

**PUBLIC EMPLOYEE RETIREMENT COMMISSION****ACTUARIAL NOTE TRANSMITTAL**

Bill ID: House Bill Number 546, Printer's Number 580

System: Second Class (Allegheny) County Employees' Retirement System

Subject: New Benefit Tier

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**SYNOPSIS**

House Bill Number 546, Printer's Number 580, would amend the act of July 28, 1953, P. L. 723, No. 230, known as the Second Class County Code (Code), by establishing a new mandatory benefit tier applicable to county employees hired on or after the effective date of the bill. The bill would also amend Section 1703 of the Code by altering the membership composition of the Allegheny County Retirement Board, and would make technical amendments to the plan intended to ensure that the Allegheny County Employees' Retirement System is maintained as tax qualified under the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 401 (c)).

More specifically, the bill would amend the Code to make the following benefit modifications for employees hired on or after the effective date of the bill:

- 1) For nonuniformed employees, increase the length of service required to receive normal retirement benefits from 20 years to 25 years, while retaining age 60 normal retirement age;
- 2) For public safety employees, increase the length of service required to receive normal retirement benefits from 20 years to 25 years, while retaining age 50 normal retirement age for police officers and firefighters, and age 55 normal retirement age for the county sheriff, deputy sheriffs, prison guards and probation officers;
- 3) Increase the length of service required for vesting from 8 years to 10 years for all classes of employees;
- 4) For retirement benefit purposes, extend the period over which the final average salary is calculated from the highest 24 months of the last four years of employment to the highest 48 months of the last eight years of employment, or the last four years of employment if compensated on a bi-weekly basis; and
- 5) Increase the length of service required to receive service increment benefits from 20 years to 25 years;

## SYNOPSIS (CONT'D)

- 6) Increase the length of service required to be eligible for early retirement from eight years to ten years;
- 7) Increase the length of service required to be eligible for survivor benefits from eight years to ten years;
- 8) Increase the length of service required to be eligible for survivor benefits under disability retirement from 20 years to 25 years;
- 9) Amend Section 1701 by altering the definition of “compensation” to eliminate overtime compensation from the retirement benefit calculation.

## DISCUSSION

Article 17 of the Second Class County Code (Code) provides the pension plan for employees of Allegheny County. The Allegheny County Retirement System (System) is a governmental, defined benefit pension plan. Membership in the System is mandatory for county employees. As of January 1, 2012, there were 7,408 active members of the System with an annual payroll of approximately \$329 million. Under the Code, the normal retirement benefit is equivalent to 50 percent of the member’s final average salary. The final average salary is calculated as the monthly average of the highest 24 months of compensation earned during the last 48 months of service prior to retirement.

A member’s compensation level is an important component in the formula used to calculate a member’s retirement benefit entitlement. Generally, the higher a member’s final average compensation, the greater the retirement benefit amount. Section 1701 of the Code defines “compensation” as: *Pick-up contributions plus salary or wages received per day, weekly, bi-weekly, semi-monthly, monthly, annually, or during an official term year.* To date, this definition of compensation has been interpreted to include compensation for overtime if the overtime compensation was considered “pensionable,” that is, employee contributions were made to the plan on account of the additional overtime pay.

Under the actuarial cost method used by the System, the System’s consulting actuary employs a variety of demographic and economic assumptions that are used to determine the funding requirements of the retirement plan. Among these are assumptions for salary and salary growth applicable to the various groups of county employees. If actual plan experience differs significantly from the actuarial assumptions, for example, if the compensation used to calculate members’ benefits is significantly greater than what the actuary assumed it would be, then the

## DISCUSSION (CONT'D)

retirement system will suffer an actuarial loss. The bill would amend the definition of compensation applicable to all county employees hired on or after the effective date of the bill, to preclude overtime from the calculation of a member's retirement benefit.

The System employs the member's "final average salary" as one of the components of the statutory formula that is used to compute a member's retirement benefit entitlement. Currently, a member's final average salary is calculated as the monthly average of the highest 24 months of compensation earned during the last 48 months of service prior to retirement. The bill would amend Section 1712 of the Code to change the final average salary calculation applicable to employees hired on or after the effective date of the bill to the monthly average of the highest 48 months of the last eight years of employment, or the last four years of employment if compensated on a bi-weekly basis.

Only newly hired employees of Allegheny County would be subject to the benefit modifications mandated by the bill. All current employees of the county who are members of the System will continue to have the current final average salary calculation applied to the retirement benefit formula. If enacted, the bill's elimination of overtime compensation from the retirement benefit formula combined with the implementation of a less generous final average salary calculation would have the effect of functioning as a reduced benefit tier applicable to all new employees of the county.

Special retirement benefit coverage is provided to the various types of public safety employees who are employed by Allegheny County. The special coverage provided to the county sheriff, deputy sheriffs, prison guards and probation officers employed by the county is to retire voluntarily and receive a normal retirement benefit if the employee has attained age 55 and has accumulated at least 20 years of service. The special coverage provided to firefighters and police officers is to retire voluntarily and receive a normal retirement benefit if the employee has attained age 50 and has at least 20 years of service. The regular coverage provided to all other employees of the county is to retire voluntarily and receive a normal retirement benefit if the employee has attained age 60 and has at least 20 years of service. The bill would amend the requirements to receive normal retirement benefits by increasing the length of service required to receive normal retirement benefits from 20 years to 25 years of service, while retaining age 50 normal retirement age for police officers and firefighters, age 55 normal retirement age for the county sheriff, deputy sheriffs, prison guards and probation officers, and age 60 normal retirement age for all other employees.

