

PROPOSED
STATE EMPLOYEES' RETIREMENT CODE
OF 1972

A REPORT
OF THE
TASK FORCE ON ADMINISTRATION OF AND CODIFICATION OF
STATE EMPLOYEES' RETIREMENT LAWS

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA
JOINT STATE GOVERNMENT COMMISSION
JANUARY 1972

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INTRODUCTION

The Task Force on Administration of and Codification of State Employees' Retirement Laws was authorized by the Executive Committee on February 10, 1970 to undertake a comprehensive review of the retirement system and to prepare a recodification of the law with such revisions as were deemed appropriate to modernize its administration. Under the direction of the task force, this revision of the State Employees' Retirement Code of 1959 has been prepared by a Technical Committee with the assistance of Donald C. Steele, Research Director of the Commission.

The Technical Committee consists of the Chairman, Paul H. Wueller, PhD., Consultant; two members of the Commission staff: Ruth S. McKee, PhD. and Howard L. Bozarth, Esq.; two actuaries: Kenneth Ross, F.S.A., F.C.A., President of Huggins and Company, the consulting actuary for the State Employees' Retirement System; and Hugh Gillespie, F.C.A., Vice President and Consulting Actuary of George B. Buck Consulting Actuary Inc., the consulting actuary for the Public School Employees' Retirement System.

The State Employees' Retirement Code of 1959, also prepared by the Joint State Government Commission, combined a number of separate statutes and supplied procedures which facilitate the determination of retirement benefits for members with more than one class of service. While providing the necessary structure for the uniform administration of a multiple-service retirement system the 1959 code retained existing law in all other respects.

Since the codification of 1959 four additional classes of service have been established, types of coverage expanded and additional benefits, such as the right to vest, and certain death benefits have been added. Altogether, 39 acts have been passed involving 369 amendments to individual sections of the 1959 Code. In this process, the 19,500 words used in the original 1959 Code were increased to the current 31,600 words to describe the various classes of membership, the involved methods of calculating contributions and benefits and the administration of the system-- a complex law with much repetitive language yet containing many inconsistencies and unresolved conflicts. As a result, policy decisions, properly the province of the legislature, have become increasingly necessary on the part of the Board, the actuaries, and the Attorney General.

The dilemma posed by an outmoded and confused law has been magnified by Board's decision to decentralize the administration of the system. Decentralization relieves the staff of the Retirement Board but imposes upon each department or agency the responsibility of appointing one or more members of the department who are required to understand the law in its complexity and to advise the employes of the department as to their rights and duties as members of the retirement system.

The proposed revision and recodification represents the first comprehensive modification of the State Employees' Retirement System ever undertaken. Many provisions and procedures of the existing law remain substantially unchanged since the original enactment in 1923.

The proposed code retains basically the structure and purposes of the State Employees' Retirement Code of 1959 but consolidates and attempts to clarify the existing law, and to provide a workable, efficient administrative structure assigning responsibilities for both maintenance of proper records and the application of consistent, uniform procedures. Simplification and removal of redundant language have resulted in a proposed code using approximately 16,200 words, some 3,300 fewer than the original codification in 1959.

The task force concluded that certain policy changes were essential to provide uniform treatment for all members of the system and to improve the equity of the benefit structure. Certain other changes have been included in the interest of conforming with current administrative policy, Federal programs and the recent Pennsylvania constitutional changes. Provisions which have become obsolete or which are superseded by provisions elsewhere in the law have been deleted. Enactment of amendments to the existing retirement law during the interim subsequent to the publication of this report but prior to the introduction of the implementing legislation will be incorporated in substance into such legislation.

A discussion of the major policy changes--their significance and their purposes--is presented in the following summary. In order to identify the policy changes as they are implemented in specific sections of the code each change is numbered. The comments

following sections which significantly change current law refer to these numbered changes. Minor changes are noted in the comments only. Except for the specific changes noted there is no intent to add or remove any provisions with a substantive impact upon contributions, benefits, rights, or duties. The provisions of Section 705 have been included to assure this objective.

Following the proposed code, are two cross-index tables which provide references from the proposed code to the current law as well as references from the current law to the proposed code. A listing of the enactments amending the code since 1959 by the section and subsection amended is also provided.

In the process of consolidation and simplification of a system having the ramifications and complexities of the current State Employees' Retirement System, it is to be expected that there may be omissions or incomplete representation or coverage. Interested employes and officials whose duties include retirement matters are invited to carefully scrutinize the proposed code. Suggestions for technical improvements may be addressed to Donald C. Steele, Research Director of the Joint State Government Commission (Room 450, Main Capitol Building, Harrisburg, Pennsylvania, 17120).

SUMMARY OF MAJOR POLICY CHANGES

The major policy changes which differentiate the proposed retirement code from existing law arise from four general areas of legislative concern:

- Allocation of administrative responsibility;
- Uniformity with respect to eligibility for benefits;
- Equity with respect to options, contributions, charges and "spendthrift clause" provisions; and
- Conformity with the Constitution of Pennsylvania as amended in 1968.

A brief note regarding the direction and magnitude of cost changes associated with the proposed policy changes will be found at the end of this Summary.

Administrative Responsibility

The existing law provides that:

". . . the Retirement Board shall be in the Department of State and shall consist of the following:

- (a) The Secretary of the Commonwealth who shall be the Chairman thereof.
- (b) The State Treasurer.

- (c) One (1) member who shall be appointed by the Governor . . .
- (d) Two (2) members of the retirement system elected [emphasis supplied] from among their number in a manner to be approved by those persons named in clauses (a), (b) and (c) of this subsection, . . ."

Though this provision directs an election as does a similar provision in the School Employees' Retirement Code, the membership of the State system, unlike the membership of the school system, has never been given an opportunity to elect members of the Board. To assure performance of mandatory duties which are proposed to be expanded and to assure accountability to the General Assembly, changes in the Board's status and composition are needed. Therefore, the proposed code provides for:

1. The establishment of an independent Board consisting of seven members to serve four year terms following the original appointments, six to be appointed by the Governor and confirmed by the Senate;

2. Preparation by the Board of an annual budget of administrative expenses for submission to the General Assembly; and

3. The responsibility of the Board to make available (i) information regarding procedures used in calculation of contributions and benefits, (ii) current information concerning member's service credits, contributions, and accrued benefits, and (iii) current financial reports as to the assets and liabilities of the Fund. To guarantee that the various departments provide the necessary information for the proper functioning of the reconstituted Board, the proposed code requires that:

4. The head of each department to be responsible for (i) the appointment of a retirement counselor approved by the Board, (ii) the provision of complete service records to the Board, and (iii) the completion and filing of all necessary forms for the department and individual members; and

5. In the event the head of a department fails to comply with the procedures as mandated, the Board to provide for the execution of said procedures and charge the cost incurred against the appropriation of such department.

Uniformity

In the course of piecemeal amendment, the existing Code has come to treat members with similar service characteristics differently as regards eligibility for benefits. For example, the Code mandates an arbitrary limit of three years within which a person who completed his military service must become a State employe in order to be eligible to purchase credit for his military service. In order to eliminate such arbitrary differentiation the proposed code provides that:

6. Up to five years of active military service may be purchased and credited as Class A service regardless of the time which has elapsed between termination of military service and entry into State service.

Again, existing law discriminates between members with respect to voluntary and involuntary withdrawal allowances, with the requirement that only ten years of service are needed if involuntary removal but 25 years if voluntary. The almost irresistible incentive to arrange for a "dismissal" has been so effective that very few persons with greater than ten years of service ever voluntarily leave State service. Therefore, the proposed code provides that:

7. A reduced annuity (withdrawal allowance) may be elected by any member of Class A, Class B, Class C, Class E, or Class E-1 terminating State service prior to superannuation age and having ten or more years of credited service.

Similarly, death benefits lack uniformity. For example, if an active member with more than ten years of service dies, his beneficiary receives the present value of a substantially reduced annuity; if a vestee dies his beneficiary receives his accumulated deductions; while, if an involuntary retiree elected Option I and died shortly after termination of service his beneficiary would receive the present value of a full annuity. In the interest of uniform treatment in these three cases, the proposed code provides that:

8. Benefits payable upon the death of an active member of the System with ten or more years of credited service shall be reduced only on the basis of age and without the additional proportionate reduction based on years of credited service; and

9. Death benefits shall be paid in the event a vestee dies before an application for an annuity has been completed.

When the retirement system was initially established in 1923, it contemplated the coverage of only full-time State employees. Since that date, the Commonwealth has found it increasingly advantageous to utilize both per diem and part-time employees. To cope with the difficulties not contemplated in the law the Retirement Board has from time to time improvised methods to calculate benefits for these employees. Both uniformity and certainty of contractual rights are achieved by provisions in the proposed code that:

10. One year of service be credited for 220 or more days, or 1,650 or more hours in any 12 consecutive months as a State employe contributing to the Fund.

Again, current Commonwealth employment practices permit employes to accept temporary employment with other governmental agencies or study under governmental grants. Inasmuch as it appears desirable to recognize these arrangements statutorily, the proposed code provides that:

11. A State employe who is on temporary leave to study under a governmental grant or for service under another governmental agency may purchase State service credit for such period provided he is not receiving retirement credits elsewhere for the same service and that he returns to active State service.

Equity

Various sections of the existing law relating to members' options, interest charges, benefits payable after reentry into the System, and assessment for unpaid liabilities against benefits otherwise payable generate consequential inequities.

Eligible members may elect from among statutory options alternative methods of receiving benefits. One of these, Option 4, provides:

"Some of the benefit or benefits shall be paid to either the contributor or such person or persons as he shall nominate, provided such other benefit or benefits shall together with such lesser annuity or lesser State annuity or lesser retirement allowance . . . be certified by the actuary of the Retirement Board to be of equivalent value."

Despite this language which appears to permit a lump sum benefit in some amount, and the provisions of Option 1 in the same section which authorize lump sum payments to beneficiaries and the precedent established in other pension systems where lump sum payments are commonplace, it has been administrative practice to prohibit any lump sum benefits to retirees. This administrative practice appears to have been premised upon the fear that a retiree would not chose an annuity "adequate" to meet his needs. It would appear preferable to establish by statute the limitations upon the form in which he may receive his benefits, rather than permit limitations established solely by administrative discretion.

With a view of minimizing dispute and probable litigation, the proposed code:

12. Specifies the following three conditions under which Option 4 is available:

(a) Any annuity shall be payable without reduction during the lifetime of the member except as a result of a reduction applicable upon attainment of age 65, in anticipation of the receipt of a social security benefit.

(b) The sum of all annuities payable to the designated survivor annuitants shall not be greater than one and one-half times the annuity payable to the member.

(c) A portion of the benefit may be payable as a lump sum, except that such lump sum payment shall be limited to one such payment and not exceed the greater of an amount equal to the total accumulated deductions or 25 percent of the present value of a single life annuity.

The present law does not consistently require employees who wish to purchase back service credit to pay interest. In effect, an interest free loan is available to a reentry employe until such time as he chooses to return his contributions. Also the provisions for handling unpaid contributions are inconsistent. To eliminate these inequities, the proposed code provides:

13. For compounded statutory interest charges in calculations of contributions toward credit for previous service over all years of subsequent State service up to the date of purchase; that contributions toward non-State service be based upon the average annual compensation of the first five years of subsequent State service; and

14. That a member pay any money due the Fund, including interest, in a lump sum within 30 days of his termination date, or in the event of death before payment, the present value of the annuity at the date of termination be reduced by the balance due.

In view of the fact that the proposed code provides for the charging of interest on back contributions, it is only equitable that inactive members' accounts accumulate interest. The proposed code provides that:

15. Statutory interest shall be credited to all accumulated deductions over the entire period deductions remain in the Fund.

Under existing law, a member may terminate service and if eligible receive an annuity, later, reenter State service and upon subsequent retirement, receive an annuity computed by reference to all credited service without adjustment for the annuity payments already received--a practice actuarially unsound and

generally prohibited in other pension systems. In contrast, the member who has withdrawn his accumulated deductions is required to restore them in toto. In order to eliminate any financial advantage insofar as it may be due to annuity payments received prior to superannuation age, the proposed code provides:

16. That an annuitant, who returns to State service, forfeit his annuity while an active member of the System, and upon subsequent retirement, have the present value of his annuity reduced by the actuarial equivalent of the benefit payments received by him as an annuitant before the attainment of superannuation age.

Under current law member's retirement contributions and benefits are protected by a "spendthrift clause" provision excepting only that they may be assigned as security for limited loans granted by one particular state employees' credit union. This unique advantage is not shared by the 30 State employees' credit unions. The proposed code provides for:

17. Termination of this privilege and elimination of the associated administrative costs involved in screening the accounts of all members who terminate State service and in collecting the balance due in case of default.

Constitutional Conformity

Article V. Section 16 (b) of the Pennsylvania Constitution reads:

"Justices, judges, and justices of the peace, shall be retired upon attaining the age of 70."

Prior to the 1968 revision which inserted the above language in the Constitution, the retirement law was amended to provide:

". . .any member of Class E or E-1 who has retired, who has either actively served in such office . . . for at least 25 years . . . or who has attained the age of 70 years, who has served at least one full elected term or ten years . . . and who shall hold himself in readiness to advise with his successor and his colleagues . . . and to perform such duties as may be imposed upon him as a judge [emphasis supplied] special master, referee, auditor, or examiner . . . may elect to receive during a period of time equal to the unexpired portion of his term . . . a sum equal to the salary he was receiving immediately prior to his retirement."

As a matter of administrative procedure, the "sum equal to the salary he was receiving prior to his retirement" is paid by the State Employees' Retirement Board, the "retired" judge continues to make his member contributions to the retirement fund and on expiration of his term he is entitled to retirement benefits applicable to his class of membership. To eliminate an obvious conflict between a constitutional mandate and a provision of the existing law, the proposed code provides for:

18. Deletion prospectively of this special retirement treatment of judges who have attained age 70 or who have completed 25 years of judicial service.

By statute, operating expenses of the Retirement Board are paid from earnings of the Fund in excess of statutory interest, without legislative approval, despite the provisions of the

Pennsylvania Constitution, Article VIII, Section 12, which requires that all operating expenses be included in the operating budget and Article III, Section 24, which requires that all appropriations be made by law. Accordingly, the proposed code provides that:

19. The Board shall, through the Governor, submit annually to the General Assembly a budget covering administrative expenses and such expenses shall be approved by the General Assembly in an appropriation bill.

Cost Note

Although the dollar amounts associated with the above policy proposals must be recognized as actuarial estimates not subject to precise determination, relative magnitudes are presented to aid in evaluation of the proposals. Some of the changes involve measurable costs; others, measurable savings.

