

TO: Lester K. Fryer, Chairman, Local Government Committee

FROM: John H. Broujos, Counsel

SUBJECT: House Bill 1036, Printer's No. 1154 - Permitting Social Security Benefits to be paid in addition to police pension benefits; without deduction from police pension benefits of Social Security Benefits.

REF: 53 PS 771

LAW AND MUNICIPALITIES AFFECTED: - Boroughs, Townships, and towns.
Act of May 20th, 1956, PL 1804.

SIMILAR BILLS INTRODUCED IN THE SESSIONS OF 1969 and 70

BILL	PR. NO.	EXPLANATION	DISPOSITION
H. B. 1158	1337	Eliminating S. S. benefits from calculation of benefits	Ref. to Local Gov't Committee
H. B. 2166	2904	Limiting calculation of S. S. benefits to those acquired while contributor to pension fund	Ref. to Local Gov't Committee

BACKGROUND: Social Security Benefits are presently excluded from the computation of the amount required to be paid from a police fund to a person entitled to payment. In the prior session, House Bills 1158 and 2166 were introduced and remained in Local Government Committee, providing for in the first case eliminating Social Security Benefits from the calculation of benefits (similar to the present bill) and in the second case limiting deduction of Social Security Benefits to those acquired while the contributor paid into the police pension fund which is paying him the retirement benefit.

Under the present act, monthly pension benefits are $\frac{1}{2}$ the monthly average salary of such member during the last sixty months of employment. However, if there is a pension plan established by a private organization for the police force and the Commonwealth contributed to such a plan, that amount of monthly benefit is deducted from the benefit entitled under the pension plan under the current law. In addition, primary benefits under federal Social Security laws are deducted from the amount due under the pension plan.

During the 69 and 70 session, H. B. 2116 apparently sought to preserve for the police officer Social Security Benefits acquired prior to becoming a member of the Police Force and joining the Pension Fund. In other words, if the officer had another job that accrued Social Security Benefits, these benefits could be paid to the officer without having them deducted from the retirement benefit under the pension program. Further, if the officer was employed on the police force and not a contributor to the pension fund, he would still be retaining his Social Security benefits, which would not be deducted from the monthly retirement benefits. This modified approach to the Social Security deduction does not exist in the present Bill 1036.

PROVISION:

Purpose: To provide for pension benefits in the full amount of eligibility, without deduction of Social Security Benefits.

Section 1: (Section 5) This section eliminates the benefits under federal Social Security laws as a deduction from the total amount of eligibility under a police pension fund.

Comment: The effect of the law is to reduce the amount of the pension received by the amount of money received under Social Security laws. For instance, if the officer has an average monthly salary of \$600 and is eligible for \$100 monthly Social Security benefits, the \$300 monthly pension benefit would be reduced by the amount of Social Security benefit of \$100, for a net monthly pension payment of \$200. Under the proposed amendment, the monthly retirement benefits would not be reduced by the monthly Social Security benefit.

Comment: The effect may be to increase the amount required to be paid out of the pension fund for retirement. Since no effective date is set forth in the bill, the bill would be in full force and effect, if enacted into law, at the beginning of the fiscal year of the political subdivision affected following the date of the final enactment of the law. The financial effect would be a matter for actuarial determination, according to the individual case of each municipality.