Certain early retirement benefit options are also available to employees of Allegheny County. Under early retirement "Option I" (section 1710(h)(1)), any county employee who has completed at least eight, but less than 20, years of service may retire voluntarily and receive a deferred

## DISCUSSION (CONT'D)

benefit commencing at age 60. Alternatively, under “Option II” (section 1710(h)(2)), an employee who has accumulated at least eight, but less than 20, years of service and is at least age 55, but less than age 60, may elect to receive an early retirement benefit that is actuarially reduced by one-half of one percent for each month the employee is under age 60.

The bill would establish two additional early retirement options, “Option I-A” and “Option II-A,” applicable only to county employees hired on or after the effective date of the bill. Under early retirement Option I-A (section 1710(h)(1.1)), any county employee who has completed at least ten, but less than 25, years of service may retire voluntarily and receive a deferred benefit commencing at age 60. Alternatively, under Option II-A (section 1710(h)(2.1)), an employee who has accumulated at least ten, but less than 25, years of service and is at least age 55, but less than age 60, may elect to receive an early retirement benefit that is actuarially reduced by one-half of one percent for each month the employee is under age 60.

In addition to the normal retirement benefit provided by the System, any county employee who retires with more than 20 years of service is eligible to receive a service increment of two percent per year (computed upon the annual retirement allowance to which the employee is entitled) for each completed year of service beyond 20 years. No service increment is paid for more than 20 years of “excess” service. Under the bill, any county employee hired on or after the effective date of the bill who retires with more than 25 years of service would be eligible to receive a service increment of two percent per year for each completed year of service beyond 25 years. The service increment benefit would continue to be limited to no more than 20 years of “excess” service.

Currently, a county employee may elect to provide survivor benefits for a spouse. Survivor benefits may be provided to the surviving spouse of a deceased employee upon the condition that the employee had attained age 50 and completed at least eight, but less than 19, years of service in order for a surviving spouse to be eligible for a reduced retirement option benefit at the time the deceased spouse would have reached age 55. For employees who complete 20 or more years of service and die before reaching age 50, the surviving spouse is eligible to immediately receive a reduced retirement option. For county employees hired on or after the effective date of the bill, survivor benefits may be provided to the surviving spouse of a deceased employee upon the condition that the employee had attained age 50 and completed at least ten, but less than 24, years of service and died before reaching age 55. A reduced retirement option benefit would be provided to the surviving spouse at the time the deceased spouse would have reached age 55. For an employee who completed 25 or more years of service and died before reaching age 50, the surviving spouse would be eligible to immediately receive a reduced retirement option.

**DISCUSSION (CONT'D)**

Currently, a county employee retiring under disability retirement can qualify for survivor benefits if the employee has reached age 55 and completed 20 or more years of service. The employee would be eligible for the same benefits as if retiring under normal retirement. A county employee retiring under disability with at least twelve, but less than 20, years of service is eligible upon reaching age 55 for survivor benefits. The surviving spouse receives a maximum amount of \$75 per month upon the deceased spouse's death. Under the bill, any county employee hired on or after the effective date of the bill and retiring under disability retirement would qualify for survivor benefits if the employee has reached age 55 and completed 25 or more years of service. The employee would be eligible for the same benefits as if retiring under normal retirement. Any county employee retiring under disability retirement with at least twelve, but less than 25, years of service would be eligible upon reaching age 55 for survivor benefits. The surviving spouse would receive a maximum amount of \$75 per month upon the deceased spouse's death.

**Comparison of Benefits for Current Employees and Future Employees  
After the Effective Date of the Bill**

	<b>Current Employees</b>	<b>Future Employees</b>
<b>Eligibility Requirements for Normal Retirement</b>	<b>Non-Uniformed:</b> Age 60 and 20 years of service <b>Police &amp; Firefighters:</b> Age 50 and 20 years of service <b>Sheriffs, Deputies, Prison Guards &amp; Probation Officers:</b> Age 55 and 20 years of service	<b>Non-Uniformed:</b> Age 60 and 25 years of service <b>Police &amp; Firefighters:</b> Age 50 and 25 years of service <b>Sheriffs, Deputies, Prison Guards &amp; Probation Officers:</b> Age 55 and 25 years of service
<b>Benefit Accrual Per Year of Service</b>	1/20th of normal retirement benefit	1/25th of normal retirement benefit
<b>Service Increment Benefit</b>	2.0% of annual retirement allowance for years of service between 20 and 40 years	2.0% of annual retirement allowance for years of service between 25 and 45 years
<b>Vesting</b>	100% after 8 years of service	100% after 10 years of service
<b>Early Retirement</b>	After 8 years but less than 20 years of service	After 10 years but less than 25 years of service
<b>Compensation</b>	Includes overtime pay	Excludes overtime pay
<b>Average Monthly Compensation for Benefit Purpose</b>	Highest 24 months of the last 4 years of employment or 2 years of employment on a bi-weekly pay basis	Highest 48 months of the last 8 years of employment or 4 years of employment on a bi-weekly pay basis

## SUMMARY OF ACTUARIAL COST IMPACT

The Commission’s consulting actuary has reviewed the bill and the demographic data provided by the Allegheny County Employees’ Retirement System and determined the actuarial cost impact of the bill on the basis of the entry age normal cost method. The Commission’s consulting actuary has determined that because the benefit modifications mandated by the bill would apply only to employees hired on or after the effective date of the bill, there would be no change to the System’s current actuarial accrued liability. However, future normal cost will gradually decline as new employees subject to the reduced benefit provisions of the bill are hired and current employees gradually leave service. The following table shows the estimated decrease in future annual normal cost in time increments of 5, 10, 15 and 20 years after the effective date of the bill.

