of any members of the retirement system, which shall have occurred during the preceding month.

(4) Under the direction of the retirement board, the head of each department shall furnish such other information and shall keep such records as the retirement board may require in the discharge of its duties.

(5) The head of each department shall cause to be deducted on each and every payroll of a contributor the required member contributions in accordance with the provisions of article III, sections 301 and 302. In determining the amount earned by a contributor, the retirement board may consider the rate of salary payable to such contributor on the first day of each regular payroll period as continuing throughout such payroll period and it may omit salary deductions for any period less than a full payroll period in cases where the member was not a contributor on the first day of the regular payroll period, and to facilitate the making of deductions, it may modify the deduction required of any contributor by such amount as shall not exceed one-tenth ( $1/10$ ) of one (1) percent of the salary upon the basis of which the deduction is to be made. The deduction provided therein shall be made notwithstanding that minimum salaries or other compensation provided for by the laws, rules or regulations of the Commonwealth shall be thereby reduced. The head of each department shall certify to the State Treasurer, on account of each and every payroll of the contributor, a statement as voucher for the amount so deducted and shall send a duplicate of such statement to the secretary of the retirement board.

(6) The head of each department shall furnish, annually, to each employe a statement of the accumulated deductions standing to his credit in the members' annuity savings account.

Section 505. Duties of State Treasurer.—The State Treasurer on receipt from the heads of the departments of the vouchers for deductions from the compensation of the members provided for in section 504 subsection (5) of this article, shall pay each of the amounts so deducted into the fund through the Department of Revenue. The secretary of the retirement board shall cause each of such amounts so deducted to be credited to the members' annuity savings account, together with statutory interest, to an individual account of the member from whose compensation the deduction was made.

## Section 506. Duties of State Employees.—

(1) Each State employe who has reached superannuation retirement age and who desires to receive a superannuation retirement allowance, shall file with the retirement board a written application, duly attested, setting forth the date on which he desires to be retired. Said application shall make the superannuation allowance effective on the date so specified, if such application was filed in the offices of the board or deposited in the United States mail, addressed to the board, before the date specified in the application and before the death of the contributor: Provided, however, That the date so specified in the application shall not be more than thirty (30) days from the date of filing or depositing the application in the mail.

(2) Each member of Class A, Class B, Class D or Class E, who has had at least five (5) years of service and each member of Class C, regardless of length of service, who is under superannuation retirement age and who desires to receive a disability allowance, shall file a written application with the retirement board or such application may be made by a person acting in his behalf or by the head of his department.

(3) Each three (3) months, it shall be the duty of any annuitant receiving a disability allowance, while still under superannuation retirement age, to furnish a written statement of all earnings from his business, occupation or profession from whatever source derived and information showing whether or not he is able to engage in a gainful occupation and such other information as may be required by the retirement board. On failure, neglect or refusal, to furnish such information for the period of the preceding three (3) months, the retirement board may refuse to make further disability allowance payments to such disability annuitant until he has furnished such information to the satisfaction of the retirement board, and should such refusal continue for six (6) months all his rights in or to the disability allowance shall be forfeited.

(4) Should any annuitant receiving a disability allowance while still under superannuation retirement age refuse to submit to at least one (1) medical examination in any six (6) month period by a physician or physicians designated by the retirement board, his State annuity shall be discontinued until the withdrawal of such refusal, and should such refusal continue for a period of six (6) months all his rights in and to the State annuity constituted by this act shall be forfeited.

## ARTICLE VI.

## STATE EMPLOYES' RETIREMENT FUND AND ACCOUNTS

Section 601. Creation of Fund and Accounts.—The fund and accounts hereby created are the State Employes' Retirement Fund, the State annuity accumulation account, the State annuity reserve account, State annuity accumulation and reserve account for original members, the members' annuity savings account, the \*members' annuity reserve account, the State Police benefit account and the State Police members' annuity reserve account.

Section 602. State Employes' Retirement Fund.—The State Employes' Retirement Fund shall consist of all moneys in the several separate funds in the State Treasury, set apart to be used under the direction of the retirement board for the benefit of members of the retirement system, and the Treasury Department shall credit to the State Employes' Retirement Fund all moneys received by it from the Department of Revenue, arising from the contributions required under the provisions of article III. by the Commonwealth from the General Fund, from the special operating funds, from other agencies and from members of the retirement system, and all interest earned by the investments or moneys of said fund. There shall be established and maintained by the retirement board for actuarial purposes the several ledger accounts specified in sections 603, 604, 605, 606, 607, 608 and 609 of this article.