Changes in the proposed code relating to the composition of the Board and the new duties placed upon the Board and heads of the departments will not significantly increase employer costs. However, once these procedures are established, they will materially decrease such employer and employe costs as have been associated with controversy and litigation arising from disputes over eligibility, creditable service, and options available and last, but not least, reduce the extended time which has all too often elapsed before receipt of the first annuity check.

The opportunity to acquire a military service credit, removal of the distinction between voluntary and involuntary retirement, and the provision of full death benefits for both active members

and vestees will generate increased employer costs. The first-year cost of these increased benefits is tentatively estimated at about \$1.6 million. However, such changes as the mandatory charging of interest on contributions for the purchase of past service credits, the requirement that annuity payments receivable by a member who has reentered State service and again retired be reduced by the present value of the annuities already received and the elimination (prospectively) of the special provision relating to judges' retirement will reduce first-year employer costs by about \$.7 million. Overall, it appears that the long-term cost increases will exceed the projected savings by less than \$1 million per year or one-tenth of one percent of payroll.

PROPOSED STATE EMPLOYES' RETIREMENT CODE OF 1972

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ARTICLE I

SHORT TITLE AND DEFINITIONS

Section 101. Short Title.--This act shall be known and may be cited as the "State Employees' Retirement Code."

Section 102. Definitions.--The following words and phrases as used in this Code, unless a different meaning is plainly required by the context, shall have the following meanings:

(1) "Active member." A State employe who is contributing to the Fund or for whom contributions are being made to the Fund.

COMMENT: "Active member" has been added to differentiate those members contributing to the System from inactive members.

(2) "Actuarially equivalent." Equal present values, computed on the basis of statutory interest and the mortality tables adopted by the Board.

(3) "Actuary." The consultant to the Board who shall be:

(i) a member of the American Academy of Actuaries; or

(ii) an individual who has demonstrated to the satisfaction of the Insurance Commissioner of Pennsylvania that he has

the educational background necessary for the practice of actuarial science and has had at least seven years of actuarial experience;
or

(iii) a firm, partnership, or corporation of which at least one member meets the requirements of (i) or (ii).

COMMENT: "Actuary" has been added to establish, statutorily, the qualifications of consultants to the Board.

(4) "Annuitant." Any member on or after the effective date of retirement.

(5) "Average noncovered salary." The average of the amounts of compensation received each calendar year since January 1, 1956 exclusive of the amount which was or could have been covered by the Federal Social Security Act, 42 U.S.C. §§ 301 et seq., during that portion of the member's service since January 1, 1956 for which he has received social security integration credit.

(6) "Basic contribution rate." Five percent, except that in no case shall any member be required to contribute at a rate greater than his contribution rate on the effective date of this act so long as he does not elect additional coverage.

COMMENT: A flat five percent basic contribution rate simplifies administration and entails negligible costs since currently any member may elect social security integration credit and therewith contribute at a basic rate of five percent.

(7) "Beneficiary." The person or persons last designated by a member to receive benefits after the death of such member; except a survivor annuitant.

COMMENT: "Beneficiary" has been modified to clarify and distinguish a recipient eligible to receive a death benefit from a survivor annuitant.

(8) "Board." The State Employees' Retirement Board.

(9) "Class of service multiplier."

<u>Class of Service</u>	<u>Multiplier</u>
A	1
B	.625
C	1
D	1.25
D-1	1.875
D-2	2.5
D-3	3.75
E, E-1	2 for each of the first 10 years of judicial service, and 1.5 for each subsequent year of judicial service
T-C (as defined in the Public School Employees' Retirement Code)	1

COMMENT: "Class of service multiplier" has been added to consolidate procedures. The multiplier for a given class of service is used to determine both contributions and benefits.

(10) "Compensation." Remuneration received as a State employe excluding refunds for expenses incidental to employment and expense and contingency allowances received by a member of the General Assembly.

COMMENT: "Compensation" has been modified to conform with administrative practice.

(11) "Concurrent service." Credited service in more than one class of service during the same period of time.

(12) "Contributor." An active member.

COMMENT: "Contributor" has been redefined to specifically exclude members on leave without pay who are not contributing.

(13) "Creditable non-State service." Service other than service as a State employe for which an active member may obtain credit.

COMMENT: "Creditable non-State service" has been added in conjunction with the establishment of a statutorily uniform procedure applicable to the purchase of credit for all such service.

(14) "Credited service." State or creditable non-State service for which the required contributions have been made or for which salary deductions or lump sum payments have been authorized.

COMMENT: "Credited service" has been added to simplify the Code. The definitions "total credited service," "prior service," and "contributory service" have been deleted and are intended to be included in this definition.

(15) "Effective date of retirement." The first day following the date of termination of service of a member if he has properly filed an application for an annuity within 90 days of such date; in the case of a vestee or a member who does not apply for an annuity within 90 days after termination of service, the date of filing an application for an annuity or the date specified on the application, whichever is later.

COMMENT: "Effective date of retirement" has been added to include the case of the vestee.

(16) "Eligibility points." Units which have been accrued by an active member for credited service and are used in the determination of eligibility for benefits.

COMMENT: "Eligibility points" has been added to simplify the determination of eligibility for benefits.

(17) "Enforcement officer." Any enforcement officer or investigator of the Pennsylvania Liquor Control Board who is a peace officer vested with police power and authority throughout the Commonwealth and any administrative or supervisory employe of the Pennsylvania Liquor Control Board vested with police power who is charged with the administration or enforcement of the liquor laws of the Commonwealth.

(18) "Final average salary." The highest average compensation received as a member during any five nonoverlapping periods of 12 consecutive months, with compensation for any period of 12 consecutive months of part-time service being annualized on the basis of the fractional portion of the year for which credit is received; except if the employe was not a member for five nonoverlapping periods of 12 consecutive months, the total compensation received as a member, annualized in the case of part-time service, divided by the number of nonoverlapping periods of 12 consecutive months of membership; and in the case of a contributor with multiple service, the final average salary shall be determined on the basis of the highest annual compensation received by him as a State employe or as a school employe, or both.

COMMENT: "Final average salary" has been modified to conform with the administrative practice of annualizing the compensation of part-time employes.

(19) "Full coverage member." Any member who has made or is making regular member contributions, or has paid or has agreed to pay to the Fund the actuarial equivalent of regular member contributions over the entire period of his credited service.

COMMENT: "Full coverage member" has been defined to include former single coverage and dual coverage members inasmuch as they are treated identically in the System.

(20) "Fund." The State Employees' Retirement Fund.

(21) "Head of department." The chief administrative officer of the department, the chairman or executive director of the agency, authority, or independent board or commission, the Chief Justice or the President Judge of a court, and the Chief Clerk of the Senate, or the Chief Clerk of the House of Representatives.

(22) "Inactive member." A member who is not making member contributions but has accumulated deductions standing to his credit in the Fund and who is not eligible to or has not elected to become a vestee or has not filed an application for an annuity.

COMMENT: "Inactive member" has been added to account for a noncontributing member who is neither a vestee nor an annuitant.

(23) "Intervening military service." Active military service of a member who was a State employe immediately preceding his induction into the armed services or forces of the United States in order to meet a military obligation excluding any voluntary extension of such service and who becomes a State employe within 90 days of the expiration of such service.

COMMENT: "Intervening military service" has been added to statutorily differentiate military leave of absence from other creditable military service.

(24) "Joint coverage member." Any member who agreed prior to January 1, 1966 to make joint coverage member contributions to the Fund and has not elected to become a full coverage member.

(25) "Joint coverage member contributions." Regular member contributions reduced for a joint coverage member.

COMMENT: "Joint coverage member contributions" has been added to clarify and distinguish the contributions of a joint coverage member from those of a full coverage member.

(26) "Member." Active member, inactive member, annuitant, or vestee.

COMMENT: "Member" has been added to set forth explicitly the persons covered under this term.

(27) "Member of the judiciary." Any justice of the Supreme Court, any judge of the Superior Court, the Commonwealth Court, any court of common pleas, the Municipal Court and the Traffic Court of Philadelphia, or any community court.

COMMENT: "Member of the judiciary" has been expanded to set forth explicitly the persons included by the 1968 revision of the Pennsylvania Constitution, Article V.

(28) "Member's annuity." The single life annuity which is actuarially equivalent, at the effective date of retirement, to the sum of the regular accumulated deductions and the social security integration accumulated deductions standing to the member's credit in the members' savings account.

COMMENT: "Member's annuity" has been expanded to include the annuity purchasable by member contributions on account of social security integration coverage to promote more efficient administration of the ledger accounts.

(29) "Military service." All active military service from which a member has not been dishonorably discharged.

COMMENT: "Military service" has been added to clarify that service for which credit may be purchased.

(30) "Multiple service." Total credited service of a member who has elected to combine his credited service in both the State Employees' Retirement System and the Public School Employees' Retirement System.

COMMENT: "Multiple service" applies to contributors, vestees and annuitants but is limited to members who have elected to have their benefits calculated on the basis of combined service in both systems.

(31) "Previous State service." Service rendered as a State employe prior to his most recent entrance in the System.

COMMENT: "Previous State service" has been added to facilitate the establishment of uniform procedures applicable to the purchase of credit for all such creditable service.

(32) "Public School Employes' Retirement System." The retirement system originally established by the act of July 18, 1917, P. L. 1043.

(33) "Regular accumulated deductions." The total of the regular or joint coverage member contributions paid into the Fund on account of current service or previous State or creditable non-State service, together with the statutory interest credited thereon for the period for which the contributions remain in the Fund.

COMMENT: "Regular accumulated deductions" has been added to distinguish that portion of a member's total accumulated deductions which is attributable to his regular or joint coverage member contributions. Interest is credited in conformance with policy change 15.

(34) "Regular member contributions." The product of the basic contribution rate, the class of service multiplier and the compensation of the member.

COMMENT: "Regular member contributions" has been added for convenient reference.

(35) "Retirement counselor." The State employe whose duty it shall be to advise each employe of the department of his rights and duties as a member of the System. Such employe shall be designated by the head of each department with the approval of the Board.

COMMENT: "Retirement counselor" has been added to give statutory recognition to administrative practice and to conform with policy change 4.

(36) "Salary deductions." The amounts certified by the Board, deducted from the compensation of an active member and paid into the Fund.

(37) "School service." Service rendered as a public school employe and credited as service in the Public School Employes' Retirement System.

COMMENT: "School service" has been added for convenient reference.

(38) "Social security integration accumulated deductions." The total of the additional member contributions paid into the Fund in accordance with section 302, together with the statutory interest credited thereon for the period for which the contributions remain in the Fund.

COMMENT: "Social security integration accumulated deductions" has been substituted for "accumulated social security integration deductions" and the definition modified to conform with policy change 15.

(39) "Standard single life annuity." An annuity equal to two percent of the final average salary, multiplied by the total number of years of credited service of a member.

COMMENT: In order to consolidate the code, "standard single life annuity" has been defined as a basic component in the calculation of benefits.

(40) "State employe." Any person holding a State office or position under the Commonwealth, employed by the State government of the Commonwealth, in any capacity whatsoever, including members of the General Assembly, and any officer or employe of the following:

(i) the Department of Education, State-owned educational institutions and The Pennsylvania State University except an employe paid wholly from Federal funds,

(ii) the Pennsylvania Turnpike Commission, the Delaware River Joint Commission, the Delaware River Joint Toll Bridge Commission, the State Public School Building Authority, the General State Authority, the State Highway and Bridge Authority, the Delaware Valley Regional Planning Commission, and the Interstate Commission of the Delaware River Basin, provided the commission or authority agrees to contribute and does contribute to the Fund, from time to time, the moneys required to build up the reserves necessary for the payment of the annuities of such officers and employes without any liability on the part of the Commonwealth to make appropriations for such purposes, and provided in the case of employes of the Interstate Commission of the Delaware River Basin, that the employe shall have been a member of the System for at least ten years prior to January 1, 1963,

(iii) any separate independent public corporation created by statute, not including any municipal or quasi-municipal corporation, so long as he remains an officer or employe of such public corporation, and provided that such officer or employe of such public corporation was an employe of the Commonwealth immediately prior to his employment by such corporation, and further provided such public corporation 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 annuities of such officers and employes without any liability on the part of the Commonwealth to make appropriations for such purposes, or

(iv) any single county department of health or any joint county department of health created under the Local Health Administration Law of August 24, 1951, P. L. 1304; "State employe" shall not include an independent contractor or any person compensated on a fee basis.

COMMENT: "State employe" has been expanded to include all employes regardless of method of remuneration except persons employed on a fee basis. The former provision relating to the finality of the Board's decision in cases of doubt as to the status of State employment has been deleted to conform with the 1968 revision of the Pennsylvania Constitution, Article V, Section 9.

(41) "State service." Service rendered as a State employe.

COMMENT: "State service" has been added for convenient reference.

(42) "Statutory interest." Interest at four percent per annum, compounded annually.

(43) "Superannuation age." Age 60, except for a member of the General Assembly or of Class C, age 50.

(44) "Superannuation annuitant." An annuitant whose annuity became payable on or after the attainment of superannuation age.

COMMENT: "Superannuation annuitant" has been defined to differentiate those annuitants eligible for special superannuation benefits.

(45) "Survivor annuitant." The person or persons last designated by a member under a joint and survivor annuity option to receive an annuity upon the death of such member.

COMMENT: "Survivor annuitant" has been added to clarify the status of a recipient of a contingent annuity.

(46) "System." The State Employees' Retirement System of Pennsylvania as originally established by the act of June 27, 1923, P. L. 858.

(47) "Total accumulated deductions." The sum of the regular accumulated deductions, the social security integration accumulated deductions, and all other contributions paid into the Fund for the purchase of credit for service or other coverage together with all statutory interest credited thereon for the period for which contributions remain in the Fund.

COMMENT: "Total accumulated deductions" has been added for convenient reference and conforms with policy change 15.

(48) "Vestee." A member who, prior to the effective date of retirement, has terminated State service and has elected to leave his total accumulated deductions in the Fund and defer an annuity as provided in section 209.

COMMENT: "Vestee" has been substituted for "vesting" to clarify the status of such member.