<b>Years After Effective Date of House Bill No. 546</b>	<b>Decrease in Normal Cost</b>	<b>Decrease in Normal Cost as Percentage of January 1, 2012, Active Payroll</b>
5	\$ 2,440,000	0.74%
10	\$ 5,894,000	1.79%
15	\$10,435,000	3.17%
20	\$16,567,000	5.03%

Under current law, a typical county employee retiring at age 60 with 20 years of service would receive a monthly retirement benefit of \$1,844. Under the bill, a typical future county employee working the same number of years and retiring at the same age would receive a monthly retirement benefit of \$1,425. This would amount to a benefit reduction of 22.7% for future employees. However, if a future county employee was to work five years longer, for a total of 25 years of service and retire at age 60, the monthly retirement benefit would improve to \$1,781 (compared to \$2,028 for a current county employee), a benefit reduction of 12.2% compared to a current county employee.

## POLICY CONSIDERATIONS

In reviewing the bill, the Commission identified the following policy considerations:

Reduction in Normal Cost. (+) The bill would amend the definition of compensation applicable to all county employees hired on or after the effective date of the bill, to preclude the inclusion of overtime in the calculation of a member’s retirement benefit. The bill would also mandate a less generous final average salary calculation applicable

## **POLICY CONSIDERATIONS (CONT'D)**

to newly hired county employees. Although these changes would do nothing to reduce the liabilities attributable to the benefit accruals of current active members, together they would have the effect of reducing the normal cost associated with the retirement benefit accruals of future employees.

Reduced Benefit Tier. ( ) If enacted, the bill's elimination of overtime compensation from the retirement benefit formula, combined with the implementation of a less generous final average salary calculation, would have the effect of functioning as a reduced benefit tier applicable to new employees of the county.

Retirement Board Composition. ( ) The bill would amend Section 1703 of the Code to alter the composition of the Allegheny County Retirement Board by replacing certain elected officials with appointed county officials. The General Assembly must determine whether it is appropriate to replace the elected officials with appointed officials.

## **COMMISSION RECOMMENDATION**

The Commission voted to attach the actuarial note to the bill, recommending that the General Assembly and the Governor consider the policy issues identified above.

## **ATTACHMENTS**

Actuarial note prepared by David H. Killick of Conrad Siegel Actuaries.

House Bill Number 546, Printer's Number 580.







PUBLIC EMPLOYEE

FEB 27 2013

RETIREMENT COMMISSION



February 25, 2013

Mr. James L. McAneny  
Executive Director  
Public Employee Retirement Commission  
P.O.Box 1429  
Harrisburg, PA 17105-1429

Re: House Bill No. 546, Printer's No. 580

Dear Jim:

Pursuant to engagement, I have reviewed House Bill No. 546 and am hereby providing an actuarial note on such bill. The bill would amend the Second Class County Code by changing the benefit provisions applicable to county employees hired on or after the effective date of the bill.

The changes in the benefit provisions applicable to new employees include the following:

1. The definition of "compensation" for purposes of computing retirement benefits shall not include overtime pay.
2. The benefit formula for normal retirement would be changed to an amount equal to 50% of the amount which would constitute the average monthly compensation received by the member during the highest 48 months of the last 8 years of employment or 4 years of employment on a bi-weekly pay basis during the period of time the member made monthly or bi-weekly contributions into the retirement fund prior to the member's retirement.
3. The service requirement for normal retirement for all employees would be increased from 20 years to 25 years while maintaining the existing age requirements for normal retirement.
4. The service requirement for vesting would be increased from 8 years to 10 years for all employees.
5. Service increment benefits shall be provided for service in excess of 25 years instead of the current 20 years.

Exhibit A indicates a comparison of benefits for employees of the System hired before versus after the effective date of the bill.

The actuarial study has been prepared as of January 1, 2012, on the basis of 7,408 employees of Allegheny County who are active members in the retirement system. The total annual payroll for these 7,408 employees is \$329,177,609. For purposes of the study, I have used actuarial assumptions that are consistent with the assumptions used

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by the plan actuary in the preparation of the January 1, 2012, actuarial valuation of the plan. Specifically, I have used 7.75% interest, salary increases grading from 5.75% per year for ages under 25 down to 3.25% per year for ages 40 and above, and the RP2000 Mortality Table. I have also used turnover and retirement rates similar to those used by the plan actuary.

Since the benefit changes included in House Bill No. 546 apply to employees hired on or after the effective date of the bill, there would be no change in the actuarial accrued liability as of the date of passage of the bill. Future normal costs would gradually decrease as new employees are hired with benefits subject to the changes specified by the bill.

In order to provide an estimate of the decreases in normal cost in future years associated with the passage of House Bill No. 546, I have assumed that during each future year, the current group of active members would decrease by 300 with such 300 employees being replaced by new employees subject to the benefit changes specified by the bill. The breakdown of the 300 employees would be in the same proportion as the proportion of the employee groups to the total membership as of January 1, 2012. New non-uniformed employees would be hired at age 35 with an annual salary of \$35,000 in 2012, new police and fire employees would be hired at age 30 with an annual salary of \$50,000 in 2012, and new probation officers, sheriffs, and guards would be hired at age 30 with an annual salary of \$35,000 in 2012. During future years, the annual entry salaries for new employees would increase from the 2012 levels at the rate of 3.0% per year.

The following chart indicates the estimated decrease in the annual normal cost of the plan during years 5, 10, 15, and 20 after the effective date of the bill:

Year After Effective Date of House Bill No. 546	Decrease in Normal Cost	Decrease in Normal Cost as Percentage of January 1, 2012, Active Payroll
5	\$ 2,440,000	0.74%
10	\$ 5,894,000	1.79%
15	\$10,435,000	3.17%
20	\$16,567,000	5.03%

Exhibit B indicates a comparison of benefits for 6 sample employees hired before versus after the effective date of the bill. For an employee who retires at age 60 after completion of 40 years of service, the benefit provided if such employee is hired after the effective date of the bill is 89.7% of the benefit such employee would receive from the plan if he was hired before the effective date of the bill. For an employee who retires at age 60 after completion of 20 years of service, the benefit he receives if he is hired after the



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effective date of the bill is only 77.3% of the benefit he would receive under the plan if he was hired before the effective date of the bill.

