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PSERS: PENSION PORTABILITY

House Bill 4405
Sponsor: Rep. Vincent J. Porecca
Committee: Senior Citizens and Retirement

Complete to 10-1-91

A SUMMARY OF HOUSE BILL 4405 AS INTRODUCED 10-1-91

A professional employee in a public school, college, or university who moves from state to state generally forfeits earned pension benefits. The bill would create an act that would permit the state to enter into a compact with other states to provide pension portability for educators. Under the compact, an "eligible educator" could request to have money and service in a previous pension plan transferred to the plan in which he or she was currently accruing service.

Eligibility. Under the bill, an "eligible educator" would be one who had:

-- accrued service in a state pension plan through employment in a public school, college, or university in the state after the compact became effective; and

-- accrued at least one year of service in a pension plan associated with another state in a public school, college, or university.

Transfer of Money and Service. There would be no limit on the number of times that an educator could transfer money and service from a previous plan to a current plan. The amount transferred would be either the local contributions made to the educator's previous plan, or the total contributions that would have been made to the current plan if all service had been accrued there, whichever was less. In addition, interest would be calculated at a rate roughly equal to each pension plan's average annual yield on its assets from the first day of the fiscal year in which the contribution was made through the end of the fiscal year preceding the date the money was transferred.

(Note: If previous local contributions were less than total contributions, then the educator could elect to make supplementary payments to the current plan until those amounts were equal. If the latter sum were the amount transferred, any money remaining to the educator's credit would be retained in the previous plan and used either for transfer to another plan, to pay pension benefits if the educator again became a participant in the previous plan, or -- if not used for either of these purposes -- for payment to the educator after he or she began to receive pension benefits from the current plan.)

Upon receipt of the above transfer, the current plan would -- for purposes of vesting, date of eligibility, and amount of pension benefits to be received -- credit the educator with service calculated according to a formula prescribed in the bill.

Effective Date of Compact. Under the bill, the compact would become effective when two or more states enacted statutes adopting it, and on the date specified in each state's statute. Any other state that adopted the compact could become a party on the date specified in its statute. A state could withdraw from the compact by repealing its statute, provided that the withdrawal would not be effective until at least one year after the governor of the withdrawing state had given written notice of the repeal to the governors of all other party states. The withdrawal would not relieve any pension plan associated with that state of its obligation to pay the transferred pension benefits to which an educator was entitled.

Construction and Severability. Should a state or federal court rule that any provision of the compact was invalid in one party state, the ruling would not affect the provision's validity in any other party state. Similarly, a court ruling that rendered one provision of the compact invalid would not affect the validity of the rest of the compact. If, however, the party states that were not subject to the court ruling believed that it did render the compact invalid, then they could, by majority vote, require withdrawal of the state that was subject to the ruling.

The bill would take effect January 1, 1992.