ARTICLE II

MEMBERSHIP, CREDITED SERVICE, CLASSES
OF SERVICE, AND ELIGIBILITY FOR BENEFITS

Section 201. Mandatory and Optional Membership.--

(a) Membership in the System shall be mandatory as of the effective date of employment for all State employes except the following:

(1) Governor;

(2) Lieutenant Governor;

(3) Members of the General Assembly;

(4) Heads or deputy heads of administrative departments;

(5) Members of any independent administrative board or commission;

(6) Members of any departmental board or commission;

(7) Members of any advisory board or commission;

(8) Secretary to the Governor;

(9) Budget Secretary;

(10) Legislative employes;

(11) Contributors in the Public School Employees' Retirement System;

(12) Persons who have elected to retain membership in the retirement system of the political subdivision by which they were employed prior to becoming eligible for membership in the State Employees' Retirement System;

(13) Persons employed on a per diem or hourly basis for less than 100 days or 750 hours in a 12-month period.

COMMENT: Paragraph (13) has been added in order to retain the present eligibility conditions for membership for hourly and per diem employees.

(b) The State employees listed in section 201(a)(1) through (11) shall have the right to elect membership in the System, once such election is exercised, membership shall continue until the termination of State service.

COMMENT: The requirement that membership continue until termination of service has been added in the interest of equity and simplified administration.

(c) The State employees listed in section 201(a)(12) and (13) shall not have the right to elect membership in the System.

Section 202. Credited State Service.--(a) In computing credited State service of a member for the determination of benefits, a full-time salaried State employe including any member of the General Assembly, shall receive credit for service in each period for which he makes contributions but in no case shall he receive more than one year's credit for any 12 consecutive months. A per diem or hourly State employe shall receive one year of credited service for each 12 consecutive nonoverlapping months in which he is employed and for which he contributes at least 220 days or 1,650 hours. If the member was employed and contributed for less than 220 days or 1,650 hours, he shall be credited with a fractional portion of a year determined by the ratio of the number of days or hours of service actually rendered to 220 days or 1,650 hours, as the case may be. A part-time salaried employe shall be credited with the fractional portion of the year which corresponds to the number of hours or days of service actually rendered in relation to 1,650 hours or 220 days, as the case may be.

(b) A member on leave without pay, who is studying under a Federal grant approved by the head of his department, or who is engaged up to a maximum of two years temporary service with the United states government, another state or a local government under the Intergovernmental Personnel Act of 1970, 5 U.S.C. §§ 1304, 3371-3376; 42 U.S.C. §§ 4701-4772, shall be eligible

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for credit for such service provided that contributions are made in accordance with section 301, the member returns from leave without pay to active State service for a period of at least one year, and he is not entitled to retirement benefits for such service under the retirement system administered by such other governmental agency.

(c) All credited service shall be cancelled if a member withdraws his total accumulated deductions.

COMMENT: This section conforms with policy changes 10 and 11.

Section 203. Retention and Reinstatement of Service Credits.--(a) Eligibility points shall be computed in accordance with section 207 with respect to all credited service accrued as of the effective date of this act.

(b) Every active member of the System on or after the effective date of this act shall receive eligibility points in accordance with section 207 for current State service, previous State service, or creditable non-State service upon compliance with sections 301, 304, 305, or 306. The class of service in which the member shall be credited for previous State service prior to the effective date of this act shall be that class in which he could have been credited had he been a member on the day before the effective date of this act. The class of service in which a

member shall be credited for service subsequent to the effective date of this act shall be determined in accordance with section 206.

COMMENT: This section provides for consistency in the retention of credit accrued on the effective date of this act for either prior or past State service. The terms "prior service" and "past service" have been deleted.

Section 204. Creditable Non-State Service.--(a) An active member who has five years of credited State service shall be eligible for Class A service credit for creditable non-State service as set forth in section 204(b) and (c) except that intervening military service shall be credited in the class of which the member was eligible at the time of entering into military service and for which he makes contributions in accordance with section 305.

(b) An eligible active member shall receive credit for non-State service provided that he is not entitled to retirement benefits for such service under the retirement system administered by such other governmental agency, and that such service is certified by the previous employer and contributions are agreed upon and made in accordance with section 305.

(c) Creditable non-State service credit shall be limited to:

- (1) Intervening military service;
- (2) Other military service not exceeding five years;

(3) Service as an administrator, teacher, or instructor in the field of education for any agency or department of the government of the United States, not exceeding the lesser of ten years or the number of years of active membership in the System, as an officer or employe of the Department of Education or as an administrator, teacher, or instructor employed in any State-owned educational institution or The Pennsylvania State University; or

(4) Previous service with a governmental agency other than the Commonwealth which employment with said agency was terminated because of the transfer of the administration of such agency to the Commonwealth.

COMMENT: Subsection (c)(2) conforms with policy change 6.

Section 205. Social Security Integration Credits.--

(a) Any member shall be credited with the social security integration credits which he has accrued up to the effective date of this act, and shall accrue after the effective date of this act one social security integration credit for each year of service in which he makes contributions in accordance with section 302.

(b) Any active member who, during previous State service, had elected to receive credit for social security integration shall, upon return to State service and election to purchase

his total previous State service, reinstate his social security integration credits as they were at the termination of his previous service in accordance with sections 302 and 304.

Section 206. Classes of Service.--(a) A State employe who is a member of the System on the effective date of this act shall retain his membership in that class of service for which his service is being credited on that date until he elects to become a member in some other class of service as provided in this section.

(b) A State employe who is or becomes a member of the System subsequent to the effective date of this act shall be classified as a Class A member and receive credit for Class A service upon compliance with section 301, except:

(1) An officer or employe of the Pennsylvania State Police having police power or an enforcement officer of the Pennsylvania Liquor Control Board, shall be credited with Class C service upon compliance with section 301;

(2) A member of the General Assembly who elects to have his service credited as Class D-3 service shall be so credited upon compliance with section 301;

(3) A member of the judiciary who elects to have his service credited as Class E-1 service shall be so credited upon compliance with section 301; and

(4) A member of the System on the effective date of this act who retains his membership in that class of service for which his service is being credited on that date.

COMMENT: Classes B, D, D-1, D-2, and E have been closed to prospective membership to give statutory recognition to current practice and to simplify administration.

Section 207. Eligibility Points.-- An active member of the System shall accrue one eligibility point for each year of credited service as a Class A, Class B, Class C, Class D, Class D-1, Class D-2, Class E, Class E-1, or Class T-C member. For each year of Class D-3 service, a member shall accrue one and two-thirds eligibility points. In the case of a fractional part of a year of credited service, a member shall accrue the corresponding fractional portion of eligibility points to which the class of service entitles him.

COMMENT: Eligibility points have been introduced in the Code to clarify eligibility for the various benefits for members with credit in one or more classes of service.

Section 208. Eligibility for Annuities.--(a) Attainment of superannuation age by an active member or an inactive member on leave without pay shall entitle him to receive a superannuation annuity calculated in accordance with section 402 upon termination of State service and compliance with section 505(h).

(b) Any vestee or any active member or inactive member on leave without pay who terminates State service having ten or more eligibility points, upon compliance with section 505(h), shall be entitled to receive an annuity calculated in accordance with section 402.

COMMENT: This subsection conforms with policy change 7.

(c) An active member or inactive member on leave without pay who has credit for at least five years of service or any active member of Class C shall, upon compliance with section 505(h), be entitled to a disability annuity as determined in section 404, if he becomes mentally or physically incapable of continuing to perform the duties for which he is employed and qualifies in accordance with the provisions of section 502(o)(1).

Section 209. Eligibility for Vesting.--Any member who terminates State service with ten or more eligibility points shall be entitled to vest his retirement benefits until such time as he applies to receive a reduced annuity or until attainment of superannuation age.

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Section 210. Eligibility for Death Benefits.--In the event of the death of a member who is eligible for an annuity in accordance with section 208(a) or (b), his beneficiary shall be entitled to a death benefit as provided in section 407(a); otherwise, his beneficiary shall receive the total accumulated deductions standing to the member's credit in the Fund.

COMMENT: Policy changes 8 and 9 permit a simplified statement concerning eligibility for death benefits.

Section 211. Eligibility for Refunds.--Any active member, regardless of eligibility for benefits, may elect to receive his total accumulated deductions upon termination of service in lieu of any benefit to which he is entitled.

ARTICLE III

CONTRIBUTIONS

Section 301. Regular Member Contributions for Current Service.--Every active member shall make regular member contributions to the Fund for current service by salary deductions or some other agreed upon method.

Section 302. Social Security Integration Member Contributions.--A member of any class who has elected social security integration coverage under the provisions of section 505(k) shall contribute five percent of that portion of his compensation in excess of the maximum wages taxable under the provisions of the Federal Social Security Act, 42 U.S.C. §§ 301 et seq., in addition to the regular member contributions which, after such election, shall be determined on the basis of the basic contribution rate of five percent.

Section 303. Joint Coverage Member Contributions.--The regular member contributions for current service of a joint coverage member in any class shall be reduced by 40 percent of the tax on taxable wages prescribed by the Federal Insurance Contributions Act, 26 U.S.C. §§ 3101-3125, exclusive of that portion of such tax attributable to coverage for disability and medical benefits.

Section 304. Member Contributions for the Purchase of Credit for Previous State Service or for Full Coverage.--

(a) The contributions to be paid by an active member for credit for total previous State service or for full coverage shall be sufficient to provide an amount equal to the regular accumulated deductions which would have been standing to the credit of the member for such service had he made regular member contributions with full coverage in the class of service and at the rate of contribution applicable during such period of previous service and had his regular accumulated deductions been credited with statutory interest during all periods of subsequent State service up to the date of purchase.

(b) Upon election to purchase his total previous State service, the additional contributions to be paid by an active member for reinstatement of creditable previous social security integration credit shall be sufficient to provide an amount equal to the social security integration accumulated deductions which had been standing to his credit at the termination of his service and credited with statutory interest during all periods of subsequent State service up to the date of purchase.

(c) The amount payable shall be certified in each case by the Board as determined by the actuary and may be paid in a lump sum or amortized with statutory interest through salary deductions in amounts agreed upon by the member and the Board.

COMMENT: This section requires that a member purchase credit for his previous State service from the date of original eligibility and conforms with policy change 13.

Section 305. Contributions for the Purchase of Credit for Creditable Non-State Service.--(a) The total contributions to be paid for creditable non-State service of an active member shall be paid either by the member, the member's previous employer, or by some agreed upon combination of the member, his previous employer, and, if specifically provided, the Commonwealth.

(b) The amount due for the purchase of credit for creditable non-State service other than intervening military service shall be determined by applying the member's basic contribution rate plus the Commonwealth normal contribution rate for active members at the time of entry of the member into State service to his average annual rate of compensation over the first five years of subsequent State service and multiplying the result by the number of years and fractional part thereof of creditable non-State service credit being purchased together with statutory interest from the date of entry into State service to date of purchase. Payment for such amount may be made in a lump sum upon application for credit for such service or it may be amortized with statutory interest through salary deductions in amounts agreed upon by the member and the Board. Application may be filed for all such creditable non-State service upon completion of five years of subsequent State service and shall be credited as Class A service.

(c) Contributions on account of credit for intervening military service shall be determined by the member's regular contribution rate and compensation at the time of entry of the member into active military service. Upon application for such credit the amount due shall be certified by the Board as determined by the actuary in the case of each member, and contributions may be made by:

(1) Regular monthly payments during active military service, or

(2) Actuarially equivalent payments either:

(i) in a lump sum, or

(ii) amortized with statutory interest through salary deductions in amounts agreed upon by the member and the Board.

COMMENT: This section conforms with policy change 13.

Section 306. Incomplete Payments.--In the event that a member terminates State service before the agreed upon payments for previous State service, creditable non-State service, social security integration, or full coverage credit have been completed, or before any other amount due the Fund has been paid, the member shall have the right to pay within 30 days of termination of State service the balance due, including interest, in a lump sum and the annuity shall be calculated including full credit for the

previous State service, creditable non-State service, social security integration, or full coverage credit. In the event a member does not pay the balance due within 30 days of termination of State service or in the event a member dies in State service or within 30 days of termination of State service and before the agreed upon payments have been completed, the present value of the benefit otherwise payable shall be reduced by the balance due, including interest, and the benefit payable shall be calculated as the actuarial equivalent of such reduced present value.

COMMENT: This section conforms with policy change 14.

Section 307. Contributions by the Commonwealth and Other Employers.--(a) The Commonwealth and other employers whose employes are members of the System shall make contributions to the Fund on behalf of all active members in such amounts as shall be certified by the Board as necessary to provide, together with the members' total accumulated deductions, annuity reserves on account of prospective annuities as provided in Article IV, other than those provided in section 408, in accordance with the actuarial cost method provided in section 308(a), (b), (c) and (d).

(b) The Commonwealth shall make contributions on behalf of all superannuation and disability annuitants in such amounts as shall be certified by the Board as necessary to fund the liabilities for supplemental annuities as provided in section 408 in accordance with the actuarial cost method provided in section 308(e).

COMMENT: This section omits much of the detail in the 1959 Code for purposes of consolidation and simplification.

Section 308. Actuarial Cost Method.--(a) The amount of the Commonwealth and other employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the Board. The total employer contribution rate on behalf of all active members shall consist of the employer normal contribution rate and the accrued liability contribution rate.

(b) The employer normal contribution rate shall be determined after each actuarial valuation. Until all accrued liability contributions have been completed, the employer normal contribution rate shall be determined, on the basis of statutory interest and such mortality and other tables as shall be adopted by the Board, as a level percentage of the compensation of the average new active member, which percentage, if contributed on the basis of his prospective compensation through his entire period of active State service, would be sufficient to fund the liability for any prospective benefit payable to him, except a supplemental benefit as provided in section 408, in excess of

that portion funded by his prospective member contributions. After all accrued liability contributions have been completed, the employer normal contribution rate shall be determined by deducting from the present value of the liabilities for all prospective benefits, except supplemental benefits as provided in section 408, the sum of the total assets in the Fund on the valuation date, excluding the balance in the supplemental annuity account, and the present value of prospective member contributions, and dividing the remainder by the present value of the future compensation of all active members.

(c) For the fiscal year beginning July 1, 1969, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of 30 years from such date the present value of the liabilities for all prospective benefits, except supplemental benefits as provided in section 408, in excess of the total assets in the Fund, excluding the balance in the supplemental annuity account, and the present value of employer normal contributions and of member contributions payable with respect to all active members on such date during the remainder of their active service, assuming that the total compensation of all active members will increase at the annual rate of four percent compounded annually. Thereafter, the amount of each annual accrued liability contribution shall be at least

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four percent greater than the amount of such contribution for the previous fiscal year, except that, if the accrued liability is increased by legislation enacted subsequent to July 1, 1969, such additional liability shall be funded over a period of 30 years from the July 1, coincident with or next following the effective date of the increase assuming that the total compensation of all active members will increase at the annual rate of four percent compounded annually. The accrued liability contributions under this section shall be discontinued as soon as the total assets in the Fund, excluding the balance in the supplemental annuity account, equals the present value of the liability for all prospective benefits, except the supplemental benefits as provided in section 408, less the present value of the prospective employer normal contributions and of member contributions payable with respect to all active members on such date during the remainder of their active service.