With best regards,

Yours sincerely,

A handwritten signature in cursive script that reads "Dave".

David H. Killick, F.S.A.  
Consulting Actuary

DHK:smf  
Encl.

Exhibit A

House Bill No. 546, Printer's No. 580

Comparison of Benefits for Employees Hired Before and After Effective Date of Bill

	Benefits for Current Employees	Benefits for Future Employees
Eligibility Requirements for Normal Retirement	<p>Non-Uniformed Employees: Age 60 and 20 years of service</p> <p>Police Officers and Firefighters: Age 50 and 20 years of service</p> <p>Sheriffs, Deputy Sheriffs, Prison Guards and Probation Officers: Age 55 and 20 years of service</p>	<p>Non-Uniformed Employees: Age 60 and 25 years of service</p> <p>Police Officers and Firefighters: Age 50 and 25 years of service</p> <p>Sheriffs, Deputy Sheriffs, Prison Guards and Probation Officers: Age 55 and 25 years of service</p>
Benefit Accrual Per Year of Service	1/20 <sup>th</sup> of normal retirement benefit	1/25 <sup>th</sup> of normal retirement benefit
Service Increment Benefit	1.0% of average monthly compensation for years of service between 20 and 40 years	1.0% of average monthly compensation for years of service between 25 and 45 years
Vesting	100% after 8 years of service	100% after 10 years of service
Early Retirement	After 8 years but less than 20 years of service	After 10 years but less than 25 years of service
Compensation	Includes overtime pay	Excludes overtime pay
Average Monthly Compensation for Benefit Purposes	Highest 24 months of the last 4 years of employment or 2 years of employment on a bi-weekly pay basis	Highest 48 months of the last 8 years of employment or 4 years of employment on a bi-weekly pay basis

**Exhibit B**

**House Bill No. 546, Printer's No. 580**

**Comparison of Benefits for Employees Hired Before and After Effective Date of Bill**

<b>A</b> Age at Retirement	<b>B</b> Service at Retirement	<b>C</b> Salary During Final 4 Years	<b>D</b> Monthly Benefit for Current Employee	<b>E</b> Monthly Benefit for Future Employee	<b>F</b> E/D
60	40	\$45,000 (Age 59) \$43,500 (Age 58) \$42,000 (Age 57) \$40,500 (Age 56)	\$2,581	\$2,316	89.7%
60	35	\$45,000 (Age 59) \$43,500 (Age 58) \$42,000 (Age 57) \$40,500 (Age 56)	\$2,397	\$2,138	89.2%
60	30	\$45,000 (Age 59) \$43,500 (Age 58) \$42,000 (Age 57) \$40,500 (Age 56)	\$2,213	\$1,959	88.5%
60	25	\$45,000 (Age 59) \$43,500 (Age 58) \$42,000 (Age 57) \$40,500 (Age 56)	\$2,028	\$1,781	87.8%
60	20	\$45,000 (Age 59) \$43,500 (Age 58) \$42,000 (Age 57) \$40,500 (Age 56)	\$1,844	\$1,425	77.3%
60	15	\$45,000 (Age 59) \$43,500 (Age 58) \$42,000 (Age 57) \$40,500 (Age 56)	\$1,383	\$1,069	77.3%



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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 546 Session of  
2013

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INTRODUCED BY TURZAI, DERMODY, CALTAGIRONE, SACCONI, ROZZI,  
MUSTIO, D. COSTA, GINGRICH, DELUCA AND RAVENSTAHL,  
FEBRUARY 5, 2013

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REFERRED TO COMMITTEE ON FINANCE, FEBRUARY 5, 2013

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AN ACT

1 Amending the act of July 28, 1953 (P.L.723, No.230), entitled,  
2 as amended, "An act relating to counties of the second class  
3 and second class A; amending, revising, consolidating and  
4 changing the laws relating thereto," in employees' retirement  
5 system, further defining "compensation"; further providing  
6 for retirement board; providing for tax qualification; and  
7 further providing for employees eligible for retirement  
8 allowances and for amount of retirement allowances.

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

11 Section 1. The definition of "compensation" in section 1701  
12 of the act of July 28, 1953 (P.L.723, No.230), known as the  
13 Second Class County Code, amended July 6, 1984 (P.L.638, No.  
14 131), is amended to read:

15 Section 1701. Definitions.--The following words and phrases  
16 as used in this article shall be construed to have the following  
17 meaning:

18 \* \* \*

19 "Compensation," [pickup] (1) Pickup contributions plus  
20 salary or wages received per day, weekly, bi-weekly, semi-

1 monthly, monthly, annually, or during an official term year.

2 (2) For employes hired on or after the effective date of  
3 this paragraph, the term shall not include overtime pay.

4 \* \* \*

5 Section 2. Section 1703 of the act is amended to read:

6 Section 1703. Retirement Board.--The retirement system shall  
7 be under the sole direction of a board, which shall consist of  
8 the county [commissioners, the treasurer, the controller,] chief  
9 executive; one member, who shall be a member of the retirement  
10 system, appointed by the chief executive with the consent of  
11 county council; one member, who shall be a member of the  
12 retirement system, appointed by county council; the controller;  
13 the treasurer; and two persons elected by ballot from among the  
14 members of the retirement system[, one to serve for two years  
15 and one for four years. Following the completion of the initial  
16 terms, the stated]. The terms of such members shall be four  
17 years. Ballots shall be mailed to each member of the retirement  
18 system at least twenty (20) days prior to the date of the  
19 election. A vacancy occurring during the term of any member of  
20 the board shall be filled for the unexpired term by the  
21 appointment or election of a successor in the same manner as his  
22 predecessor. A majority of the members of the board shall  
23 constitute a quorum for the transaction of any business.