Section 603. State Annuity Accumulation Account.—The State annuity accumulation account shall be the ledger account to which shall be credited all contributions with respect to the State annuities payable on account of new members of Class A, Class B, Class D and Class E made in accordance with the provisions of article III. section 304 subsection (1) and all contributions with respect to State annuities payable on account of new members of Class C made in accordance with the provisions of article III. section 304 subsection (2), except the amounts received under the provisions of the act of May 12, 1943 (P. L. 259), as amended, and the additional amounts credited to the State Police benefit account. Upon the entitlement of a contributor to an allowance under the provisions of article IV. with respect to a new member, the necessary reserves on account of members of Class A, Class B, Class D and Class E shall be transferred from the State annuity accumulation account to the State annuity reserve account provided for in section 604 of this article and the necessary reserves on account of members of Class C shall be transferred

\* "member's" in original.

from the State annuity accumulation account to the State Police benefit account provided for in section 606 of this article.

**Section 604. State Annuity Reserve Account.**—Upon transfer of reserves on account of a member of Class A, Class B, Class D or Class E, who is entitled to an allowance under the provisions of article IV., the State annuity of such annuitant shall be charged to the State annuity reserve account and paid from the fund. Should the said new member be subsequently restored to active service, his State annuity reserve calculated on the basis of his attained age shall be transferred from the State annuity reserve account to the State annuity accumulation account. Should the State annuity of any such new member be otherwise reduced or discontinued in accordance with the provisions of this act, his State annuity reserve, or such proportionate part of his State annuity reserve as corresponds to the amount of the reduction of his State annuity, shall be transferred from the State annuity reserve account to the State annuity accumulation account.

**Section 605. State Annuity Accumulation and Reserve Account for Original Members.**—The State annuity accumulation and reserve account for original members shall be the ledger account to which shall be credited all contributions with respect to the State annuities payable on account of original members of Class A, Class B, Class D and Class E made in accordance with the provisions of article III. section 304 subsection (1) and all contributions with respect to State annuities payable on account of original members of Class C made in accordance with the provisions of article III. section 304, subsection (2), except the amounts received under the provisions of the act of May 12, 1943 (P. L. 259), as amended, and the additional amount credited to the State Police benefit account. Upon the entitlement of a member of Class A, Class B, Class D or Class E, to an allowance under the provisions of article IV. with respect to an original member, his State annuity shall be charged to the State annuity accumulation and reserve account for original members and shall be paid from the fund. Upon entitlement of a member of Class C to an allowance under the provisions of article IV. with respect to an original member, the necessary reserve on account of such member shall be transferred from the State annuity accumulation and reserve account for original members to the State Police benefit account.

**Section 606. State Police Benefit Account.**—The State Police benefit account shall be the ledger account to which shall be credited all contributions received under the provisions of the act of May 12, 1943 (P. L. 259),



as amended, and any additional contributions provided for in article III. section 304 subsection (2) which are creditable to the State Police benefit account. In addition upon the entitlement of a member of Class C to an allowance under the provisions of article IV., the reserves for the State annuity in the State annuity accumulation account or in the State annuity accumulation and reserve account for original members, as the case may be, shall be transferred to the State Police benefit account. Thereafter, the State annuity of such annuitant shall be charged to the State Police benefit account and paid from the fund.

**Section 607. Members' Annuity Savings Account.—**The members' annuity savings account shall be the ledger account to which shall be credited the amounts of the salary deduction made from the compensation of contributors in accordance with the provisions of article III. section 301. During the continued active membership of a contributor such amount shall be credited with statutory interest. Upon the entitlement of a member of Class A, Class B, Class D or Class E, to an allowance under the provisions of article IV., the total accumulated deductions to his credit shall be transferred from the members' annuity savings account to the members' annuity reserve account provided for in section 608 of this article. Upon entitlement of a member of Class C to an allowance under the provisions of article IV., the total accumulated deductions to his credit shall be transferred from the members' annuity savings account to the State Police members' annuity reserve account provided for in section 609 of this article.

**Section 608. Members' Annuity Reserve Account.—**The members' annuity reserve account shall be the ledger account to which shall be credited the reserves held for the payment of all members' annuities on account of members of Class A, Class B, Class D and Class E. Upon the entitlement of such member to an allowance under the provisions of article IV., an amount equivalent to the amount of his accumulated deductions shall be transferred from the members' annuity savings account to the members' annuity reserve account and, thereafter, his member's annuity shall be charged to said account and paid from the fund. Should the said contributor be subsequently restored to active service, his member's annuity reserve, calculated on the basis of his attained age, shall be transferred from the members' annuity reserve account to the members' annuity savings account and placed to his individual credit.