(d) In calculating the contributions required by section 308(a), (b) and (c), the active members of Class C shall be considered to be members of Class A. In addition, the actuary shall determine the Commonwealth or other employer contributions required for active members of Class C to finance their benefits in excess of those to which they would have been entitled as members of Class A. Such additional contributions shall be determined separately for officers and employes of the Pennsylvania

State Police and for enforcement officers and investigators of the Pennsylvania Liquor Control Board. Such contributions payable on behalf of officers and employes of the Pennsylvania State Police shall include the amounts received by the System under the provisions of the act of May 12, 1943, P. L. 259, and on behalf of enforcement officers or investigators of the Pennsylvania Liquor Control Board, the amounts received by the System under the provisions of the "Liquor Control Act" of April 12, 1951, P. L. 90.

(e) Contributions from the Commonwealth required to provide for the payment of supplemental annuities to disability and superannuation annuitants as provided in section 408 shall be determined as a percentage of the total compensation of all active members during the period for which the amount is certified as sufficient to fund the liabilities of the supplemental annuity account as of July 1, 1969, as a level percentage over a period of 20 years from such date. In the event that supplemental annuities are increased by legislation enacted subsequent to July 1, 1969, the additional liability for the increase in benefits shall be funded as a level percentage over a period of 20 years from the July 1, coincident with or next following the effective date of such legislation.

COMMENT: Provision is made for new funding periods subsequent to July 1, 1969, when the accrued liability is increased by legislation subsequent to that date.

Section 309. Appropriations and Assessments by the Commonwealth.--(a) The Board shall prepare and submit annually an itemized budget consisting of the amounts necessary to be appropriated by the Commonwealth out of the General Fund and special operating funds and the amounts to be assessed the other employers required to meet the obligations accruing during the fiscal period beginning July 1 of the following year.

(b) The General Assembly shall make an appropriation sufficient to provide for the obligations of the Commonwealth. Such amount shall be paid by the State Treasurer through the Department of Revenue into the Fund in accordance with requisitions presented by the Board. The contributions by the Commonwealth on behalf of active members of Class C who are officers and employes of the Pennsylvania State Police shall be charged to the General Fund and to the Motor License Fund in the same ratios as used to apportion the appropriations for salaries of members of the Pennsylvania State Police. The contributions by the Commonwealth on behalf of active members of Class C who are enforcement officers and investigators of the Pennsylvania Liquor Control Board shall be charged to the General Fund and to the State Stores Fund.

(c) The amounts assessed other employers who are required to make the necessary contributions out of funds other than the General Fund shall be paid by such employers into the Fund in accordance with requisitions presented by the Board. 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 benefits to employes of such other employers. In case any such other employer shall fail to provide the moneys necessary for such purpose, then the service of such members for such period for which money is not so provided shall be credited and payroll deductions shall continue from such contributors to be credited to the members' savings account. The present value of the standard single life annuity of each such member shall be reduced by the amount of employer contributions payable on account and attributable to his compensation during such service.

ARTICLE IV

BENEFITS

Section 401. Termination of Service.--Any member upon termination of service may, in lieu of all benefits payable under Article IV to which he may be entitled, elect to receive his total accumulated deductions.

Section 402. Maximum Single Life Annuity.--(a) Upon termination of service, any full coverage member who is eligible to receive an annuity and has made an application in accordance with the provisions of section 505(h) shall be entitled to receive an annuity equal to the sum of the following single life annuities beginning at the effective date of retirement:

(1) A standard single life annuity multiplied by the sum of the products, determined separately for each class of service, obtained by multiplying the appropriate class of service multiplier by the ratio of years of service in that class to the total credited service. In case the member on the effective date of retirement is under superannuation age for any service, a reduction factor calculated to provide benefits actuarially equivalent to an annuity starting at superannuation age shall be applied to the product determined for that service. For any

period of concurrent service the class of service multiplier shall be prorated by the proportionate compensation in each class during the total period of concurrent service.

COMMENT: This subsection consolidates the Code by eliminating the repeated descriptions of benefits under different classes of service.

(2) If eligible, a single life annuity of two percent of his average noncovered salary for each year of social security integration credit as provided for in section 205 multiplied, if the member is under superannuation age for any service, by the actuarially determined reduction factor for that portion of service.

COMMENT: The calculation of the social security integration benefit has been modified to parallel that of the standard single life annuity.

(3) If eligible, a single life annuity which is actuarially equivalent to the regular accumulated deductions attributable to contributions as a member of Class C, but not less than such annuity determined as if the member were age 60 on the effective date of retirement.

(4) If eligible, a single life annuity which is actuarially equivalent to the amount by which his regular accumulated deductions attributable to any credited service other than as a member of Class C are greater than one-half of the actuarially equivalent value on the effective date of retirement of the

annuity as provided in section 402(a)(1) attributable to service other than Class C for which regular or joint coverage member contributions were made.

(5) If eligible, a single life annuity which is actuarially equivalent to the amount by which his social security integration accumulated deductions are greater than one-half of the actuarially equivalent value on the effective date of retirement of the annuity provided for under section 402(a)(2).

(6) If eligible, a single life annuity sufficient together with the annuity provided for in section 402(a)(1) as a Class A member and the highest annuity provided for in section 402(a)(2) to which he is entitled, or at his option could have been entitled, to produce that percentage of a standard single life annuity on the effective date of retirement as determined by his total years of credited service as a member of Class A and by the following table:

Total Years of Credited Service as a Member of Class A	Percentage of Standard Single Life Annuity
35-40	100%
41	102
42	104
43	106
44	108
45 or more	110

(b) Any annuity calculated and payable in accordance with this section shall be subject to the provisions of section 306.

(c) The annuity calculated in section 402(a)(1) payable to a member on account of Class D-3 service, after election of an option as provided in section 405, shall not exceed \$12,000 per year, except in the case of any member who has served as a constitutional officer of the General Assembly.

Section 403. Reduction of Annuities on Account of Social Security Old-Age Insurance Benefits.--(a) In the case of a joint coverage member, the annuity provided for in section 402 shall be reduced at the time at which the member would be entitled to receive full social security old-age insurance benefits whether or not he has applied for such benefits. The reduction shall be an amount equal to 40 percent of the primary insurance amount paid or payable to him and subject to the following provisions:

(1) The eligibility of such member for the old-age insurance benefit and the amount of such benefit upon which the reduction in his annuity shall be based shall be determined by the Board in accordance with the provisions of the Federal Social Security Act, 42 U.S.C. §§ 301 et seq., in effect on the effective date of retirement, except that in determining such eligibility and such amount only wages or compensation for services covered by the System shall be included.

(2) The reduction shall not be more than one-half of the standard single life annuity multiplied by the ratio of the sum of the five years of highest covered wages to an amount equal to five times the final average salary and by the ratio of the years of credited service after December 31, 1955 to total years of credited service.

(3) Whenever the amount of the reduction from the annuity shall have been once determined, it shall remain fixed for the duration of the annuity except that any decrease in the old-age insurance benefit under the Federal Social Security Act, 42 U.S.C. §§ 301 et seq., shall result in a corresponding decrease in the amount of the reduction from the annuity.

(b) The reduction provided for in section 403(a) shall not apply to annuities payable under the provisions of section 404(a).

COMMENT: This section consolidates the limitations set forth in the current law regarding the reduction in benefits for joint coverage members.

Section 404. Disability Annuities.--(a) A member who has made application for a disability annuity as provided in

section 505(h) and has been found to be eligible in accordance with the provisions of section 502(o)(1) shall receive a disability annuity payable from the effective date of disability as determined by the Board and continued until a subsequent determination by the Board that the annuitant is no longer entitled to a disability annuity. The disability annuity shall be equal to a standard single life annuity multiplied by the class of service multiplier if the product of the class of service multiplier and the total number of years of credited service is greater than 16.667, otherwise the standard single life annuity shall be multiplied by the lesser of the following ratios:

$$\frac{MY_s}{Y} \text{ or } \frac{16.667}{Y}$$

where Y = number of years of credited service, Y_s = total years of credited service if the member were to continue as a State employe until attaining superannuation age, and M = the class of service multiplier.

COMMENT: This subsection is a technical simplification of the calculation of disability benefits. The calculation includes the portion formerly denominated as a "disability supplement."

(b) If the member has been found to be eligible for a disability annuity and has social security integration credits as provided in section 205, he may elect to withdraw his social

security integration accumulated deductions or if he has ten or more eligibility points to his credit and does not withdraw his social security integration accumulated deductions he may execute an application to be filed with the Board to receive, in addition to his disability annuity, an annuity calculated in accordance with section 402(a)(2).

(c) Payments on account of disability shall be reduced by that amount by which the earned income of the annuitant, as reported in accordance with section 506(b) for the preceding calendar quarter together with the disability annuity payments, excluding payments under section 404(b), for the quarter, exceeds the greater of \$1,250 or one-quarter of the last year's salary of the annuitant as a State employe, provided that the annuitant shall not receive less than the amount to which he may be entitled under section 402.

(d) Payment of that portion of the disability annuity in excess of the annuity to which the annuitant was entitled at the effective date of disability calculated in accordance with section 402 shall cease if the annuitant is no longer eligible under the provisions of section 502(o)(2) or 506(b) or (c).

(e) Upon termination of disability annuity payments in excess of an annuity calculated in accordance with section 402, a disability annuitant who does not return to State service may file an application with the Board for an amount equal to the excess, if any, of the regular accumulated deductions standing

to his credit at the effective date of disability over one-third of the total disability annuity payments received. If the annuitant is eligible for an annuity as provided in section 208(b), he may file an application with the Board for such annuity as calculated in accordance with section 402.

COMMENT: Under current law the member receives the excess of his accumulated deductions over all disability payments. The liberalization provided in this subsection gives recognition to the fact that only a portion of the disability payments is funded by the member's contributions.

Section 405. Member's Options.--(a) Any vestee or any other eligible member upon termination of State service who has not withdrawn his total accumulated deductions as provided in section 401 may apply for and elect to receive either a maximum single life annuity, as calculated in accordance with the provisions of section 402, or a reduced annuity certified by the actuary to be actuarially equivalent to the maximum single life annuity and in accordance with one of the following options:

(1) Option 1. A life annuity to the member with a guaranteed total payment equal to the present value of the maximum single life annuity on the effective date of retirement with the provision that, if, at his death, he has received less than such present value, the unpaid balance shall be payable to his beneficiary.

COMMENT: This subsection provides for an orderly transition of Board members in conformance with policy change 1.

(c) Each member of the 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 Board and that he will not knowingly violate or wilfully permit to be violated any of the provisions of law applicable to this Code. Such oath shall be subscribed by the member taking 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.

(d) The members of the Board who are State employees shall serve without compensation but shall not suffer loss of salary or wages through serving on the Board. The members of the Board who are not State employees shall receive \$100 per day when attending meetings and all Board members shall be reimbursed for any necessary expenses. However, when the duties of the Board as mandated are not executed, all compensation and reimbursement for expenses of Board members shall not be paid or payable during the period in which such duties are not executed.

COMMENT: This subsection provides for remuneration of Board members who are not State employees. Currently Board members receive only their expenses. The withholding of remuneration and expenses is added as a performance incentive.

(e) The Board shall, through the Governor, submit to the General Assembly annually a budget covering the administrative expenses of this Code. Such expenses as approved by the

General Assembly in an appropriation bill shall be paid from interest earnings of the Fund in excess of statutory interest, except that if in any year such earnings are not sufficient the balance required after assessments payable from any other employer whose employes are members of the System shall be appropriated from the General Fund and the special operating funds.

COMMENT: This subsection conforms with policy changes 2 and 19.

(f) The Board shall hold at least six regular meetings annually and such other meetings as it may deem necessary.

COMMENT: Existing law is silent as to the number of regular meetings.

(g) The Secretary, clerical, and other employes of the Board whose positions on the effective date of this act are under the classified service provisions of the "Civil Service Act" of August 5, 1941, P. L. 752, shall continue under such provisions. The compensation of all other persons appointed shall be determined by the Board and shall be consistent with the standards established by the Executive Board of this Commonwealth.

COMMENT: This subsection was added to clarify the status of employes of the Board on the effective date of this act.

(h) The Board shall contract for the services of a chief medical examiner, an actuary, an investment counselor, and such other professional personnel as it deems advisable.

(i) For the purposes of this Code, the Board shall possess the power and privileges of a corporation. The Attorney General of the Commonwealth shall be the legal advisor of the Board.

Section 502. Duties of the Board.--(a) The Board shall, with the advice of the Attorney General and the actuary, adopt and promulgate rules and regulations for the uniform administration of the System. The actuary shall approve in writing all computational procedures used in the calculation of contributions and benefits prior to their application by the Board.

(b) The Board shall, with the advice of the Attorney General and the actuary, prepare and provide, within 90 days of the effective date of this act, a manual incorporating rules and regulations consistent with the provisions of this Code to the heads of departments and their respective retirement counselors who shall make the information contained therein

available to the general membership. The Board shall further advise the heads of departments within 90 days of any changes in such rules and regulations due to changes in the law or due to changes in administrative policies.

(c) The Board shall keep in convenient form such data as is stipulated by the actuary in order that an annual actuarial valuation of the various accounts can be completed within six months of the close of each fiscal year.

(d) The Board shall have the actuary make an annual valuation of the various accounts within six months of the close of each fiscal year. In the year 1975 and in every fifth year thereafter the Board shall have the actuary conduct an actuarial investigation and evaluation of the System based on data including the mortality, service, and compensation experience provided by the Board annually during the preceding five years concerning the members and beneficiaries. The Board shall adopt such tables as are necessary for the actuarial evaluation of the Fund and calculation of contributions, annuities and benefits based on the reports and recommendations of the actuary.

(e) The Board shall, each year in addition to the itemized budget required under section 309, certify the employer's contribution rates for the funding of prospective annuities for

active members expressed as the percentage of the members' payroll represented by this amount. The certification shall include the rates and amounts of employer normal contributions and accrued liability contributions to be appropriated to the various accounts of the Fund. These certifications shall be regarded as final and not subject to modification by the Budget Secretary.