24 Section 3. The act is amended by adding a section to read:

25 Section 1704.1. Tax Qualification.--The board may make such  
26 technical changes to the retirement plan as are necessary in  
27 order to qualify the retirement system and fund under section  
28 401(a) of the Internal Revenue Code of 1986 (Public Law 99-514,  
29 26 U.S.C. § 401(c)).

30 Section 4. Section 1710(a), (b) and (h) of the act, amended



1 January 27, 1998 (P.L.1, No.1) and June 18, 1998 (P.L.693,  
2 No.89), are amended to read:

3 Section 1710. Employees Eligible for Retirement Allowances.--

4 (a) (1) Every [present or future] county employe hired prior  
5 to the effective date of paragraph (2), who has reached the age  
6 of sixty years or upwards and who has to his or her credit a  
7 period of service of eight years, but less than twenty years  
8 shall, upon application to the board, be eligible for retirement  
9 from service, and shall thereafter receive, during life, except  
10 as hereinafter provided, a retirement allowance computed on a  
11 service period of twenty (20) years which shall equal one  
12 twentieth (1/20) of such amount as he or she may be eligible to  
13 receive in accordance with the provisions of subsection (a) of  
14 section 1712, for each year's service which such county employe  
15 may have to his or her credit during the aforesaid period of  
16 time. The time spent in the employ of the county or county  
17 institution district need not necessarily have been continuous.  
18 The aforesaid retirement allowance shall be subject to a  
19 suspension thereof in accordance with the provisions of  
20 subsection (h) of this section 1710 and subsection (c) of  
21 section 1712.

22 (2) Every county employe hired on or after the effective  
23 date of this paragraph who has reached the age of sixty years or  
24 upwards and who has to his or her credit a period of service of  
25 ten years, but less than twenty-five years shall, upon  
26 application to the board, be eligible for retirement from  
27 service, and shall thereafter receive, during life, except as  
28 hereinafter provided, a retirement allowance computed on a  
29 service period of twenty-five years which shall equal one  
30 twenty-fifth of such amount as he or she may be eligible to

1 receive in accordance with the provisions of subsection (a) of  
2 section 1712, for each year's service which such county employe  
3 may have to his or her credit during the aforesaid period of  
4 time. The time spent in the employ of the county or county  
5 institution district need not necessarily have been continuous.  
6 The aforesaid retirement allowance shall be subject to a  
7 suspension thereof in accordance with the provisions of  
8 subsection (h) of this section 1710 and subsection (c) of  
9 section 1712.

10 (b) (1) Every [present or future] county employe hired  
11 prior to the effective date of paragraph (2), other than a  
12 member of the police force or the fire department or a fire  
13 inspector or a sheriff or deputy sheriff, has reached the age of  
14 sixty years or upwards and who has to his or her credit a period  
15 of service of twenty years or more, and every county employe who  
16 is a member of the police force or the fire department or a fire  
17 inspector, and who shall have been a county employe during a  
18 period of twenty or more years and has reached the age of fifty  
19 years or upwards shall, upon application to the board, be  
20 eligible for retirement from service, and shall thereafter  
21 receive, during life, except as hereinafter provided, a  
22 retirement allowance plus a service increment if any, in  
23 accordance with the provisions of section 1712. Every county  
24 officer or employe who is a sheriff, deputy sheriff, prison  
25 guard or probation officer who shall have been a county officer  
26 or employe during a period of twenty or more years and has  
27 reached the age of fifty-five years or upward, shall, upon  
28 application to the board, be eligible for retirement from  
29 service and shall thereafter receive, during life, except as  
30 hereafter provided, a retirement allowance in accordance with

1 section 1712. The time spent in the employ of the county or  
2 county institution district need not necessarily have been  
3 continuous: Provided, That when any county employe has twenty or  
4 more years service, not necessarily continuous, and has not  
5 reached the age of sixty years or upwards, and shall be  
6 separated from the service of the county or county institution  
7 district by reason of no cause or act of his or her own, upon  
8 application to the board he or she shall thereafter receive,  
9 during life, except as hereinafter provided, a retirement  
10 allowance plus a service increment if any, in accordance with  
11 the provisions of section 1713. The aforesaid retirement  
12 allowance plus a service increment if any, shall be subject to a  
13 suspension thereof in accordance with the provisions of  
14 subsection (h) of this section 1710 and subsection (c) of  
15 section 1712.

16 (2) Every county employe hired on or after the effective  
17 date of this paragraph, other than a member of the police force  
18 or the fire department or a fire inspector or a sheriff or  
19 deputy sheriff, prison guard or probation officer, who has  
20 reached the age of sixty years or upwards and who has to his or  
21 her credit a period of service of twenty-five years or more, and  
22 every county employe who is a member of the police force or the  
23 fire department or a fire inspector, and who shall have been a  
24 county employe during a period of twenty-five or more years and  
25 has reached the age of fifty years or upwards shall, upon  
26 application to the board, be eligible for retirement from  
27 service, and shall thereafter receive, during life, except as  
28 hereinafter provided, a retirement allowance plus a service  
29 increment if any, in accordance with the provisions of section  
30 1712. Every county officer or employe who is a sheriff, deputy

1 sheriff, prison guard or probation officer who shall have been a  
2 county officer or employe during a period of twenty-five or more  
3 years and has reached the age of fifty-five years or upwards,  
4 shall, upon application to the board, be eligible for retirement  
5 from service and shall thereafter receive, during life, except  
6 as hereafter provided, a retirement allowance in accordance with  
7 section 1712. The time spent in the employ of the county or  
8 county institution district need not necessarily have been  
9 continuous: Provided, That when any county employe has twenty-  
10 five or more years service, not necessarily continuous, and has  
11 not reached the age of sixty years or upwards, and shall be  
12 separated from the service of the county or county institution  
13 district by reason of no cause or act of his or her own, upon  
14 application to the board he or she shall thereafter receive,  
15 during life, except as hereinafter provided, a retirement  
16 allowance plus a service increment if any, in accordance with  
17 the provisions of section 1713. The aforesaid retirement  
18 allowance plus a service increment if any, shall be subject to a  
19 suspension thereof in accordance with the provisions of  
20 subsection (h) of this section 1710 and subsection (c) of  
21 section 1712.

22 \* \* \*

23 (h) (1) Option I. Any [present or future] county employe  
24 hired prior to the effective date of paragraph (1.1) who has not  
25 reached sixty years of age, and who has to his or her credit a  
26 period of at least the minimum number of years of service  
27 specified in subsection [(a)] (a)(1) of this section but less  
28 than twenty years of service, shall upon application to the  
29 board be eligible to receive at age sixty years a retirement  
30 allowance computed on a service period of twenty years, which

1 shall equal one-twentieth of such amount as he or she may be  
2 eligible to receive in accordance with the provisions of  
3 subsection (a) of section 1712 for each year's service which  
4 such county employe may have to his or her credit during the  
5 aforesaid period of time. The time spent in the employ of the  
6 county or county institution district need not necessarily have  
7 been continuous.

8 (1.1) Option I-A. Any county employe hired on or after the  
9 effective date of this paragraph who has not reached sixty years  
10 of age, and who has to his or her credit a period of at least  
11 the minimum number of years of service specified in subsection  
12 (a) (2) of this section but less than twenty-five years of  
13 service, shall upon application to the board be eligible to  
14 receive at age sixty years a retirement allowance computed on a  
15 service period of twenty-five years, which shall equal one-  
16 twenty-fifth of such amount as he or she may be eligible to  
17 receive in accordance with the provisions of subsection (a) of  
18 section 1712 for each year's service which such county employe  
19 may have to his or her credit during the aforesaid period of  
20 time. The time spent in the employ of the county or county  
21 institution district need not necessarily have been continuous.

22 (2) Option II. Any [present or future] county employe hired  
23 prior to the effective date of paragraph (2.1) who has not  
24 reached sixty years of age, and who has to his or her credit a  
25 period of the minimum number of years of service specified in  
26 subsection [(a)] (a) (1) of this section but less than twenty  
27 years of service, shall upon application to the board be  
28 eligible to receive thereafter, a retirement computed on a  
29 service period of twenty years, which shall equal one-twentieth  
30 of such amount as he or she may be eligible to receive in

1 accordance with the provisions of subsection (a) of section 1712  
2 for each year's service which such county employe may have to  
3 his or her credit during the aforesaid period of time. Further,  
4 the above retirement allowance shall be subject to a reduction  
5 of one-half of one per centum for each month under the age of  
6 sixty years. In no event shall a retirement allowance be paid  
7 until the age of fifty-five years is attained. The time spent in  
8 the employ of the county or county institution district need not  
9 necessarily have been continuous. The aforesaid retirement  
10 allowance elected under Option I shall become null and void if  
11 said county or county institution district employe is reemployed  
12 prior to age sixty in accordance with the provisions of  
13 subsection (c) of section 1712.

14 (2.1) Option II-A. Any county employe hired on or after the  
15 effective date of this paragraph who has not reached sixty years  
16 of age, and who has to his or her credit a period of the minimum  
17 number of years of service specified in subsection (a) (2) of  
18 this section but less than twenty-five years of service, shall  
19 upon application to the board be eligible to receive thereafter,  
20 a retirement computed on a service period of twenty-five years,  
21 which shall equal one-twenty-fifth of such amount as he or she  
22 may be eligible to receive in accordance with the provisions of  
23 subsection (a) of section 1712 for each year's service which  
24 such county employe may have to his or her credit during the  
25 aforesaid period of time. Further, the above retirement  
26 allowance shall be subject to a reduction of one-half of one per  
27 centum for each month under the age of sixty years. In no event  
28 shall a retirement allowance be paid until the age of fifty-five  
29 years is attained. The time spent in the employ of the county or  
30 county institution district need not necessarily have been

1 continuous. The aforesaid retirement allowance elected under  
2 Option I-A shall become null and void if said county or county  
3 institution district employe is reemployed prior to age sixty in  
4 accordance with the provisions of subsection (c) of section  
5 1712.

6 \* \* \*

7 Section 5. Section 1712(a), (b.1), (e), (f) and (i) of the  
8 act, amended December 10, 1970 (P.L.919, No.291), June 1, 1973  
9 (P.L.37, No.19), February 9, 1984 (P.L.12, No.6), January 27,  
10 1998 (P.L.1, No.1) and October 30, 2000 (P.L.616, No.85), are  
11 amended to read:

12 Section 1712. Amount of Retirement Allowances.--(a) (1)  
13 [The] For employes hired prior to the effective date of  
14 paragraph (2), the retirement allowance paid under the  
15 provisions of this article shall equal fifty per centum of the  
16 amount which would constitute the average monthly compensation  
17 as received by the county employe during the highest twenty-four  
18 months of the last four (4) years of his employment or two years  
19 on a bi-weekly pay basis in which period of time the said county  
20 employe made monthly or bi-weekly contributions into the  
21 retirement fund prior to his or her retirement.