**Section 609. State Police Members' Annuity Reserve Account.—**The State Police members' annuity reserve account shall be the ledger account to which shall be

credited the reserves held for the payment of all members' annuities on account of members of Class C. Upon the entitlement of such member to an allowance under the provisions of article IV. an amount equivalent to the amount of his accumulated deductions shall be transferred from the members' annuity savings account to the State Police members' annuity reserve account and, thereafter, his member's annuity shall be charged to said account and paid from the fund.

#### ARTICLE VII.

##### TRANSFERS BETWEEN THE STATE EMPLOYEES' RETIREMENT SYSTEM AND THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Section 701. Retention or Restoration of Credits in the State Employees' Retirement System.—

(1) Any contributor who ceases to be a State employe and becomes a public school employe and a member of the Public School Employees' Retirement System may, by leaving with the retirement board all of his accumulated deductions at the time he ceases to be a State employe, retain his membership in the State Employees' Retirement System but without credit under the State Employees' Retirement System for service for which credit is allowed under the Public School Employees' Retirement System and without the right to a disability allowance under the provisions of article IV. section 404 and with final average salary equal to the average compensation earned by the contributor as a State employe for the years of service not exceeding five (5) years immediately preceding his ceasing to be a State employe.

(2) Any person who has heretofore been a contributor and has ceased to be a State employe and, at such time, becomes a public school employe and a member of the Public School Employees' Retirement System, may restore his membership in the State Employees' Retirement System by repaying to the retirement board on or before May 31, 1952, the full amount of his accumulated deductions at the time of his ceasing to be a State employe or any part thereof that may have been heretofore withdrawn. Any such accumulated deductions left with or repaid to the retirement board as long as the contributor continues to be a public school employe and a contributor to the Public School Employees' Retirement System shall be credited with statutory interest thereafter.

(3) Nothing contained in this section shall limit the right of a State employe who has heretofore separated or shall hereafter separate from his service as a State employe to become a public school employe and a member of the Public School Employees' Retirement System to retain or restore his rights as a member as they existed at the time of such separation in the manner pro-

vided in this act or to return to service as a State employe at any time and to add to such retained or restored rights by further service and further payroll deductions.

Section 702. Transfer of Credits from the Public School Employes' Retirement System to the State Employes' Retirement System.—Any State employe who was a contributor on August 19, 1953, and any State employe who was a contributor on July 1, 1956, and who as an employe under the public school system of the Commonwealth made contributions and on account of whose service contributions were made by the State and by any school district to the Public School Employes' Retirement Fund on account of the service credited to him under the Public School Employes' Retirement System and for which he has not heretofore been credited under the State Employes' Retirement System; may request the retirement board to give him credit for such previous service. The retirement board shall credit the contributor with such period of service upon the fulfillment of the following conditions:

(1) There shall be furnished to the retirement board by the Public School Employes' Retirement Board a statement certifying all such service heretofore credited as a member of the Public School Employes' Retirement System which hereafter is to be considered as having been rendered as a State employe.

(2) There shall be transferred to the fund from the Public School Employes' Retirement Fund an amount equal to the accumulated deductions standing to his credit in the employes' annuity savings account and such amount of reserve as may be carried on account of his membership in the State annuity accumulation account or the State annuity accumulation and reserve account for original members, as the case may be, as determined by the Public School Employes' Retirement Board.

(3) There shall be paid into the fund a sum equal to the amount of back payments that would have been made by such contributor under the rules of the State Employes' Retirement Board fixing the entry age and the percentage of salary deductions required of such contributor because of such previous service towards which sum the amount of transferred accumulated deductions shall be applied, but any unpaid balance of such back payments may be paid in a lump sum or by future increased deductions from the salary of the contributor in such amounts as may be agreed upon by the contributor and the retirement board, but in no event shall such increased salary deductions be in amounts less than sufficient to pay such balance of back payments at the time the member reaches superannuation retirement age, or if the member has reached superannuation re-

tirement age by payment of such balance of back payments not later than November 19, 1953, in the case of a contributor on August 19, 1953, or not later than December 1, 1956, in the case of a contributor on June 1, 1956.

(4) A further sum shall be paid into the fund by the contributor sufficient to provide the cost of the additional State annuity related to such previous service, for which credit may have been allowed under this section, less the sum and the accrued interest thereon transferred from the Public School Employees' Retirement Fund, as the amount equal to the reserve carried on account of his membership in the State annuity accumulation account or the State annuity accumulation and reserve account for original members, as the case may be. Until such further sum is applied towards providing such additional State annuity it shall be separately credited to the account of the contributor in his members' annuity savings account subject to the rules governing members' accumulated deductions. Such further sum may be paid in a lump sum or by future increased deductions from the salary of the contributor in such amounts as may be agreed upon by the contributor and the retirement board: Provided, however, That in the event the entire amount so paid does not equal the total sum required to provide such additional State annuity related to such previous service, such additional State annuity shall be reduced proportionately.