(f) The Board shall prepare and have published, on or before December 31 of each year, a financial statement as of the fiscal year ending June 30 of that year showing the condition of the Fund and the various accounts and setting forth such other facts, recommendations, and data as may be of use in the advancement of knowledge concerning annuities and other benefits provided by this Code. The Board shall submit said financial statement to the Governor and shall file copies with the head of each department for the use of the State employees and the public.

(g) As soon as practicable after each member shall have joined the System, the Board shall issue to him a certified statement as to his class of service, his member contribution rate, and the aggregate length of total previous State service and creditable non-State service for which he may receive credit in accordance with sections 203, 204 and 205.

(h) The Board shall furnish annually to the head of each department on or before April 1, a statement for each member employed in such department showing the total accumulated deductions standing to his credit as of December 31 of the previous year. In addition, the Board shall certify the number of years and fractional part thereof of credited service attributable to each class of service, the number of years and fractional part thereof attributable to social security integration credits in each class of service and, in the case of a member eligible to receive an annuity, the benefit to which he would become entitled upon the attainment of superannuation age assuming constant current compensation and class of service for each member employed in the department and for whom the department, through the retirement counselor, has furnished such service information.

COMMENT: Subsections (a) through (h) conform with policy change 3.

(i) Upon receipt of notification from the Public School Employees' Retirement Board that a former State employe has become a contributor in the Public School Employees' Retirement System and has elected to become a member with multiple service status the Board shall:

(1) Discontinue payments, transfer the present value, at that time, of the member's annuity from the annuity reserve account to the members' savings account and resume crediting of

statutory interest on the amount restored to his credit and transfer the balance of the present value of the total annuity from the annuity reserve account to the State accumulation account, provided that the former State employe is receiving an annuity from the System, or

(2) Continue the crediting of statutory interest on his accumulated deductions during the period his accumulated deductions remain in the Fund, provided that the former State employe is not receiving an annuity from the System and his accumulated deductions were not withdrawn, or

(3) Certify the amount withdrawn together with statutory interest for all periods of subsequent State and school service to the date of repayment, provided that the former State employe is not receiving an annuity from the System and his total accumulated deductions were withdrawn. Such amount shall be restored by him and shall be credited with statutory interest as such payments are restored.

(j) Upon election for multiple service by a former State employe who has become a contributor in the Public School Employes' Retirement System, the Board shall certify to the Public School Employes' Retirement Board and concurrently to the member:

(1) The total credited service in the System and the number of years and fractional part thereof of service attributable to each class of service;

(2) The annual compensation received by the member as a State employe during the five highest paid nonoverlapping periods of 12 consecutive months as an active member; and

(3) The social security integration credited service to which the member is entitled and the average noncovered salary upon which the single life annuity attributable to such service will be computed.

COMMENT: This subsection conforms with policy change 3.

(k) Upon receipt of an application for membership in the System of a State employe who is in receipt of an annuity from the Public School Employes' Retirement System and who has elected multiple service membership, the Board shall advise the Public School Employes' Retirement Board accordingly.

(1) Upon receipt of notification from the Public School Employes' Retirement Board that a former State employe who elected multiple service has applied for a benefit according to section 406(1) and (2) of the Public School Employes' Retirement Code or, in the event of his death, his legally constituted representative has applied for a benefit, the Board shall:

(1) Certify to the Public School Employees' Retirement Board:

(i) the total credited service in the System and the number of years and fractional part thereof attributable to each class of service,

(ii) the annual compensation received by the member as a State employe during the five highest paid nonoverlapping periods of 12 consecutive months of service as an active member, and

(iii) the single life annuity as provided in section 402(a)(2) to which the member may be entitled; and

(2) Transfer to the Public School Employees' Retirement Fund the total accumulated deductions standing to such member's credit and the actuarial reserve required on account of years of credited service, final average salary and the average noncovered salary as an active member in the System to be charged to the State accumulation account, the State Police benefit account or the enforcement officers' benefit account, as each case may require.

(m) Upon receipt of an application from an active member to purchase credit for previous State or creditable non-State service, or of a notice of election of a member

of Class A to become a member of another class for service in which he is eligible to receive credit, or an election to become a full coverage member, the Board shall determine and certify to the member the amount required to be paid by the member and certify, if necessary, to the proper employer the amount which would have been paid together with statutory interest into the State accumulation account had such employe been an active member in the System during said period and in the class of service for which credit is requested.

(n) Upon receipt of an application of a member of Class A who is eligible and elects to become a member of either Class D-3 or Class E-1 or a joint coverage member who elects to become a full coverage member, the Board shall certify to the member the effective date of such transfer and the prospective rate for regular member contributions.

(o) In every case where the Board has received an application for a disability annuity based upon physical or mental incapacity for the performance of the job for which the member is employed, the Board shall:

(1) Through the chief medical examiner, have the applicant examined and on the basis of said examination, and the subsequent recommendation by the chief medical examiner regarding the applicant's eligibility for a disability annuity

along with such other recommendations which he may make with respect to the permanency of disability or the need for subsequent reexaminations, make a finding of disability or non-disability and in the case of disability establish an effective date of disability and the terms and conditions regarding subsequent reexaminations.

COMMENT: This subsection deletes the unnecessary requirement that a disability annuitant have a medical examination every six months.

(2) Upon the recommendation of the chief medical examiner on the basis of subsequent medical examinations, make a finding of disability or nondisability, and in the case of a finding of nondisability establish the date of termination of disability and at that time discontinue any annuity payments in excess of an annuity calculated in accordance with section 402.

(3) Upon receipt of a written statement from a disability annuitant of his earned income of the previous quarter, adjust the payments of the disability annuity for the following quarter in accordance with the provisions of section 404(c).

(p) Upon receipt of an application to withdraw his total accumulated deductions executed by a member who is terminating State service, the Board shall pay to such member

within 60 days after filing or termination of State service whichever is later the total accumulated deductions standing to his credit.

(q) Upon receipt of an application to vest his retirement rights executed by an eligible member who is terminating State service, the Board shall certify within one year after termination of State service to such member the total accumulated deductions standing to his credit at the date of termination of service, and shall also certify the number of years and fractional part thereof of credit in each class of service and the single life annuity to which the vestee shall become entitled upon the attainment of superannuation age and the filing of an application for such annuity.

(r) Upon receipt of an application for an annuity executed by a member who is terminating State service and is eligible for an annuity, the Board shall make the first monthly payment within 60 days after filing or termination of State service, whichever is later, and concurrently certify to such member:

(1) The total accumulated deductions standing to his credit showing separately the amounts contributed and the interest credited to the date of termination of service;

(2) The number of years and fractional part thereof in each class of service;

(3) The final average salary on which his annuity is based as well as any applicable reduction factors due to age and/or election of option, and

(4) The total annuity payable under the option elected and the amount and effective date of any future reduction under section 403.

COMMENT: Subsections (p) through (r) are new and mandate time limitations within which the Board must act under penalty of section 501(d).

(s) Upon receipt of notification from the head of a department of the death of an active member or a member on leave without pay, the Board shall notify the designated beneficiary of the benefits to which he is entitled.

(t) Upon receipt, according to the provisions of section 505(j), of the election by an eligible member prior to termination of service to convert his medical, major medical, and hospitalization insurance coverage to the plan for State annuitants, the Board shall notify the insurance carrier of

such election and shall deduct the appropriate annual charges in equal monthly installments. Such deductions shall be transmitted to the designated fiscal officer of the Commonwealth having jurisdiction over the payment of such group charges on behalf of the annuitant.

(u) Upon receipt of notification from a joint coverage annuitant who retired prior to July 1, 1962, that he has elected to receive his annuity without reduction attributable to social security coverage, the Board shall certify in writing to such annuitant within 60 days of such notification in accordance with the provisions of section 304 the amount required to be paid within 60 days. Upon receipt of a lump sum payment in the amount certified to such annuitant, the Board shall recompute the annuity payable to such annuitant and the annuity and/or lump sum, if any, payable upon his death to his beneficiary as though he had been a full coverage member on the effective date of retirement. Such recomputed annuity shall be paid beginning with the second monthly payment next following the month in which the lump sum payment is received.

(v) The Board shall keep a record of all its proceedings which shall be open to inspection by the public.

(w) The Board shall perform such other functions as are required for the execution of the provisions of this Code.

(x) In the event the head of the department fails to comply with the procedures as mandated in section 503, the Board shall perform such duties and bill the department for the cost of same.

COMMENT: Section 502 includes new provisions relating to both assignment of responsibilities and time limitations within which the Board shall act. Subsection (x) has been added to facilitate the Board's acquisition of information necessary for the expeditious performance of its duties.

Section 503. Duties of Heads of Departments.--(a)
Upon the assumption of duties of each new State employe whose membership in the System is mandatory, the head of his department shall cause an application for membership and a nomination of beneficiary to be made by such employe and filed with the Board and shall make payroll deductions from the effective date of State employment. The head of the department shall inform such employe of his right to elect to make additional contributions on account of social security integration credit.

(b) The head of department shall, upon the employment or entering into office of any State employe whose membership in the System is not mandatory, inform such employe

of his opportunity to become a member of the System and of his right to elect to make additional contributions on account of social security integration credit. If such employe so elects, the head of his department shall cause an application for membership and a nomination of beneficiary to be made by him and filed with the Board and shall make payroll deductions from the effective date of membership.

(c) The head of department shall, at the end of each pay period, notify the Board of the date of all removals from the payroll and the salary changes effective during that period for any members of the department.

(d) The head of department shall, at the end of each pay period, notify the Board as to the type of leave of any members of the department who have been removed from the payroll for any time during that period, and:

(1) If the removal is due to leave without pay, the head of the department shall furnish the Board with the date of beginning leave and the date of return to service, and the reason for leave, or

(2) If the removal is due to a transfer to another department, the head of the department shall furnish such department and the Board with a complete State service record, including past State service in other departments or agencies, or creditable non-State service, or

(3) If the removal is due to termination of State service, the head of the department shall furnish the Board with a complete State service record including past State service in other departments or agencies or creditable non-State service.

(e) At the direction of the Board, the head of department shall furnish service and compensation records as well as other information requested by the Board and shall maintain and preserve such records as the Board may require for the expeditious discharge of its duties.

(f) The head of department shall cause to be deducted the required member contributions from each payroll. The head of department shall certify to the State Treasurer the amounts so deducted and shall send a duplicate of such voucher to the Secretary of the Board every pay period.

(g) Annually, upon receipt from the Board, the head of department shall furnish to each member a statement of the total accumulated deductions standing to his credit, as of December 31 of the previous year, the number of years and fractional part thereof of credited service attributable to each class of service, the number of years and fractional part thereof of social security integration credits in each class of

service and, in the case of members eligible to receive an annuity, the benefit to which he would become entitled upon the attainment of superannuation age assuming constant current compensation and class of service.

(h) The head of department shall designate an employe of his department to serve as a retirement counselor subject to approval by the Board. Such retirement counselor shall advise the employes of the department of their rights and duties as members of the System.

COMMENT: This subsection conforms with policy change 4. Retirement counseling is a current administrative practice.

(i) The head of department shall, upon the employment of a former contributor to the Public School Employees' Retirement System who is not an annuitant of the Public School Employees' Retirement System, advise such employe of his right to elect to become a multiple service member, and in the case of any such employe who has withdrawn his accumulated deductions, advise him of his right at any time prior to termination of service as a State employe to reinstate his credit in the Public School Employees' Retirement System by restoring his accumulated deductions. The head of the department shall advise the Board of such election.

(j) The head of department shall, upon the employment of an annuitant of the Public School Employees' Retirement System who applies for membership in the System, advise such employe that during his membership in the System his public school employe's annuity will be discontinued if he elects multiple service membership and, upon termination of State service and application for retirement, the annuity will be recomputed and paid on the basis of his total school and State service. The head of department shall advise the Board of such election.

(k) The head of department shall, in the case of any member terminating State service, advise such member in writing of any benefits to which he may be entitled under the provisions of this Code and shall have the member prepare, on or before the date of termination of State service, a proper application for benefits, immediate or vested, to which the member may be entitled, a copy of which shall be given to the member and the original of which shall be filed with the Board. In any case in which a member does not elect or is not entitled to receive a benefit under this Code, the head of department shall have executed by such member an application for return of his total accumulated deductions. Any application properly executed and filed under this subsection with the department and not filed with the Board shall be deemed to have been filed with the Board on the date filed with the department.

(1) The head of department shall advise in writing each joint coverage member who is terminating State service of his right to make an election to become a full coverage member regardless of any prior election.

(m) The head of department shall advise in writing each member who is terminating State service and applies for an immediate annuity of his right to convert his medical, major medical, and hospitalization insurance coverage to the plan for State annuitants.

COMMENT: Section 503 mandates the duties of the heads of the departments in order to provide both the Board and the member with pertinent information and conforms with policy change 4.

Section 504. Duties of State Treasurer.--The State Treasurer, on receipt from the heads of the departments of the vouchers for required member contributions provided for in section 503(f), shall pay the total of the amounts so deducted to the Board and the Board shall pay such amounts into the Fund. The Secretary of the Board shall cause each of such amounts so deducted to be credited to the individual account of the member from whose compensation the deduction was made.

Section 505. Rights and Duties of State Employees and Members.--(a) Upon his assumption of duties each new State employe shall furnish the head of department with a complete

record of his previous State service, his school service or creditable non-State service, and proof of his date of birth and current status in the System and in the Public School Employees' Retirement System. Wilful failure to provide the information required by this subsection to the extent available upon entrance into the System shall result in the forfeiture of the right of the member to subsequently assert any right to benefits based on any of the required information which he failed to provide. In any case in which the Board finds that a member is receiving an annuity based on false information, the amounts received predicated on such false information shall be deducted from the present value of any remaining benefits to which the member is legally entitled together with statutory interest doubled and compounded.

(b) If membership is mandatory in the System and if the new employe is not currently a member of the System, he shall execute an application for membership and a nomination of beneficiary and shall make the proper contributions.

(c) If membership in the System is not mandatory but if the new employe is eligible and desires to become a member of the System, he shall execute an application for membership and a nomination of beneficiary and shall make the proper contributions.

(d) Every member shall nominate a beneficiary by written designation duly acknowledged and filed with the Board, as provided in section 503(a) or (b) to receive the death benefits payable under section 407 or under the provisions of Option 1 of section 405(a)(1). Such nomination may be changed by the member by written designation duly acknowledged and filed with the Board. A member may also nominate a contingent beneficiary or beneficiaries to receive death benefits provided under section 407 or under the provisions of Option 1 of section 405(a)(1). In the event that the beneficiary and/or contingent beneficiary predeceases the member, the member may nominate a successor beneficiary.

(e) Any active member who desires to receive credit for any previous State service or creditable non-State service to which he is entitled, or a member of Class A who desires to become a member of another class of service in which he is eligible to receive credit, shall so notify the head of his department and, upon agreement by the member and the Board as to the manner of payment of the amount due, the member shall receive credit for such service.

(f) Each member who terminates State service shall execute in accordance with the provisions under section 503(k) a written application, duly attested by the member or his legally constituted representative, electing to:

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- (1) Withdraw his total accumulated deductions, or
- (2) Vest his retirement rights, or
- (3) Receive an annuity.

(g) If a member elects to vest his retirement rights, he may:

(1) Anytime thereafter, withdraw the total accumulated deductions standing to his credit, or

(2) Apply for a reduced annuity, or

(3) If he has not withdrawn his accumulated deductions or applied for a reduced annuity, it shall be his duty to execute and file an application for an annuity upon attaining superannuation age. Any such application filed within 90 days after attaining superannuation age shall be effective as of the date of attainment of superannuation age. An application filed later than 90 days after attaining superannuation age shall be effective as of the date it is filed with the Board. If such vestee does not file an application within seven years after attaining superannuation age, he shall be deemed to have elected to receive his total accumulated deductions with statutory interest to date of attainment of superannuation age.

COMMENT: Section 10 of the "Disposition of Abandoned and Unclaimed Property Act" of August 9, 1971, (Act No. 74) provides for payment over to the Secretary of Revenue of these funds after seven years.

(h) If a member is eligible and elects to receive an annuity, he shall, on or before the date of termination of service, execute a proper application in the form provided by the Board. If such member does not file a proper application within 90 days of termination of service, his annuity will become effective as of the date the application is filed with the Board or the date designated on the application whichever is later. A member who, under the provisions of section 405, elects to receive some form of a joint and survivor annuity under either Option 2, Option 3, or Option 4, shall nominate a survivor annuitant by written designation duly acknowledged and filed with the Board at the time of his retirement. A member having designated a joint annuitant at time of retirement shall not be permitted to nominate a new joint annuitant unless such joint annuitant predeceases him. In such event, the annuitant shall have the right to nominate a new joint annuitant by written designation duly acknowledged and filed with the Board and to have his annuity recomputed under Options 2, 3 or 4 of section 405 to be actuarially equivalent as of the date of recomputation to a single life annuity in the amount of the reduced annuity which he was receiving immediately prior to the recomputation. If service of a member is terminated due to his physical or mental incapacity for the performance of duty, an application for a disability annuity shall be executed by him or by a person duly authorized to act in his behalf.

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(i) Any joint coverage member, during active service or when applying for an annuity, may elect to become a full coverage member provided that:

(1) In the case of an active member, he shall file such election with the Board and shall agree to make contributions for the purchase of full coverage credit as provided in section 304;

(2) In the case of an applicant for an annuity, he shall file with such application a request for certification of the lump sum payment required according to the provisions of section 304. Such lump sum payment shall be made within 30 days of certification by the Board.

(j) An eligible member, prior to termination of State service, may elect to convert his medical, major medical, and hospitalization insurance coverage to the plan in effect for annuitants at the time of his retirement. At the time of filing an application for an annuity under section 505(h), he shall indicate this election in accordance with such terms as may be prescribed by the Board.

(k) Any member who desires to obtain social security integration credit and receive a single life annuity as provided in section 402(a)(2), shall so elect by written notice

filed with the Board and shall agree in such notice to make additional contributions as specified in section 302 during all prospective periods of active State service.

COMMENT: Section 505 has been expanded to give statutory recognition to current administrative policy.

Section 506. Rights and Duties of Annuitants.--(a)

Any annuitant who is a joint coverage member who was receiving an annuity prior to July 1, 1962, and whose annuity is subject to the reduction provided for in section 403, may elect to receive his annuity without such reduction provided that he shall file with the Board a request for certification of the payment required according to the provisions of section 304 and shall make a lump sum payment of such amount within 60 days of receipt of such certification.

(b) It shall be the duty of an annuitant receiving a disability annuity while still under superannuation age to furnish a written statement within 30 days of the close of each calendar quarter of all earned income during that quarter 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 Board. On failure, neglect, or refusal to furnish such information for the period of the preceding quarter, the Board may refuse to make further payments due to disability

to such annuitant until he has furnished such information to the satisfaction of the Board. Should such refusal continue for six months, all of his rights in or to the disability annuity payments in excess of an annuity calculated in accordance with section 402 shall be forfeited.

(c) Should any annuitant receiving a disability annuity while still under superannuation age refuse to submit to a medical examination by a physician or physicians at the request of the Board, his payments due to disability shall be discontinued until the withdrawal of such refusal. Should such refusal continue for a period of six months, all of his rights in and to the disability annuity payments in excess of an annuity calculated in accordance with section 402 shall be forfeited.

ARTICLE VI

STATE EMPLOYEES' RETIREMENT FUND AND
ACCOUNTSSection 601. Management of Fund and Accounts.--(a)

The members of the Board shall be the trustees of the Fund 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 Code upon the making of investments. Subject to like terms, conditions, limitations and restrictions, said trustees shall have the 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 shall have been invested as well as of the proceeds of said investments and of any moneys belonging to said Fund.

(b) The Board, annually, shall allow statutory interest on the mean amount for the preceding year to the credit of each of the accounts. The amount so allowed shall be credited thereto by the Board and transferred from the interest reserve account.

(c) The State Treasurer shall be the custodian of the Fund.

(d) All payments from the Fund 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 Board, countersigned by the Secretary of the Board and ratified by resolution of the Board.

(e) The members of the Board, employees of the Board and agents thereof shall stand in a fiduciary relationship to the members of the System regarding the investments and disbursements of any of the moneys of the Fund and shall not profit either directly or indirectly with respect thereto.

(f) 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.

(g) 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 percent of the total amount in the Fund, 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 any of such banks or trust 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 25 percent of the paid-up capital and surplus of said bank or trust company.

Section 602. State Employees' Retirement Fund.--The 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 Board for the benefit of members of the System; and the Treasury Department shall credit to the Fund all moneys received from the Department of Revenue arising from the contributions required under the provisions of Article III, and all interest earned by the investments or moneys of said Fund. There shall be established and maintained by the Board the several ledger accounts specified in sections 603, 604, 605, 606, 607, 608 and 609.

Section 603. Members' Savings Account.--(a) The members' savings account shall be the ledger account to which shall be credited the amounts of the contributions or lump sum payments made by active members in accordance with the provisions of sections 301, 302, 303, 304 and 305.

Sec. 603

(b) The members' savings account in total and the individual member accounts shall be credited with statutory interest. The total accumulated deductions credited to a member who has applied for an annuity shall be transferred from the members' savings account to the annuity reserve account provided for in section 605, except in the case of a member of Class C the total accumulated deductions to his credit shall be transferred from the members' savings account to the State Police benefit account provided for in section 606 or to the enforcement officers benefit account provided for in section 607, as the case may be.

(c) Upon the election of a member to withdraw his total accumulated deductions, the payment of such amount shall be charged to the members' savings account.

COMMENT: Section 603 consolidates the former "members' annuity savings account" and the former "social security integration members' annuity savings account" into one account.

Section 604. State Accumulation Account.--The State accumulation account shall be the ledger account to which shall be credited all contributions of the Commonwealth or other employers whose employes are members of the System and made in accordance with the provisions of section 307(a) except that the amounts received under the provisions of the act of

May 12, 1943, P. L. 259, and the amounts received under the provisions of the "Liquor Control Act" of April 12, 1951, P. L. 90, on behalf of members of Class C shall be credited to the State Police benefit account or the enforcement officers benefit account as the case may be. The State accumulation account shall be credited with statutory interest. The reserves necessary for the payment of annuities and death benefits as provided in Article IV shall be transferred from the State accumulation account to the annuity reserve account provided for in section 605, except that the reserves necessary on account of a member of Class C shall be transferred from the State accumulation account to the State Police benefit account provided for in section 606 or to the enforcement officers benefit account as provided for in section 607, as the case may be.

Section 605. Annuity Reserve Account.--(a) The annuity reserve account shall be the ledger account to which shall be credited the reserves held for payment of annuities and death benefits on account of all annuitants except in the case of members of Class C. The annuity reserve account shall be credited with statutory interest. After the transfer provided in sections 603, 604 and 608, all annuity and death benefit payments except those applicable to Class C service shall be charged to the annuity reserve account and paid from the Fund.

(b) Should an annuitant other than a member of Class C be subsequently restored to active service, the present value of his member's annuity at the time of reentry into State service shall be transferred from the annuity reserve account and placed to his individual credit in the members' savings account. In addition, the actuarial reserve for his annuity less the amount transferred to the members' savings account shall be transferred from the annuity reserve account to the State accumulation account.

COMMENT: Section 605 consolidates the former "State annuity reserve account" and the former "members' annuity reserve account" into one account.

Section 606. State Police Benefit Account.--(a) 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, and any additional Commonwealth or other employer contributions provided for in section 307, which are creditable to the State Police benefit account. The State Police benefit account shall be credited with statutory interest. In addition, upon the filing of an application for an annuity by a member of Class C who is an officer or employe of the Pennsylvania State Police, the total accumulated deductions standing to the credit of the member in the members'

savings account and the necessary reserves from the State accumulation account shall be transferred to the State Police benefit account. Thereafter, the total annuity of such annuitant shall be charged to the State Police benefit account and paid from the Fund.

(b) Should the said annuitant be subsequently restored to active service, the present value of the member's annuity at the time of reentry into State service shall be transferred from the State Police benefit account and placed to his individual credit in the members' savings account. In addition, the actuarial reserve for his annuity calculated as if he had been a member of Class A less the amount transferred to the members' savings account shall be transferred from the State Police benefit account to the State accumulation account.

Section 607. Enforcement Officers Benefit Account.---

(a) The enforcement officers benefit account shall be the ledger account to which shall be credited moneys transferred from the Enforcement Officers' Retirement Account to the State Stores Fund according to the provisions of the "Liquor Control Act" of April 12, 1951, P. L. 90, and any additional Commonwealth or other employer contributions provided for in section 307 which are creditable to the enforcement officers benefit account. The enforcement officers benefit account shall be credited with statutory interest. In addition, upon the filing of an application for

an annuity by a member of Class C who is an enforcement officer of the Pennsylvania Liquor Control Board, the total accumulated deductions standing to the credit of the member in the members' savings account and the necessary reserves from the State accumulation account shall be transferred to the enforcement officers benefit account. Thereafter, the total annuity of such annuitant shall be charged to the enforcement officers benefit account and paid from the Fund.

(b) Should the said annuitant be subsequently restored to active service, the present value of the member's annuity at the time of reentry into State service shall be transferred from the enforcement officers benefit account and placed to his individual credit in the members' savings account. In addition, the actuarial reserve for his annuity calculated as if he had been a member of Class A less the amount transferred to the members' savings account shall be transferred from the enforcement officers benefit account to the State accumulation account.

Section 608. Supplemental Annuity Account.--The supplemental annuity account shall be the ledger account to which shall be credited all contributions from the Commonwealth in accordance with section 307(b) for the payment of the supplemental annuities provided in section 408. The supplemental annuity account shall be credited with statutory interest.

The reserves necessary for the payment of such supplemental annuities shall be transferred from the supplemental annuity account to the annuity reserve account as provided in section 605.

Section 609. Interest Reserve Account.--The interest reserve account shall be the ledger account to which shall be credited all moneys earned by the Fund. At the end of each year statutory interest shall be transferred from the interest reserve account to the credit of each of the accounts in accordance with the provisions of this article. The administrative expenses of the Board shall be charged to the interest reserve account and paid from the Fund out of earnings in excess of the total statutory interest required for all accounts. Any balance remaining in the interest reserve account at the end of each year shall be transferred to the State accumulation account.

COMMENT: Section 609 creates a new account for purposes of administrative efficiency. Formerly these moneys were credited to the former "State annuity accumulation account."

ARTICLE VII

GENERAL PROVISIONS

Section 701. State Guarantee.--Statutory interest charges payable, the maintenance of reserves in the Fund, and the payment of all annuities and other benefits granted by the Board under the provisions of this Code are hereby made obligations of the Commonwealth. All income, interest, and dividends derived from deposits and investments authorized by this Code shall be used for the payment of the said obligations of the Commonwealth.

Section 702. State Supervision.--The Fund and ledger accounts provided for by this Code shall be subject to the supervision of the State Insurance Department.

Section 703. Exemption from Execution.--The right of a person to any benefit or right accrued or accruing under the provisions of this Code and the moneys in the Fund are hereby exempt from any State or municipal tax, levy and sale, garnishment, attachment, spouse's election, or any other process whatsoever, and shall be unassignable.

COMMENT: Section 703 deletes the preferential treatment accorded a state employes' credit union in conformity with policy change 17. The addition of "spouse's election" clarifies the results intended by the amendment of November 27, 1970, (Act No. 260) to Section 8 of the "Estates' Act of 1947," April 24, P. L. 100, which expressly made annuity, endowment and employe benefit plans nontestamentary and hence not subject to the spouse's election.

Section	Subsection	Amending Act
		1965, July 29, P. L. 264
		1968, July 31 (Act No. 230)
609		1961, September 28, P. L. 1723
		1968, July 31 (Act No. 230)
610		1968, July 31 (Act No. 230)
611		1968, July 31 (Act No. 230)
701		1959, August 4, P. L. 621
702		1959, August 4, P. L. 621
		1961, September 19, P. L. 1482
703		1959, August 4, P. L. 621
		1968, July 31 (Act No. 230)
801		1959, August 4, P. L. 621
		1968, July 31 (Act No. 230)
802		1959, August 4, P. L. 621
803		1959, August 4, P. L. 621
		1959, December 1, P. L. 1640
		1963, June 6, P. L. 77
		1965, July 29, P. L. 264
804 through 809		None

Amendments to supplemental act of November 21, 1959, P. L. 1590 which modified the State Employees' Retirement Code of 1959 and was repealed by the act of 1968, July 31 (Act No. 230).