22 (2) For employes hired after the effective date of this  
23 paragraph, the retirement allowance paid under the provisions of  
24 this article shall be equal to fifty per centum of the amount  
25 which would constitute the average monthly compensation as  
26 received by the county employe during the highest forty-eight  
27 months of the last eight (8) years of his employment or four (4)  
28 years on a bi-weekly pay basis in which period of time the  
29 county employe made monthly or bi-weekly contributions into the  
30 retirement fund prior to his or her retirement.

1       (3) Such average monthly compensation shall include the  
2 compensation which any county employe would have been entitled  
3 to and would have received except for deduction from  
4 compensation due to time spent in serving as an elected State  
5 official: Provided, That the county and the employe shall make  
6 monthly contributions based on the last compensation equal to  
7 the amount the county and he or she would have paid into the  
8 retirement fund had such compensation been paid by the county.  
9 In the event an employe, on the effective date of employment  
10 termination, shall have less than a full year of service for the  
11 purpose of computing the employe's service time, then the amount  
12 of the retirement allowance, which would have been computed had  
13 the employe completed a full twelve-month period for the year of  
14 the termination of employment, shall be prorated upon a full  
15 completed month basis for said last year of service. No  
16 retirement allowance shall be computed on a monthly compensation  
17 in excess of four thousand three hundred thirty-three dollars  
18 and thirty-three cents (\$4,333.33) (referred to in this  
19 subsection as "excess compensation") unless the employe and the  
20 county have made contributions on all excess compensation  
21 received by the employe during the five-year period preceding  
22 the employe's retirement: Provided, That the required  
23 contribution is paid into the retirement system within ninety  
24 (90) days of the date of retirement. An employe who retires  
25 within five (5) years of the effective date of the compensation  
26 cap removal may elect to satisfy the contribution requirement by  
27 making a lump sum contribution that is calculated by applying  
28 the applicable contribution percentage rate to all excess  
29 compensation received by the employe during the prior five-year  
30 period on which contributions were not made. Within ninety (90)



1 days of such contribution by an employe, contributions shall  
2 also be made by the county in an amount equal to the amount  
3 contributed by the employe. The effective date of the cap  
4 removal is December 31, 1999.

5 (4) After the effective date of this amendment, certain  
6 former county employes who are now receiving a retirement  
7 allowance shall receive an increase of a certain per centum of  
8 such retirement allowance, which sum shall be computed on the  
9 average monthly retirement allowance as heretofore authorized by  
10 the board.

11 (5) The per centum of increase in said monthly retirement  
12 allowance shall be a flat 10 per centum increase with the  
13 maximum amount not to exceed forty-five dollars (\$45.00) per  
14 month.

15 (6) Any employe who earns in excess of ten thousand eight  
16 hundred dollars (\$10,800) per annum and shall retire during the  
17 period from January 1, 1973 to December 31, 1981 shall pay, as a  
18 condition to the payment of any benefits hereunder a lump sum  
19 contribution into the retirement fund, which contribution shall  
20 be computed as follows:

21 (i) The difference between ten thousand eight hundred  
22 dollars (\$10,800) and the annual salary of the employe  
23 multiplied by the number of years during which he was not an  
24 employe of the county for the period aforesaid and upon that  
25 amount the sum of two per centum which shall be the lump sum  
26 contribution as required herein.

27 (ii) No person who is reemployed as a county employe shall  
28 be eligible to receive the benefit of a retirement allowance  
29 plus a service increment, if any, until he or she shall have  
30 made at least twenty-four monthly or fifty-two bi-weekly

1 contributions into the retirement fund subsequent to his or her  
2 reemployment. The foregoing provisions shall not have a  
3 retroactive application and shall apply only to present and  
4 future county employes. The rate required to be paid in  
5 accordance with this provision shall apply to present county  
6 employes notwithstanding the rate of contribution that the  
7 present county employe has made into the retirement fund.

8 (b.1) (1) In addition to the retirement allowance which is  
9 authorized by this article and notwithstanding the limitations  
10 therein placed upon retirement allowances, any [present or  
11 future] county employe hired prior to the effective date of  
12 paragraph (2) who upon retirement shall be eligible to receive  
13 payment of a retirement allowance and who has been employed as  
14 such for twenty or more years during which period of time he or  
15 she shall have made monthly contributions into the retirement  
16 fund, shall also be eligible to the payment in addition to a  
17 retirement allowance a service increment of two per centum per  
18 year computed upon the annual retirement allowance to which he  
19 or she is entitled. Said service increment shall be the sum  
20 obtained by computing the number of full years, and any portion  
21 of a year, in excess of twenty years during which period of time  
22 he or she shall have made monthly or bi-weekly contributions  
23 into the retirement fund. No service increment shall be paid for  
24 more than twenty (20) such excess service years. Effective as of  
25 January 1, 1989, in the event an employe, on the effective date  
26 of employment termination, shall have less than a full year of  
27 service for the purpose of computing the employe's service  
28 increment, then the amount of the service increment which would  
29 have been computed had the employe completed a full twelve-month  
30 period for the year of the termination of employment shall be

1 prorated upon a full completed month basis for said last year of  
2 service increment.

3 (2) In addition to the retirement allowance which is  
4 authorized by this article and notwithstanding the limitations  
5 therein placed upon retirement allowances, any county employe  
6 hired on or after the effective date of this paragraph who upon  
7 retirement shall be eligible to receive payment of a retirement  
8 allowance and who has been employed as such for twenty-five or  
9 more years during which period of time he or she shall have made  
10 monthly or bi-weekly contributions into the retirement fund,  
11 shall also be eligible to the payment in addition to a  
12 retirement allowance a service increment of two per centum per  
13 year computed upon the annual retirement allowance to which he  
14 or she is entitled. Said service increment shall be the sum  
15 obtained by computing the number of full years, and any portion  
16 of a year, in excess of twenty-five years during which period of  
17 time he or she shall have made monthly or bi-weekly  
18 contributions into the retirement fund. No service increment  
19 shall be paid for more than twenty (20) such excess service  
20 years. In the event an employe, on the effective date of  
21 employment termination, shall have less than a full year of  
22 service for the purpose of computing the employe's service  
23 increment, then the amount of the service increment which would  
24 have been computed had the employe completed a full twelve-month  
25 period for the year of the termination of employment shall be  
26 prorated upon a full completed month basis for said last year of  
27 service increment.