Section 703. Transfer of Credits from the State Employees' Retirement System to the Public School Employees' Retirement System.—Any person who has heretofore been a contributor and has ceased to be a State employe and has become a public school employe and a member of the Public School Employees' Retirement System, may request, in writing, the retirement board to certify to the Public School Employees' Retirement Board the period of service for which credit has been allowed and to transfer to the Public School Employees' Retirement Fund an amount equal to the accumulated deductions standing to his credit in the members' annuity savings account and such amount of reserve as may be carried on account of his membership in the State annuity accumulation account or the State annuity accumulation and reserve account for original members, as the case may be, as determined by the retirement board. Upon such transfer of funds, such person shall establish credit in the Public School Employees' Retirement System as a public school employe for service previously credited to him in the State Employees' Retirement System. Upon receipt of such request, the retirement board shall make such certification and transfer of funds.

## ARTICLE VIII.

## GENERAL PROVISIONS

Section 801. State Guarantee.—Statutory interest charges payable, the creation and maintenance of reserves in the State Employes' Retirement Fund to the credit of the State annuity accumulation account, the State annuity accumulation and reserve account for original members and the State Police benefit account and the maintenance of members' annuity reserves and State annuity reserves as provided for in this act and the payment of all retirement allowances and other benefits granted by the retirement board under the provisions of this act are hereby made obligations of the Commonwealth. All income, interest and dividends derived from deposits and investments authorized by this act shall be used for the payment of the said obligations of the Commonwealth.

Section 802. State Supervision.—The fund and ledger accounts created by this act shall be subject to the supervision of the State Insurance Department.

Section 803. Exemption from Execution.—The right of a person to a member's annuity, a State annuity, or retirement allowance, to the return of contributions, any benefit or right accrued or accruing to any person under the provisions of this act, and the moneys in the fund created under this act, are hereby exempt from any State or municipal tax, and exempt from levy and sale, garnishment, attachment or any other process whatsoever, and shall be unassignable, except as in this act specifically otherwise provided, and with the further exception that the assignment of any or all such rights as security for a loan not in excess of three hundred dollars (\$300.00), the interest on which loan shall not exceed six (6) percent per annum discounted by a person to a credit union now or hereafter organized and incorporated under the laws of the Commonwealth, the membership of which credit union is limited solely to officers and employes of the Commonwealth, shall be valid.

Section 804. Subrogation.—In the case of a member of Class C where a third party is liable to the member or to his dependents for injury or death, the Commonwealth shall be subrogated to the right of the member or the dependents against such third person but only to the extent of the State annuity payable under this act by the Commonwealth. Any recovery against such third person in excess of the State annuity theretofore paid or thereafter to be paid by the Commonwealth shall be paid forthwith to the contributor or to the person designated by the contributor.

Section 805. **Fraud Adjustments.**—Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record or records of this retirement system in any attempt to defraud such system as a result of such act shall be guilty of a misdemeanor, and shall be punishable therefor under the laws of the Commonwealth. Should any such change in records or any mistake in records result in any member or beneficiary receiving from the retirement system more or less than he would have been entitled to receive had the records been correct, then on the discovery of any such error, the retirement board shall correct such error and so far as practicable shall adjust the payments which may be made for and to such person in such a manner that the actuarial equivalent of the benefit to which he was correctly entitled shall be paid.

Section 806. **Construction of Act.**—The provisions of this act so far as they are the same as those of existing law are intended as a continuation of such laws and not as new enactments. The repeal by this act of any act of the General Assembly or part thereof shall not revive any act or part thereof heretofore repealed or superseded. The provisions of this act shall not affect any act done, liability incurred or right accrued or vested or affect any suit or prosecution pending or to be instituted to enforce any right or penalty or punish any offense under the authority of such repealed laws.

Section 807. **Provisions Severable.**—The provisions of this act are severable and if any of its provisions shall be held to be unconstitutional, the decision of the court shall not affect or impair any of the remaining provisions. It is hereby declared to be the legislative intent that this act would have been adopted had such unconstitutional provisions not been included here.

Section 808. **General Repealer.**—All acts and parts of acts inconsistent with this act are hereby repealed.

Section 809. **Effective Date.**—This act shall become effective immediately. Act effective immediately.

APPROVED—The 1st day of June, A. D. 1959.

DAVID L. LAWRENCE

---

No. 79

AN ACT

Amending the act of May 17, 1921 (P. L. 789), entitled, as amended, "An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating