

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1399 Session of
2002

INTRODUCED BY ROBBINS, BELL, RHOADES, LAVALLE, EARLL, GERLACH,
MURPHY, COSTA, MOWERY, MADIGAN, PUNT, C. WILLIAMS, ARMSTRONG,
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TOMLINSON, WOZNIAK, ERICKSON, SCARNATI, CONTI, BOSCOLA,
GREENLEAF AND ORIE, APRIL 17, 2002

REFERRED TO FINANCE, APRIL 17, 2002

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated
2 Statutes, further providing for definitions, for eligibility
3 points for retention and reinstatement of service credits,
4 for creditable nonschool service and for classes of service;
5 providing for election to become Class T-E member; and
6 further providing for member contributions for creditable
7 school service, for contributions for purchase of credit for
8 creditable nonschool service, for actuarial cost method, for
9 member's options, for supplemental annuities and for
10 management of fund and accounts.

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

13 Section 1. The definitions of "basic contribution rate,"
14 "standard single life annuity," "superannuation or normal
15 retirement age" and "valuation interest" in section 8102 of
16 Title 24 of the Pennsylvania Consolidated Statutes are amended
17 and the section is amended by adding definitions to read:
18 § 8102. Definitions.

19 The following words and phrases when used in this part shall
20 have, unless the context clearly indicates otherwise, the

1 meanings given to them in this section:

2 * * *

3 "Actual interest." Amounts credited annually to the annuity
4 reserve account calculated by multiplying the difference of the
5 fund's time-weighted rate of return for the preceding year minus
6 the board's actuarial interest rate assumption for the preceding
7 year, times the mean amount of the annuity reserve account for
8 the preceding year.

9 * * *

10 "Basic contribution rate." For Class T-A, T-B and T-C
11 service, the rate of 6 1/4%. For Class T-D and T-E service, the
12 rate of 7 1/2%. For all active members on the effective date of
13 this provision who are currently paying [5 1/4%] 6 1/2% and
14 elect Class T-D or T-E service, the rate of 6 1/2%.

15 * * *

16 "Class of service multiplier."

17	Class of service	Multiplier
18	T-A	.714
19	T-B	.625
20	T-C	1.000
21	T-D	1.000
22	<u>T-E</u>	<u>1.000</u>

23 * * *

24 "Standard single life annuity." For Class T-A, T-B and T-C
25 credited service of a member, an annuity equal to 2% of the
26 final average salary, multiplied by the total number of years
27 and fractional part of a year of credited service of a member.
28 For Class T-D and Class T-E credited service of a member, an
29 annuity equal to 2.5% of the final average salary, multiplied by
30 the total number of years and fractional part of a year of

1 credited service.

2 * * *

3 "Superannuation or normal retirement age."

4	Class of service	Age
5	T-A	62 or any age upon accrual
6		of 35 eligibility points
7	T-B	62
8	T-C [and],	
9	T-D <u>and T-E</u>	62 or age 60 provided the
10		member has at least 30
11		eligibility points or
12		any age upon accrual of
13		35 eligibility points

14 * * *

15 "Time-weighted rate of return." The fund's total investment
16 return, including both realized and unrealized gains and losses,
17 based on the actuarial value of assets used for determining
18 annual contribution rates.

19 "Valuation interest." Interest at 5 1/2% per annum,
20 compounded annually and applied to all accounts other than the
21 members' savings account and the annuity reserve account.

22 * * *

23 Section 2. Sections 8303(c), 8304(a) and 8305(c) of Title 24
24 is amended to read:

25 § 8303. Eligibility points for retention and reinstatement of
26 service credits.

27 * * *

28 (c) Purchase of previous creditable service.--Every active
29 member of the system or a multiple service member who is an
30 active member of the State Employees' Retirement System on or

1 after the effective date of this part may purchase credit and
2 receive eligibility points:

3 (1) as a member of Class T-C for previous school service
4 or creditable nonschool service; [or]

5 (2) as a member of Class T-D for previous school
6 service, provided the member elects to become a Class T-D
7 member pursuant to section 8305.1 (relating to election to
8 become a Class T-D member); or

9 (3) as a member of Class T-E for previous school service
10 or creditable nonschool service;

11 upon written agreement by the member and the board as to the
12 manner of payment of the amount due for credit for such service;
13 except, that any purchase for reinstatement of service credit
14 shall be for all service previously credited.