28 \* \* \*

29 (e) Any present or future married county employe covered  
30 under the provisions of this article may receive retirement

1 benefits in accordance with the provisions of this section to  
2 which such county employe may be entitled or he or she may elect  
3 at anytime before retirement, to receive in lieu thereof  
4 benefits under the option as hereinafter set forth.

5 The option shall consist of retirement benefits in accordance  
6 with the provisions of [subsections (a) and (b)] subsection (a)  
7 of this section but reduced at age fifty-five, or on  
8 commencement of retirement benefits if later, by ten per centum  
9 plus one per centum for each full year in excess of five years  
10 by which the spouse is younger than the married county employe,  
11 with a maximum reduction to seventy per centum of such  
12 retirement benefits, and minus one-half of one per centum for  
13 each year by which the spouse is older, with a maximum increase  
14 to ninety-five per centum of such retirement benefits. The  
15 reduced amount of such retirement benefits shall commence at the  
16 time of retirement, but not before age fifty-five, and shall be  
17 paid to the employe subject to the provisions of subsection (d)  
18 of this section.

19 (f) (1) The election by said county employe of the option  
20 as provided in subsection (e) of this section shall be final on  
21 attainment of age fifty or on later election prior to  
22 retirement, and no further election shall be permitted:

23 Provided, That the election shall automatically be cancelled if  
24 the county employe shall either be divorced or if his or her  
25 spouse shall die, in each case before retirement benefits under  
26 the option shall commence. In the event the designated spouse  
27 shall predecease, or if a legal separation occurs, while on  
28 retirement, the reduced retirement option benefit shall be  
29 reinstated to the full amount had there been no option  
30 exercised. Said reinstated amount to commence immediately upon

1 the death of the spouse so designated or upon satisfactory proof  
2 of legal separation.

3 (2) All [present and future] employes hired prior to the  
4 effective date of paragraph (3) may elect to provide  
5 survivorship option benefits for a spouse in the following  
6 classifications if the following conditions are satisfied:

7 Class I. The deceased employe shall have attained the age of  
8 fifty years and had completed between the minimum number of  
9 years of service specified in subsection (a) of section 1710 and  
10 nineteen years of service and dies before reaching the age of  
11 fifty-five years. The reduced retirement option benefit to  
12 commence to the survivor at the time the deceased employe would  
13 have attained the age of fifty-five years. Said benefits to be  
14 paid in accordance with the provisions set forth under  
15 subsection (d), Option II, of section 1713.

16 Class II. All [present and future] employes hired prior to  
17 the effective date of paragraph (3), who after completion of  
18 twenty or more years of service and shall die before reaching  
19 the age of fifty years, his or her spouse shall be eligible to  
20 receive the reduced retirement option immediately, in accordance  
21 with the provisions set forth under subsection (d), Option II of  
22 section 1713.

23 (3) All employes hired on or after the effective date of  
24 this paragraph may elect to provide survivorship option benefits  
25 for a spouse in the following classifications if the following  
26 conditions are satisfied:

27 Class I-A. The deceased employe shall have attained the age  
28 of fifty years and had completed between the minimum number of  
29 years of service specified in subsection (a) of section 1710 and  
30 twenty-four years of service and dies before reaching the age of

1 fifty-five years. The reduced retirement option benefit to  
2 commence to the survivor at the time the deceased employe would  
3 have attained the age of fifty-five years. Said benefits to be  
4 paid in accordance with the provisions set forth under  
5 subsection (d), Option II, of section 1713.

6 Class II-A. All employes hired on or after the effective  
7 date of this paragraph, who after completion of twenty-five or  
8 more years of service and shall die before reaching the age of  
9 fifty years, his or her spouse shall be eligible to receive the  
10 reduced retirement option immediately, in accordance with the  
11 provisions set forth under subsection (d), Option II of section  
12 1713.

13 \* \* \*

14 (i) (1) Any county employe hired prior to the effective  
15 date of paragraph (2) retiring under disability retirement  
16 benefits shall qualify for survivorship option benefits if he or  
17 she shall have reached the age of fifty-five years and having  
18 twenty or more years of service credit will be eligible for same  
19 benefits had he retired under the normal retirement provided for  
20 in this act. Any county employe retiring under disability  
21 retirement and having [fifteen] twelve years but less than  
22 twenty years of service credit, upon reaching age fifty-five  
23 will be eligible for survivorship option benefits and his or her  
24 spouse shall receive the maximum amount of seventy-five dollars  
25 (\$75.00) per month upon his or her death under the option  
26 benefit clause as set forth under subsection (e) of this  
27 section.

28 (2) Any county employe hired on or after the effective date  
29 of this paragraph retiring under disability retirement benefits  
30 shall qualify for survivorship option benefits if he or she

1 shall have reached the age of fifty-five years and having  
2 twenty-five or more years of service credit will be eligible for  
3 same benefits had he retired under the normal retirement  
4 provided for in this act. Any county employe retiring under  
5 disability retirement and having twelve years but less than  
6 twenty-five years of service credit, upon reaching age fifty-  
7 five will be eligible for survivorship option benefits and his  
8 or her spouse shall receive the maximum amount of seventy-five  
9 dollars (\$75.00) per month upon his or her death under the  
10 option benefit clause as set forth under subsection (e) of this  
11 section.

12       Section 6. This act shall take effect in 60 days.