1961, July 10, P. L. 557
1963, June 28, P. L. 183
1963, August 13, P. L. 680
1963, August 13, P. L. 686
1965, June 30, P. L. 170
1967, August 3, P. L. 200
1967, October 25, P. L. 485

Section	Subsection	Amending Act	
504	6.2	1969, October 17, P. L. 266	
	7	1959, August 4, P. L. 621	
	8, 9	1963, August 27, P. L. 1233	
	8	1965, July 29, P. L. 264	
505		None	
506	1, 5	1959, August 4, P. L. 621	
	6	1959, December 1, P. L. 1640	
	2, 7	1961, April 28, P. L. 158	
	1	1961, August 23, P. L. 1088	
	4.1	1961, August 24, P. L. 1122	
	1.1	1961, August 28, P. L. 1144	
	2	1961, September 15, P. L. 1341	
	4.1	1961, September 15, P. L. 1345	
	1, 2, 6, 8, 9, 10, 11, 12	1963, August 27, P. L. 1233	
	8	1965, July 23, P. L. 239	
	2, 3, 4, 12, 13	1965, July 29, P. L. 264	
	11	1965, September 24, P. L. 537	
	4.3	1966, August 31, P. L. 52	
	2, 13, 14	1968, July 31 (Act No. 230)	
	13	1968, July 31 (Act No. 258)	
	4.4	1969, October 17, P. L. 266	
	13	1970, December 30 (Act No. 298)	
	507		1965, July 29, P. L. 264
	601		1959, August 4, P. L. 621
	602		1968, July 31 (Act No. 230)
603		1968, July 31 (Act No. 230)	
		1961, April 28, P. L. 158	
		1963, August 27, P. L. 1233	
		1965, July 29, P. L. 264	
		1968, July 31 (Act No. 230)	
604		1961, April 28, P. L. 158	
		1963, August 27, P. L. 1233	
		1965, July 29, P. L. 264	
		1968, July 31 (Act No. 230)	
605		1961, April 28, P. L. 158	
		1963, August 27, P. L. 1233	
		1965, July 29, P. L. 264	
		1968, July 31 (Act No. 230)	
606		1961, September 28, P. L. 1723	
		1968, July 31 (Act No. 230)	
606.1		1961, September 26, P. L. 1723	
		1968, July 31 (Act No. 230)	
607		1961, April 28, P. L. 158	
		1961, September 28, P. L. 1723	
		1963, August 27, P. L. 1233	
		1965, July 29, P. L. 264	
		1968, July 31 (Act No. 230)	
608		1961, April 28, P. L. 158	
		1961, September 28, P. L. 1723	
		1963, August 27, P. L. 1233	
		1968, July 31 (Act No. 230)	

Section	Subsection	Amending Act	
403	2	1968, July 31 (Act No. 258)	
	1	1959, August 4, P. L. 621	
	1	1961, April 28, P. L. 158	
	1	1961, August 23, P. L. 1088	
	1	1961, August 24, P. L. 1128	
	3	1961, August 28, P. L. 1144	
	1, 2	1965, July 29, P. L. 264	
	3	1966, August 31, P. L. 52	
404	1	1961, August 24, P. L. 1125	
	1	1965, July 29, P. L. 264	
	1	1968, July 31 (Act No. 230)	
405	3.1	1959, August 4, P. L. 621	
	4	1959, December 1, P. L. 1640	
	3.1	1961, April 28, P. L. 158	
	3.1	1963, August 27, P. L. 1233	
	1, 1.1, 3, 3.1, 4	1965, July 29, P. L. 264	
	5	1967, October 5, P. L. 355	
	1, 3, 3.1, 6	1968, July 31 (Act No. 230)	
	5	1968, July 31 (Act No. 250)	
	405.1	1, 2	1959, August 4, P. L. 621
		2	1959, December 16, P. L. 1852
2		1963, August 27, P. L. 1233	
406	1	1965, July 29, P. L. 264	
	1, 2	1959, August 4, P. L. 621	
407	1, 2	1959, August 4, P. L. 621	
	3.1, 4	1959, December 1, P. L. 1640	
	1, 2	1961, April 28, P. L. 158	
	5	1961, September 15, P. L. 1339	
	1, 2, 3.1, 7	1963, August 27, P. L. 1233	
	1, 2, 5, 6, 7	1965, July 29, P. L. 264	
	1, 2, 3, 3.1, 4, 4.1, 5	1968, July 31 (Act No. 230)	
	408	None	
	409	Title, 4, 5	1968, July 31 (Act No. 230)
	410	2	1965, July 29, P. L. 264
411		1968, July 31 (Act No. 230)	
412		None	
501	1, 7	1959, August 4, P. L. 621	
	3, 7	1961, August 22, P. L. 1027	
	3	1963, August 13, P. L. 675	
502	1, 2, 3, 4, 5	1959, August 4, P. L. 621	
503	1, 2, 3, 5, 8.1, 8.2, 8.3, 9, 9.1	1959, August 4, P. L. 621	
	3, 4	1961, August 22, P. L. 1027	
	6.1	1961, August 24, P. L. 1122	
	9.2, 9.3, 9.4	1963, August 27, P. L. 1233	
	7, 8, 8.2, 8.3, 9.5	1965, July 29, P. L. 264	
	9.4	1965, September 24, P. L. 537	
	9.6	1966, August 31, P. L. 52	
	9.7, 9.8	1968, July 31 (Act No. 230)	

Section	Subsection	Amending Act
208	1, 2, 3	1959, August 4, P. L. 621
	1, 2, 3	1963, August 27, P. L. 1233
	4, 5	1968, July 31 (Act No. 230)
301	2	1959, August 4, P. L. 621
	1, 2	1959, December 1, P. L. 1640
	1	1961, April 28, P. L. 158
	2	1961, August 24, P. L. 1122
	1, 2, 3	1963, August 27, P. L. 1233
	1	1965, July 29, P. L. 264
	5	1967, October 5, P. L. 355
	1, 6	1968, July 31 (Act No. 230)
	2	1969, October 17, P. L. 266
302	2	1959, August 4, P. L. 621
	2	1959, December 16, P. L. 1852
	2	1959, December 30, P. L. 2081
	3	1961, August 28, P. L. 1144
	2	1961, September 15, P. L. 1345
	2	1963, August 27, P. L. 1233
	2	1965, July 29, P. L. 264
	2	1965, December 1, P. L. 1025
	4	1966, August 31, P. L. 52
	1	1959, August 4, P. L. 621
303	1	1963, August 27, P. L. 1233
303.1		
304	1	1961, April 28, P. L. 158
	2	1961, September 28, P. L. 1723
	1	1963, August 27, P. L. 1233
	1	1965, July 29, P. L. 264
	1, 2, 3	1968, July 31 (Act No. 230)
305		None
306	1	1961, August 22, P. L. 1027
	1	1961, September 28, P. L. 1723
	Title, 1	1963, August 13, P. L. 675
	2	1968, July 31 (Act No. 230)
401	1, 1.1, 2	1959, August 4, P. L. 621
	1	1959, December 1, P. L. 1640
	3	1959, December 16, P. L. 1852
	1	1961, April 28, P. L. 158
	1	1961, April 28, P. L. 170
	1, 1.1, 2.1, 3	1963, August 27, P. L. 1233
	1, 1.1	1965, July 29, P. L. 264
	4	1967, October 5, P. L. 355
	1, 1.1, 4, 5, 6, 7, 8	1968, July 31 (Act No. 230)
	4	1968, July 31 (Act No. 250)
	402	1, 2, 2.1, 3
2.1		1959, December 1, P. L. 1640
4		1959, December 16, P. L. 1852
1, 2, 2.1		1961, April 28, P. L. 158
1		1961, September 15, P. L. 1345
1, 2, 2.1		1963, August 27, P. L. 1233
1, 2, 2.1, 3.1		1965, July 29, P. L. 264
1, 2, 2.1, 5, 6		1968, July 31 (Act No. 230)

SECTIONS OF THE "STATE EMPLOYEES' RETIREMENT CODE OF 1959"
 ACT OF JUNE 1, 1959 (P. L. 392) AND ALL AMENDMENTS
 ENACTED BY THE GENERAL ASSEMBLY UP TO AND
 INCLUDING THE SESSION OF 1971

Section	Subsection	Amending Act
101		None
102	6, 12.1, 19	1959, August 4, P. L. 621
	15, 19	1961, April 28, P. L. 156
	19	1961, July 14, P. L. 653
	6	1961, August 4, P. L. 925
	6	1961, August 22, P. L. 1036
	6.1, 14	1961, September 28, P. L. 1723
	6	1963, August 2, P. L. 493
	12.1, 19	1963, August 27, P. L. 1233
	6, 17	1965, July 29, P. L. 264
	6, 15, 17, 17.1, 19, 19.1, 21, 23.1	1968, July 31 (Act No. 230)
	15, 19	1968, July 31 (Act No. 258)
	6	1968, December 10 (Act No. 364)
	19	1970, December 30 (Act No. 298)
201	2	1961, August 22, P. L. 1036
202	1, 2	1959, August 4, P. L. 621
	1	1959, December 16, P. L. 1852
	1	1961, April 28, P. L. 158
	1	1961, September 28, P. L. 1723
	1	1963, August 27, P. L. 1233
	1	1965, July 23, P. L. 239
	1, 2	1965, July 29, P. L. 264
	1, 2	1968, July 31 (Act No. 230)
	1	1968, July 31 (Act No. 258)
	1	1970, December 30 (Act No. 298)
203	1	1959, August 4, P. L. 621
	Title, 1, 3	1963, August 27, P. L. 1233
	1, 3	1965, July 29, P. L. 264
204	6.1	1959, December 30, P. L. 2081
	5.1	1961, August 24, P. L. 1122
	6.2	1961, September 15, P. L. 1345
	2.1	1961, September 28, P. L. 1723
	8	1968, July 31 (Act No. 230)
	5.2	1969, October 17, P. L. 266
205		1965, July 29, P. L. 264
		1968, July 31 (Act No. 230)
206		None
207	2, 4	1959, August 4, P. L. 621
	1	1959, December 16, P. L. 1852
	5	1965, December 1, P. L. 1025
	5	1968, December 16 (Act No. 382)

Proposed Code	State Employees' Retirement Law
(c)	Section 502(3)
(d)	Section 502(4)
(e)	Section 502(6)
(f)	Section 502(7)
(g)	Section 502(5)
Section 602	Section 602
Section 603	Sections 607; 611
Section 604	Section 603
Section 605	Sections 604; 608
Section 606	Sections 606; 609
Section 607	Sections 606.1; 608
Section 608	Section 610
Section 609	New
Article VII	
Section 701	Section 801
Section 702	Section 802
Section 703	Section 803
Section 704	Section 805
Section 705	Section 806
Section 706	Section 807
Section 707	Section 808
Section 708	Section 809

Proposed Code	State Employees' Retirement Law
(j)	Section 503(9.1)
(k)	New
(l)	Section 503(8.2), (8.3)
(m)	Section 503(6.1), (6.2), (9.2), (9.7)
(n)	Section 503(9.2)
(o)	Section 503(7), (8)
(p)	New
(q)	New
(r)	New
(s)	New
(t)	Section 503(9.4)
(u)	Section 503(9.6)
(v)	Section 503(10)
(w)	Section 503(11)
(x)	New
Section 503	
(a)	Section 504(1)
(b)	Section 504(2)
(c)	Section 504(3)
(d)	Section 504(3)
(e)	Section 504(4)
(f)	Sections 301(1); 504(5)
(g)	Section 504(6)
(h)	New
(i)	Section 504(7)
(j)	New
(k)	New
(l)	Section 504(8)
(m)	Section 504(9)
Section 504	Sections 301(1); 505
Section 505	
(a)	Section 506(5)
(b)	Section 201(3)
(c)	Section 506(13)
(d)	Section 411
(e)	Section 506(4.1), (4.2), (4.4), (10)
(f)	Section 506(1)
(g)	Section 506(1)
(h)	Sections 411; 506(1), (2)
(i)	Sections 403(3); 506(1.1), (12)
(j)	Section 506(11)
(k)	Section 506(14)
Section 506	
(a)	Sections 302(4); 506(4.3)
(b)	Section 506(3)
(c)	Sections 506(4); 507
Article VI	
Section 601	
(a)	Section 502(1)
(b)	Section 502(2)

Proposed Code	State Employees' Retirement Law
(c)	Section 405(4)
(d)	Section 405(4)
(e)	New
Section 405	
(a)	Sections 401(5), (7); 404(1), (1)(a), (b), (c)
(1)	Section 404(1)(c), Option 1
(2)	Section 404(1)(c), Option 2
(3)	Section 404(1)(c), Option 3
(4)	Section 404(1)(c), Option 4
(b)	Section 404(2)
Section 406	
(a)	Section 405.1(1)
(b)	Section 405.1(2)
Section 407	
(a)	Section 407(2), (3), (7)
(b)	Section 407(4)
(c)	Section 407(5)
(d)	Section 407(5)
(e)	Section 407(4.1)
Section 408	Section 409(4), (5)
Section 409	
(a)	Section 410
(b)	New
(c)	Section 404(1)(c), Option 1
Section 410	Section 412
Article V	
Section 501	
(a)	Section 501(1)
(b)	Section 501(1)
(c)	Section 501(2)
(d)	New
(e)	Section 501(3)
(f)	New
(g)	Section 501(5)
(h)	Section 501(4)
(i)	Section 501(6)
Section 502	
(a)	Section 503(1)
(b)	New
(c)	Section 503(2)
(d)	Section 503(3)(a), (b)
(e)	Sections 306(1); 503(3)(c), (4)
(f)	Section 503(5)
(g)	Section 503(6), (6.1), (6.2), (9.7)
(h)	Section 503(9)
(i)	Section 503(8.1)
(1)	New
(2)	Section 503(8.1)
(3)	New

Proposed Code	State Employees' Retirement Law
Section 208	
(a)	Section 401(1)
(b)	Section 402(2), (2.1)
(c)	Section 405(1), (3.1)
Section 209	Sections 102(23.1); 401(5), (7)
Section 210	Section 407(2), (3), (4)
Section 211	Section 404(1)(b)
Article III	
Section 301	Section 301(1)(a), (c), (d.3), (e.1)
Section 302	Section 301(6)
Section 303	Section 301(4)
Section 304	Sections 208(1), (2), (4); 302(1), (2), (3)
Section 305	
(a)	Sections 301(3); 302(1), (2)
(b)	Section 302(2)(h.1)
(c)	Section 301(3)
Section 306	Sections 204(6.2); 208(3), (5); 302(1)
Section 307	
(a)	Section 304(1)(a), (2)
(b)	Section 304(1)(b), (3)
Section 308	
(a), (b), (c)	Section 304(1)(a)
(d)	Section 304(2)
(e)	Section 304(1)(b), (3)
Section 309	
(a), (b)	Section 306(1)
(c)	Section 306(2)
Article IV	
Section 401	Sections 402(1)(a); 404(1)(b)
Section 402	
(a)	Section 401(1)
(1) through (5)	Sections 401(1)(a), (b), (c), (d), (d.1), (d.2), (d.3), (e), (e.1), (1.1), (6); 402(2), (2.1), (4), (5)
(6)	Sections 401(8); 402(6)
(b)	Section 401(2.1)
(c)	Section 401(1)(d.3)
Section 403	
(a)	Sections 401(3); 402(4); 403(1), (1)(e)
(1)	Section 403(1)(a)
(2)	Section 403(1)(b), (c), (d), (f), (g)
(3)	Section 403(1)(i)
(b)	Section 403(2)
Section 404	
(a)	Section 405(1), (1)(a), (b)
(b)	Section 405(6)