15 § 8304. Creditable nonschool service.

16 (a) Eligibility.--An active member or a multiple service
17 member who is an active member of the State Employees'
18 Retirement System shall be eligible to receive Class T-C service
19 credit or Class T-E service credit if the member is a Class T-E
20 member for creditable nonschool service and Class T-D service
21 for intervening military service, provided the member elects to
22 become a Class T-D member pursuant to section 8305.1 (relating
23 to election to become a Class T-D member), as set forth in
24 subsection (b) provided that he is not entitled to receive,
25 eligible to receive now or in the future, or is receiving
26 retirement benefits for such service under a retirement system
27 administered and wholly or partially paid for by any other
28 governmental agency or by any private employer, or a retirement
29 program approved by the employer in accordance with section
30 8301(a)(1) (relating to mandatory and optional membership), and

1 further provided that such service is certified by the previous
2 employer and the manner of payment of the amount due is agreed
3 upon by the member, the employer, and the board.

4 * * *

5 § 8305. Classes of service.

6 * * *

7 (c) Class T-D and T-E membership.--

8 (1) A person who becomes a school employee and an active
9 member, or a person who becomes a multiple service member who
10 is a State employee and a member of the State Employees'
11 Retirement System, on or after the effective date of this
12 subsection and prior to the effective date of paragraph (1.1)
13 shall be classified as a Class T-D member upon payment of
14 regular member contributions. Any prior school service
15 credited as Class T-C service shall be credited as Class T-D
16 service, subject to the limitations contained in paragraph
17 (4).

18 (1.1) A person who becomes a school employee and an
19 active member, or a person who becomes a multiple service
20 member who is a State employee and a member of the State
21 Employees' Retirement System, on or after the effective date
22 of this paragraph shall be classified as a Class T-E member
23 upon payment of regular member contributions. Any prior
24 school service credited as Class T-C service shall be
25 credited as Class T-E service.

26 (2) A school employee who, on the day before and on the
27 effective date of this subsection, is either an active member
28 or an inactive member shall be classified as a Class T-D
29 member and receive credit for Class T-D service performed on
30 or after the effective date of this subsection upon payment

1 of regular member contributions, provided the school employee
2 elects to become a Class T-D member pursuant to section
3 8305.1 (relating to election to become a Class T-D member). A
4 school employee who becomes a Class T-D member shall also
5 receive Class T-D service credit for all Class T-C school
6 service performed before the effective date of this
7 subsection, subject to the limitations contained in paragraph
8 (4).

9 (3) A former school employee who, on the effective date
10 of this subsection, is a multiple service member who is a
11 State employee and a member of the State Employees'
12 Retirement System shall receive Class T-D service credit for
13 all Class T-C school service performed before the effective
14 date of this subsection, subject to the limitations contained
15 in paragraph (4), provided the former school employee elects
16 to become a Class T-D member pursuant to section 8305.1.

17 (4) (i) School service performed as Class T-C service
18 before the effective date of this subsection shall be
19 credited as Class T-D service only upon completion of all
20 acts necessary for the school service to be credited as
21 Class T-C service had this subsection not been enacted.

22 (ii) A person who is not a school employee or a
23 State employee on June 30, 2001, and July 1, 2001, and
24 who has previous school service shall not receive Class
25 T-D service credit for school service performed before
26 July 1, 2001, until the person becomes an active member
27 or an active member of the State Employees' Retirement
28 System and a multiple service member and earns three
29 eligibility points by performing credited school service
30 or State service after June 30, 2001. This subparagraph

1 does not apply to a disability annuitant who returns to
2 school service after June 30, 2001, upon termination of
3 the disability annuity.

4 * * *

5 Section 3. Title 24 is amended by adding a section to read:

6 § 8305.2. Election to become Class T-E member.

7 (a) General rule.--A person who is:

8 (1) a member of the system; or

9 (2) a multiple service member who is a member of the
10 State Employees' Retirement System and who is a Class T-D
11 member may elect to become a member of Class T-E.

12 (b) Time for making election.--The member must elect to
13 become a Class T-E member by filing a written notice with the
14 board on or before December 31, 2002, or before the termination
15 of school service for State service as applicable, whichever
16 first occurs.

17 (c) Effect of election.--An election to become a Class T-E
18 member shall remain in effect until the termination of
19 employment and shall result in all service which could have been
20 credited as Class T-D service being credited as Class T-E
21 service. An individual who elects to become a Class T-E member
22 shall be deemed to have agreed to forfeit all or a portion of
23 the statutory interest on his accumulated deductions during
24 years in which the fund's time-weighted rate of return does not
25 equal or exceed the actuarial interest assumption as provided in
26 section 8521(b) (relating to management of fund and accounts).
27 The member shall also be deemed to have elected for himself the
28 opportunity to benefit from any supplemental annuities which may
29 be enacted by the General Assembly during his retirement.

30 (d) Effect of failure to make election.--If a member fails

1 to timely file an election to become a Class T-E member, then
2 the member shall not be eligible to receive any supplemental
3 annuities which may be enacted by the General Assembly during
4 his retirement.

5 Section 4. Sections 8323(a), (c) and (c.1), 8324 and 8328 of
6 Title 24 is amended to read:

7 § 8323. Member contributions for creditable school service.

8 (a) Previous school service, sabbatical leave and full
9 coverage.--The contributions to be paid by an active member or
10 an eligible State employee for credit for reinstatement of all
11 previously credited school service, school service not
12 previously credited, sabbatical leave as if he had been in full-
13 time daily attendance, or full-coverage membership shall be
14 sufficient to provide an amount equal to the accumulated
15 deductions which would have been standing to the credit of the
16 member for such service had regular member contributions been
17 made with full coverage at the rate of contribution necessary to
18 be credited as Class T-C service [or], Class T-D service if the
19 member is a Class T-D member or Class T-E service if the member
20 is a class T-E member and had such contributions been credited
21 with statutory interest during the period the contributions
22 would have been made and during all periods of subsequent school
23 and State service up to the date of purchase.

24 * * *

25 (c) Approved leave of absence other than sabbatical leave
26 and activated military service leave.--The contributions to be
27 paid by an active member for credit for an approved leave of
28 absence, other than sabbatical leave and activated military
29 service leave, shall be sufficient to transfer his membership to
30 Class T-C [or], to Class T-D if the member is a Class T-D member

1 or to Class T-E if the member is a Class T-E member and further
2 to provide an annuity as a Class T-C member [or], Class T-D
3 member if the member is a Class T-D member or Class T-E member
4 if the member is a Class T-E member for such additional credited
5 service. Such amount shall be the sum of the amount required in
6 accordance with the provisions of subsection (b) and an amount
7 determined as the sum of the member's basic contribution rate
8 and the normal contribution rate as provided in section 8328
9 (relating to actuarial cost method) during such period
10 multiplied by the compensation which was received or which would
11 have been received during such period and with statutory
12 interest during all periods of subsequent school and State
13 service up to the date of purchase.

14 (c.1) Activated military service leave.--The contributions
15 to be paid by an active member for credit for all activated
16 military service leave as if he had been in regular attendance
17 in the duties for which he is employed shall be sufficient to
18 provide an amount equal to the accumulated deductions which
19 would have been standing to the credit of the member for such
20 service had regular member contributions been made with full
21 coverage at the rate of contribution necessary to be credited as
22 Class T-C service [or], Class T-D service if the member is a
23 Class T-D member or Class T-E service if the member is a Class
24 T-E member and had such contributions been credited with
25 statutory interest during the period the contributions would
26 have been made and during all periods of subsequent State and
27 school service up to the date of purchase. In the case of
28 activated military service leave beginning after the date of
29 enactment of this subsection, contributions due from the member
30 shall be made as if he is in regular attendance in the duties

1 for which he is employed.

2 * * *

3 § 8324. Contributions for purchase of credit for creditable
4 nonschool service.

5 (a) Source of contributions.--The total contributions to
6 purchase credit as a member of Class T-C or as a member of Class
7 T-E if the member is a Class T-E member for creditable nonschool
8 service of an active member or an eligible State employee shall
9 be paid either by the member, the member's previous employer,
10 the Commonwealth, or a combination thereof, as provided by law.

11 (b) Nonintervening military service.--The amount due for the
12 purchase of credit for military service other than intervening
13 military service shall be determined by applying the member's
14 basic contribution rate plus the normal contribution rate as
15 provided in section 8328 (relating to actuarial cost method) at
16 the time of entry of the member into school service subsequent
17 to such military service to one-third of his total compensation
18 received during the first three years of such subsequent
19 credited school service and multiplying the product by the
20 number of years and fractional part of a year of creditable
21 nonintervening military service being purchased together with
22 statutory interest during all periods of subsequent school and
23 State service to date of purchase. Upon certification of the
24 amount due, payment may be made in a lump sum within 90 days or
25 in the case of an active member or an eligible State employee
26 who is an active member of the State Employees' Retirement
27 System it may be amortized with statutory interest through
28 salary deductions in amounts agreed upon by the member and the
29 board. The salary deduction amortization plans agreed to by
30 members and the board may include a deferral of payment amounts

1 and statutory interest until the termination of school service
2 or State service as the board in its sole discretion decides to
3 allow. The board may limit salary deduction amortization plans
4 to such terms as the board in its sole discretion determines. In
5 the case of an eligible State employee who is an active member
6 of the State Employees' Retirement System, the agreed upon
7 salary deductions shall be remitted to the State Employees'
8 Retirement Board, which shall certify and transfer to the board
9 the amounts paid. Application may be filed for all such military
10 service credit upon completion of three years of subsequent
11 credited school service and shall be credited as Class T-C
12 service or Class T-E service if the member is a Class T-E
13 member.

14 (c) Intervening military service.--Contributions on account
15 of credit for intervening military service shall be determined
16 by the member's basic contribution rate and compensation at the
17 time of entry of the member into active military service,
18 together with statutory interest during all periods of
19 subsequent school and State service to date of purchase. Upon
20 application for such credit the amount due shall be certified in
21 the case of each member by the board, in accordance with methods
22 approved by the actuary, and contributions may be made by one of
23 the following methods:

24 (1) Regular monthly payments during active military
25 service.

26 (2) A lump sum payment within 90 days of certification
27 of the amount due.

28 (3) Salary deductions in amounts agreed upon by the
29 member and the board. The salary deduction amortization plans
30 agreed to by the members and the board may include a deferral

1 of payment amounts and statutory interest until the
2 termination of school service or State service as the board
3 in its sole discretion decides to allow. The board may limit
4 salary deduction amortization plans to such terms as the
5 board in its sole discretion determines. In the case of an
6 eligible State employee who is an active member of the State
7 Employees' Retirement System, the agreed upon salary
8 deductions shall be remitted to the State Employees'
9 Retirement Board, which shall certify and transfer to the
10 board the amounts paid.

11 (d) Other creditable nonschool service.--Contributions on
12 account of Class T-C credit or Class T-E credit if the member is
13 a class T-E member for creditable nonschool service other than
14 military service shall be determined by applying the member's
15 basic contribution rate plus the normal contribution rate as
16 provided in section 8328 at the time of the member's entry into
17 school service subsequent to such creditable nonschool service
18 to his total compensation received during the first year of
19 subsequent credited school service and multiplying the product
20 by the number of years and fractional part of a year of
21 creditable nonschool service being purchased together with
22 statutory interest during all periods of subsequent school or
23 State service to the date of purchase, except that in the case
24 of purchase of credit for creditable nonschool service as set
25 forth in section 8304(b)(5) (relating to creditable nonschool
26 service) the member shall pay only the employee's share unless
27 otherwise provided by law. Upon certification of the amount due,
28 payment may be made in a lump sum within 90 days or in the case
29 of an active member or an eligible State employee who is an
30 active member of the State Employees' Retirement System it may

1 be amortized with statutory interest through salary deductions
2 in amounts agreed upon by the member and the board. The salary
3 deduction amortization plans agreed to by the members and the
4 board may include a deferral of payment amounts and statutory
5 interest until the termination of school service or State
6 service as the board in its sole discretion decides to allow.
7 The board may limit salary deduction amortization plans to such
8 terms as the board in its sole discretion determines. In the
9 case of an eligible State employee who is an active member of
10 the State Employees' Retirement System, the agreed upon salary
11 deductions shall be remitted to the State Employees' Retirement
12 Board, which shall certify and transfer to the board the amounts
13 paid.

14 (e) Creditable work experience.--Contributions on account of
15 T-C credit or T-E credit if the member is a Class T-E member for
16 creditable work experience pursuant to section 8304(b)(6) shall
17 be the present value of the full actuarial cost of the increase
18 in the projected superannuation annuity caused by the additional
19 service credited on account of the purchase of creditable work
20 experience. The amount paid for the purchase of credit for
21 creditable work experience shall not be payable as a lump sum
22 under section 8345(a)(4)(iii) (relating to member's options).
23 Any individual eligible to receive an annuity, excluding an
24 annuity received under the Federal Social Security Act (42
25 U.S.C. § 301 et seq.), in another pension system, other than a
26 military pension system, shall not be eligible to purchase this
27 service.

28 (f) Creditable maternity leave.--Contributions on account of
29 Class T-C credit or Class T-E credit if the member is a Class T-
30 E member for creditable maternity leave pursuant to section

1 8304(b)(7) shall be determined by applying the member's basic
2 contribution rate plus the normal contribution rate as provided
3 in section 8328 at the time of the member's return to school
4 service to the total compensation received during the first year
5 of subsequent school service and multiplying the product by the
6 number of years and fractional part of a year of creditable
7 service being purchased, together with statutory interest during
8 all periods of subsequent school or State service to the date of
9 purchase. The amount paid for the purchase of credit for
10 creditable maternity leave shall not be eligible for withdrawal
11 as a lump sum under section 8345(a)(4)(iii).

12 § 8328. Actuarial cost method.

13 (a) Employer contribution rate on behalf of active
14 members.--The amount of the total employer contributions on
15 behalf of all active members shall be computed by the actuary as
16 a percentage of the total compensation of all active members
17 during the period for which the amount is determined and shall
18 be so certified by the board. The total contribution rate on
19 behalf of all active members shall consist of the normal
20 contribution rate as defined in subsection (b) and the accrued
21 liability contribution rate as defined in subsection (c). The
22 total contribution rate shall be modified by the experience
23 adjustment factors as calculated in subsection (e) but in no
24 case shall it be less than zero. In the event that the fund's
25 time-weighted rate of return for the previous year was less than
26 the actuarial interest rate assumption used in determining the
27 employer contribution rates for that year, an amount not to
28 exceed one-half of the increase in total employer contributions
29 on behalf of all active members required during the subsequent
30 year shall be withheld from the statutory interest that would

1 have been payable to the Class T-E members' accounts had the
2 time-weighted rate of return been at least equal to the
3 actuarial interest rate assumption.

4 (b) Normal contribution rate.--The normal contribution rate
5 shall be determined after each actuarial valuation. Until all
6 accrued liability contributions have been completed, the normal
7 contribution rate shall be determined, on the basis of an annual
8 interest rate and such mortality and other tables as shall be
9 adopted by the board in accordance with generally accepted
10 actuarial principles, as a level percentage of the compensation
11 of the average new active member, which percentage, if
12 contributed on the basis of his prospective compensation through
13 the entire period of active school service, would be sufficient
14 to fund the liability for any prospective benefit payable to
15 him, in excess of that portion funded by his prospective member
16 contributions, except for the supplemental benefits provided in
17 sections 8348 (relating to supplemental annuities), 8348.1
18 (relating to additional supplemental annuities), 8348.2
19 (relating to further additional supplemental annuities), 8348.3
20 (relating to supplemental annuities commencing 1994), 8348.4
21 (relating to special supplemental postretirement adjustment)
22 [and], 8348.5 (relating to supplemental annuities commencing
23 1998) and 8348.6 (relating to supplemental annuities commencing
24 2002.

25 (c) Accrued liability contribution rate.--For the fiscal
26 year beginning July 1, 2002, the accrued liability contribution
27 rate shall be computed as the rate of total compensation of all
28 active members which shall be certified by the actuary as
29 sufficient to fund over a period of [ten] 20 years from July 1,
30 2002, the present value of the liabilities for all prospective

1 benefits of active members, except for the supplemental benefits
2 provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4 [and],
3 8348.5 and 8348.6, in excess of the total assets in the fund,
4 excluding the balance in the annuity reserve account, and of the
5 present value of normal contributions and of member
6 contributions payable with respect to all active members on July
7 1, 2002, during the remainder of their active service.
8 Thereafter, the amount of each annual accrued liability
9 contribution shall be equal to the amount of such contribution
10 for the fiscal year, beginning July 1, 2002, except that, if the
11 accrued liability is increased by legislation enacted subsequent
12 to June 30, 2002, such additional liability shall be funded over
13 a period of [ten] 20 years from the first day of July,
14 coincident with or next following the effective date of the
15 increase. The amount of each annual accrued liability
16 contribution for such additional legislative liabilities shall
17 be equal to the amount of such contribution for the first annual
18 payment.

19 (d) Supplemental annuity contribution rate.--Contributions
20 from the Commonwealth and other employers required to provide
21 for the payment of the supplemental annuities provided for in
22 sections 8348, 8348.1, 8348.2, 8348.4 and 8348.5 shall be paid
23 over a period of [ten] 20 years from July 1, 2002. The amount of
24 each annual supplemental annuities contribution shall be equal
25 to the amount of such contribution for the fiscal year beginning
26 July 1, 2002. In the event that supplemental annuities are
27 increased by legislation enacted subsequent to June 30, 2002,
28 the [additional liability] supplemental annuity contribution for
29 the increased benefits shall be calculated by the actuary as the
30 supplemental annuity contribution attributable to the additional

liability for the benefit increase, less the supplemental annuity adjustment factor calculated in subsection (g), but in no case shall it be less than zero. The sum calculated by the actuary shall be funded in equal dollar annual installments over a period of [ten] 20 years from the July 1, [coincident with or] next following the effective date of such legislation.

(e) Experience adjustment factor.--For each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2002, any increase or decrease in the accrued liability (including liability for supplemental annuities) due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual installments over a period of [ten] 20 years beginning with the July 1 second succeeding the actuarial valuation.

(f) Premium assistance contribution rate.--For the fiscal year beginning July 1, 1991, the total contribution rate as calculated according to this section shall be increased annually in the full amount certified by the board as necessary to fund the premium assistance program in accordance with section 8509 (relating to health insurance premium assistance program), notwithstanding any other provisions of this section.

(g) Supplemental annuity adjustment factor.--Beginning with the fiscal year ending June 30, 2004, and continuing annually thereafter, any increase or decrease in the accrued liability for annuitant member benefits due to the crediting of actual interest shall be amortized in equal dollar annual installments

1 over a period of 20 years beginning with July 1 next succeeding
2 the actuarial valuation.

3 Section 5. Section 8345 of Title 24 is amended by adding a
4 subsection to read:

5 § 8345. Member's options.

6 * * *

7 (c) Limitation; Class T-E members.--A Class T-E member may
8 not withdraw any portion of the accumulated deductions forfeited
9 by virtue of the member's election to become a Class T-E member.

10 Section 6. Sections 8346(d)(2), 8348.1(f), 8348.2(f),
11 8348.3(f) and 8348.5(f) of Title 42 are amended to read:

12 § 8346. Termination of annuities.

13 * * *

14 (d) Elimination of the effect of frozen present value.--

15 * * *

16 (2) Upon subsequent discontinuance of service and the
17 filing of an application for an annuity, a former annuitant
18 who qualifies to have the effect of a frozen present value
19 eliminated under this subsection shall be entitled to receive
20 the higher of either:

21 (i) an annuity (prior to optional modification)
22 calculated as if the freezing of the former annuitant's
23 account pursuant to subsection (a) had not occurred,
24 adjusted by crediting Class T-C school service as Class
25 T-D or T-E service as provided for in section 8305(c)
26 (relating to classes of service), further adjusted by
27 crediting Class T-D school service as Class T-E service
28 as provided in section 8305.2 (relating to election to
29 become Class T-E member) and further adjusted according
30 to paragraph (3), provided that a former annuitant of the

1 system or a former annuitant of the State Employees'
2 Retirement System who retired under a provision of law
3 granting additional service credit if termination of
4 school or State service or retirement occurred during a
5 specific period of time shall not be permitted to retain
6 the additional service credit under the prior law when
7 the annuity is computed for his most recent retirement;
8 or

9 (ii) an annuity (prior to optional modification)
10 calculated as if the former annuitant did not qualify to
11 have the effect on the frozen present value eliminated,
12 unless the former annuitant notifies the board in writing by
13 the later of the date the application for annuity is filed or
14 the effective date of retirement that the former annuitant
15 wishes to receive the lower annuity.

16 * * *

17 § 8348.1. Additional supplemental annuities.

18 * * *

19 (f) Funding.--The actuary shall annually certify the amount
20 of Commonwealth appropriations for the next fiscal year needed
21 to fund, over a period of [ten] 20 years from July 1, 2002, the
22 additional monthly supplemental annuity provided for in this
23 section. The board shall submit the actuary's certification to
24 the Secretary of the Budget on or before November 1 of each
25 year. If, in any year after 1984, the amount certified is
26 disapproved under section 610 of the act of April 9, 1929
27 (P.L.177, No.175), known as The Administrative Code of 1929, as
28 insufficient to meet the funding requirements of this subsection
29 or is not appropriated on or before July 1, the additional
30 supplemental annuity provided for in this section shall be

1 suspended until such time as an amount certified and approved as
2 sufficient is appropriated.

3 * * *

4 § 8348.2. Further additional supplemental annuities.

5 * * *

6 (f) Funding.--The actuary shall annually estimate the amount
7 of Commonwealth appropriations for the next fiscal year needed
8 to fund, over a period of [ten] 20 years from July 1, 2002, the
9 additional monthly supplemental annuity provided for in this
10 section. The board shall submit the actuary's estimation to the
11 Secretary of the Budget on or before November 1 of each year.
12 If, in any year after 1988, the amount estimated is disapproved
13 under section 610 of the act of April 9, 1929 (P.L.177, No.175),
14 known as The Administrative Code of 1929, as insufficient to
15 meet the funding requirements of this subsection or is not
16 appropriated on or before July 1, the additional supplemental
17 annuity provided for in this section shall be suspended until
18 such time as an amount certified and approved as sufficient is
19 appropriated.

20 * * *

21 § 8348.3. Supplemental annuities commencing 1994.

22 * * *

23 (f) Funding.--The additional liability for the increase in
24 benefits provided in this section shall be funded in equal
25 dollar annual installments over a period of [ten] 20 years
26 beginning July 1, 2002.

27 * * *

28 § 8348.5. Supplemental annuities commencing 1998.

29 * * *

30 (f) Funding.--The additional liability for the increase in

1 benefits provided in this section shall be funded in equal
2 dollar annual installments over a period of [ten] 20 years
3 beginning July 1, 2002. Notwithstanding the provisions of
4 section 212 of the act of April 22, 1998 (P.L.1341, No.6A),
5 known as the General Appropriation Act of 1998, regarding
6 payment for cost-of-living increases for annuitants, payments
7 for cost-of-living increases for annuitants shall be made under
8 section 8535 (relating to payments to school entities by
9 Commonwealth).

10 * * *

11 Section 7. Title 24 is amended by adding a section to read:

12 § 8348.6. Supplemental annuities commencing 2002.