Proposed Code	State Employees' Retirement Law
(35)	New
(36)	Section 102(16)
(37)	New
(38)	Section 102(17.1)
(39)	New
(40)	Section 102(6)(a)(iii), (iv), (v), (vii), (viii), (ix)
(i)	Section 102(6)(a)(vi), (b)
(ii)	Section 102(6)(d)
(iii)	Section 102(6)(e)
(iv)	Section 102(6)(c)
(41)	New
(42)	Section 102(18)
(43)	Section 102(14)
(44)	New
(45)	New
(46)	Section 102(1)
(47)	Section 102(17), (17.1)
(48)	Section 102(23.1)
Article II	
Section 201	
(a)	Sections 102(6); 201(1), (3)
(b)	Sections 201(2), (3); 301(2)(f)
(c)	Section 201(2)
Section 202	Sections 204(1); 208(1), (2)
Section 203	Sections 204(2), (2.1), (3), (4), (5), (5.1), (5.2), (6), (6.1), (6.2); 208(1), (2)
Section 204	
(a)	Sections 204(4), (5), (5.1), (5.2), (6), (6.1), (6.2); 207(1), (2), (4), (5)
(b)	Sections 204(4), (5), (5.1), (5.2), (6), (6.1), (6.2), 207(1), (2), (4), (5)
(c)(1)	Section 207(2)
(2)	Section 207(1), (4), (5)
(3)	Section 204(6.2)
(4)	Section 204(4), (5), (5.1), (5.2), (6), (6.1)
Section 205	Sections 204(8); 208(4)
Section 206	
(a)	New
(b)	Section 202(1)(a)
(1)	Section 202(1)(c)
(2)	Section 202(1)(d.3)
(3)	Section 202(1)(e.1)
(4)	New
Section 207	Section 402(2.1)

CROSS-REFERENCE TABLE

PROPOSED STATE EMPLOYEES' RETIREMENT CODE OF 1972
AND THE
PENNSYLVANIA STATE EMPLOYEES' RETIREMENT LAW
ACT OF JUNE 1, 1959, P. L. 392, AS AMENDED

Proposed Code	State Employees' Retirement Law
Article I	
Section 101	Section 101
Section 102	Section 102
(1)	New
(2)	Section 102(23)
(3)	New
(4)	Section 102(9)
(5)	Section 102(19.1)
(6)	New
(7)	Section 102(10)
(8)	Section 102(4)
(9)	Sections 202(1); 301(1)(a), (c), (d.3), (e.1)
(10)	Section 102(15)
(11)	New
(12)	Section 102(8)
(13)	New
(14)	Section 102(13)
(15)	New
(16)	New
(17)	Section 102(6.1)
(18)	Section 102(19)
(19)	Section 203(3)
(20)	Section 102(2)
(21)	Section 102(7)
(22)	New
(23)	New
(24)	Section 203(1)
(25)	New
(26)	New
(27)	New
(28)	Section 102(21)
(29)	Section 207(3)
(30)	Section 102(12.1)
(31)	New
(32)	Section 102(5)
(33)	Section 102(17)
(34)	New

State Employees'
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Proposed Code

Article VIII

Section 801	Section 701
Section 802	Section 702
Section 803	Section 703
Section 804	Deleted
Section 805	Section 704
Section 806	Section 705
Section 807	Section 706
Section 808	Section 707
Section 809	Section 708

State Employees'
Retirement Law

Proposed Code

(9.6)	Section 502(u)
(9.7)	Section 502(g), (m)
(9.8)	Deleted
(10)	Section 502(v)
(11)	Section 502(w)
Section 504	
(1)	Section 503(a)
(2)	Section 503(b)
(3)	Section 503(c), (d)
(4)	Section 503(e)
(5)	Section 503(f)
(6)	Section 503(g)
(7)	Section 503(i)
(8)	Section 503(l)
(9)	Section 503(m)
Section 505	Section 504
Section 506	
(1)	Section 505(f), (g), (h)
(1.1)	Section 505(i)
(2)	Section 505(h)
(3)	Section 506(b)
(4)	Section 506(c)
(4.1)	Section 505(e)
(4.2)	Section 505(e)
(4.3)	Section 506(a)
(4.4)	Section 505(e)
(5)	Section 505(a)
(7), (8), (9)	Deleted
(10)	Section 505(e)
(11)	Section 505(j)
(12)	Section 505(i)
(13)	Section 505(c)
(14)	Section 505(k)
Section 507	Section 506(c)
Article VI	
Section 601	Deleted
Section 602	Section 602
Section 603	Section 604
Section 604	Section 605
Section 606	Section 606
Section 606.1	Section 607
Section 607	Section 603
Section 608	Sections 605; 607
Section 609	Section 606
Section 610	Section 608
Section 611	Section 603
Article VII	
Section 702	Deleted
Section 703	Deleted

State Employees' Retirement Law	Proposed Code
(5)	Section 407(c), (d)
(6)	Deleted
(7)	Section 407(a)
Section 408	Deleted
Section 409	
(1), (2), (3)	Deleted
(4)	Section 408
(5)	Section 408
Section 410	Section 409(a)
Section 411	Section 505(d), (h)
Section 412	Section 410
 Article V	
Section 501	
(1)	Section 501(a), (b)
(2)	Section 501(c)
(3)	Section 501(e)
(4)	Section 501(h)
(5)	Section 501(g)
(6)	Section 501(i)
(7)	Deleted
Section 502	
(1)	Section 601(a)
(2)	Section 601(b)
(3)	Section 601(c)
(4)	Section 601(d)
(5)	Section 601(g)
(6)	Section 601(e)
(7)	Section 601(f)
Section 503	
(1)	Section 502(a)
(2)	Section 502(c)
(3)(a), (b)	Section 502(d)
(c)	Section 502(e)
(4)	Section 502(e)
(5)	Section 502(f)
(6)	Section 502(g)
(6.1)	Section 502(g), (m)
(6.2)	Section 502(g), (m)
(7)	Section 502(o)
(8)	Section 502(o)
(8.1)	Section 502(i)
(8.2)	Section 502(l)
(8.3)	Section 502(l)
(9)	Section 502(h)
(9.1)	Section 502(j)
(9.2)	Section 502(m), (n)
(9.3)	Deleted
(9.4)	Section 502(t)
(9.5)	Deleted

State Employees'
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Proposed Code

Section 402	
(1) (a)	Section 401
(b)	Deleted
(c)	Deleted
(2)	Sections 208(b); 402(a)(1)
(2.1)	Sections 207; 208(b); 402(a)(1)
(3.1)	Deleted
(4)	Sections 402(a)(1); 403(a)
(5)	Section 402(a)(2)
(6)	Section 402(a)(6)
Section 403	
(1)	Section 403(a)
(a)	Section 403(a)(1)
(b), (c), (d)	Section 403(a)(2)
(e)	Section 403(a)
(f)	Section 403(a)(2)
(g)	Section 403(a)(2)
(h)	Deleted
(i)	Section 403(a)(3)
(2)	Section 403(b)
(3)	Section 505(i)
Section 404	
(1)	Section 405(a)
(a)	Section 405(a)
(b)	Sections 211; 401; 405(a)
(c)	Section 405(a)
Option 1	Sections 405(a)(1); 409(c)
Option 2	Section 405(a)(2)
Option 3	Section 405(a)(3)
Option 4	Section 405(a)(4)
(2)	Section 405(b)
Section 405	
(1)	Sections 208(c); 404(a)
(a)	Section 404(a)
(b)	Section 404(a)
(1.1)	Deleted
(2)	Deleted
(3.1)	Section 208(c)
(4)	Section 404(c), (d)
(5)	Deleted
(6)	Section 404(b)
Section 405.1	
(1)	Section 406(a)
(2)	Section 406(b)
Section 407	
(1)	Deleted
(2)	Sections 210; 407(a)
(3)	Sections 210; 407(a)
(4)	Sections 210; 407(b)
(4.1)	Section 407(e)

State Employees' Retirement Law	Proposed Code
(d.1)	Deleted
(d.2)	Deleted
(d.3)	Sections 102(9); 301
(e)	Deleted
(e.1)	Sections 102(9); 301
(f)	Deleted
(2)(a), (b), (b.1), (b.2), (c), (c.1), (d), (e)	Deleted
(f)	Section 201(b)
(3)	Section 305(a), (c)
(4)	Section 303
(5)	Deleted
(6)	Section 302
Section 302	
(1)	Sections 304; 305(a); 306
(2)	Sections 304; 305(a), (b)
(3)	Section 304
(4)	Section 506(a)
Section 303	Deleted
Section 303.1	Deleted
Section 304	
(1)(a)	Sections 307(a); 308(a), (b), (c)
(b)	Sections 307(b); 308(e)
(2)	Sections 307(a); 308(d)
(3)	Sections 307(b); 308(e)
Section 305	Deleted
Section 306	
(1)	Sections 309(a), (b); 502(e)
(2)	Section 309(c)
Article IV	
Section 401	
(1)	Sections 208(a); 402(a)
(a)	Section 402(a)(1), (4)
(b)	Section 402(a)(1), (4)
(c)	Section 402(a)(1), (3)
(d)	Section 402(a)(1)
(d.1)	Section 402(a)(1)
(d.2)	Section 402(a)(1)
(d.3)	Section 402(a)(1), (4), (c)
(e)	Section 402(a)(1)
(e.1)	Section 402(a)(1), (4)
(1.1)	Section 402(a)(1)
(2.1)	Section 402(b)
(3)	Section 403(a)
(4)	Deleted
(5)	Sections 209; 405(a)
(6)	Section 402(a)(2), (5)
(7)	Sections 209; 405(a)
(8)	Section 402(a)(6)

State Employees'
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Proposed Code

Section 202	
(1) (a)	Sections 102(9); 206(b)
(b)	Section 102(9)
(c)	Sections 102(9); 206(b)(1)
(d)	Section 102(9)
(d.1)	Section 102(9)
(d.2)	Section 102(9)
(d.3)	Sections 102(9); 206(b)(2)
(e)	Section 102(9)
(e.1)	Sections 102(9); 206(b)(3)
(2)	Deleted
Section 203	
(1)	Section 102(24)
(2)	Deleted
(3)	Section 102(19)
Section 204	
(1)	Section 202
(2)	Section 203
(2.1)	Section 203
(3)	Section 203
(4)	Sections 203; 204(a), (b), (c)(4)
(5)	Sections 203; 204(a), (b), (c)(4)
(5.1)	Sections 203; 204(a), (b), (c)(4)
(5.2)	Sections 203; 204(a), (b), (c)(4)
(6)	Sections 203; 204(a), (b), (c)(4)
(6.1)	Sections 203; 204(a), (b), (c)(4)
(6.2)	Sections 203; 204(a), (b), (c)(3); 306
(7)	Deleted
(8)	Section 205
Section 205	Deleted
Section 206	Deleted
Section 207	
(1)	Section 204(a), (b), (c)(2)
(2)	Section 204(a), (b), (c)(1)
(3)	Section 102(29)
(4)	Section 204(a), (b), (c)(2)
(5)	Section 204(a), (b), (c)(2)
Section 208	
(1)	Sections 202; 203; 304
(2)	Sections 202; 203; 304
(3)	Section 306
(4)	Sections 205; 304
(5)	Section 306
Article III	
Section 301	
(1)	Sections 301; 503(f); 504
(a)	Sections 102(9); 301
(b)	Deleted
(c)	Sections 102(9); 301
(d)	Deleted

CROSS-REFERENCE TABLE

PENNSYLVANIA STATE EMPLOYES' RETIREMENT LAW
 ACT OF JUNE 1, 1959, P. L. 392, AS AMENDED
 AND THE
 PROPOSED STATE EMPLOYES' RETIREMENT CODE
 OF 1972

State Employees' Retirement Law	Proposed Code
Article I	
Section 101	Section 101
Section 102	Section 102
(1)	Section 102(46)
(2)	Section 102(20)
(3)	Deleted
(4)	Section 102(8)
(5)	Section 102(32)
(6) (a)	Sections 102(40); 201(a)
(b)	Section 102(40)(i)
(c)	Section 102(40)(iv)
(d)	Section 102(40)(ii)
(e)	Section 102(40)(iii)
(f)	Deleted
(6.1)	Section 102(17)
(7)	Section 102(21)
(8)	Section 102(12)
(9)	Section 102(4)
(10)	Section 102(7)
(11)	Deleted
(12)	Deleted
(12.1)	Section 102(30)
(13)	Section 102(14)
(14)	Section 102(43)
(15)	Section 102(10)
(16)	Section 102(36)
(17)	Section 102(33), (47)
(17.1)	Section 102(38), (47)
(18)	Section 102(42)
(19)	Section 102(18)
(19.1)	Section 102(5)
(20)	Deleted
(21)	Section 102(28)
(22)	Deleted
(23)	Section 102(2)
(23.1)	Sections 102(48); 209
(24)	Deleted
Article II	
Section 201	
(1)	Section 201(a)
(2)	Section 201(b), (c)
(3)	Sections 201(a), (b); 505(b)

Section 706. Provisions Severable.--The provisions of this Code 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 Code would have been adopted had such unconstitutional provisions not been included here.

Section 707. General Repealer.--

* * *

Section 708. Effective Date.--

* * *

Section 704. Fraud and Adjustment of Errors.--Any person who shall knowingly make any false statement or shall falsify or permit to be falsified any record or records of this System in any attempt to defraud the System as a result of such act shall be guilty of a misdemeanor and subject to prosecution under the provisions of Section 328 of "The Penal Code" of June 24, 1939, P. L. 872. Should such change or mistake in records result in any member, beneficiary or survivor annuitant receiving from the 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 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 705. Construction of Code.--The provisions of this Code insofar as they are the same as those of existing law are intended as a continuation of such laws and not as new enactments. The provisions of this Code shall not affect any act done, liability incurred, right accrued or vested, or any suit or prosecution pending or to be instituted to enforce any right or penalty or to punish any offense under the authority of any repealed laws.