13 (a) Benefits.--Commencing with the first monthly annuity
14 payment after July 1, 2002, any eligible benefit recipient shall
15 be entitled to receive a further additional monthly supplemental
16 annuity from the system. This shall be in addition to the
17 supplemental annuities provided for in sections 8348 (relating
18 to supplemental annuities), 8348.1 (relating to additional
19 supplemental annuities), 8348.2 (relating to further additional
20 supplemental annuities), 8348.3 (relating to supplemental
21 annuities commencing 1994) and 8348.5 (relating to supplemental
22 annuities commencing 1998).

23 (b) Amount of additional supplemental annuity.--The amount
24 of the additional monthly supplemental annuity shall be
25 determined on the basis of the most recent effective date of
26 retirement, as follows:

<u>MOST RECENT EFFECTIVE</u>	<u>PERCENTAGE FACTOR</u>
<u>DATE OF RETIREMENT</u>	
<u>July 2, 2000, through July 1, 2001</u>	<u>2.56%</u>
<u>July 2, 1999, through July 1, 2000</u>	<u>4.34%</u>

<u>July 2, 1998, through July 1, 1999</u>	<u>5.80%</u>
<u>July 2, 1997, through July 1, 1998</u>	<u>6.70%</u>
<u>July 2, 1988, through July 1, 1997</u>	<u>8%</u>
<u>July 2, 1983, through July 1, 1988</u>	<u>10%</u>
<u>July 2, 1980, through July 1, 1983</u>	<u>15%</u>
<u>before July 2, 1980</u>	<u>25%</u>

(c) Payment.--The additional monthly supplemental annuity provided under this section shall be paid automatically unless the intended recipient files a written notice with the system requesting that the additional monthly supplemental annuity not be paid.

(d) Conditions.--The additional supplemental annuity provided under this section shall be payable under the same terms and conditions as provided under the option plan in effect June 30, 2002.

(e) Benefits paid to beneficiaries or survivors.--No supplemental annuity effective after the death of the member shall be payable to the beneficiary or survivor annuitant of the deceased member.

(f) Funding.--The amount calculated by the actuary as necessary to fund the additional liability for the increase in benefits provided in this section shall be funded in equal dollar annual installments of 20 years beginning July 1, 2003.

(g) Definitions.--As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

"Eligible benefit recipient." A person who is receiving a superannuation, withdrawal or disability annuity and who commenced receipt of that annuity on or prior to July 1, 2001.

Section 8. Section 8521(b) of Title 24 is amended to read:

1 § 8521. Management of fund and accounts.

2 * * *

3 (b) Crediting of interest.--The board annually shall allow
4 statutory interest to the credit of the members' savings account
5 on the mean amount of the accumulated deductions of all members
6 for whom interest is payable for the preceding year [and
7 valuation], except that during a year in which the fund's time-
8 weighted rate of return for the previous year was less than the
9 actuarial interest rate assumption used in determining the
10 employer contribution rates for that year, the amount of
11 statutory interest credited to the individual accounts of Class
12 T-E members shall be reduced by an amount not to exceed one-half
13 the increase in employer contributions required on behalf of all
14 active members for the subsequent year, as initially calculated
15 in accordance with section 8328(a) (relating to actuarial cost
16 method). Beginning with the fiscal year ending June 30, 2004,
17 the board annually shall allow actual interest on the mean
18 amount of the annuity reserve account for the preceding year to
19 the credit of that account. The board annually shall allow
20 valuation interest calculated on the mean amount for the
21 preceding year of the balance in the State accumulation account
22 excluding any earnings of the fund credited to the account
23 during that year. In the event the total earnings for the year
24 do not exceed 5 1/2% of the mean amount for the preceding year
25 of the total assets of the fund less earnings credited to the
26 fund during that year plus the administrative expenses of the
27 board, the difference required to be appropriated from the
28 General Fund shall be credited to the State accumulation
29 account.

30 * * *

1 Section 9. The Public School Employees' Retirement Board
2 shall meet within 30 days of the effective date of this section
3 and recertify the employer contribution rate for fiscal year
4 2002-2003.

5 Section 10. This act shall take effect immediately.