

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2379 Session of
2008

INTRODUCED BY NICKOL, DeWEESE, DALEY, SCAVELLO, ADOLPH, BAKER, BASTIAN, BEAR, BELFANTI, BENNINGHOFF, BENNINGTON, BEYER, BIANCUCCI, BRENNAN, BROOKS, BUXTON, CALTAGIRONE, CAPPELLI, CARROLL, CASORIO, CAUSER, CLYMER, CONKLIN, COSTA, CREIGHTON, CURRY, DeLUCA, DENLINGER, DePASQUALE, DERMODY, DiGIROLAMO, DONATUCCI, ELLIS, J. EVANS, EVERETT, FABRIZIO, FAIRCHILD, FLECK, FRANKEL, FREEMAN, GABIG, GEORGE, GERGELY, GIBBONS, GINGRICH, GOODMAN, GRELL, GRUCELA, HALUSKA, HANNA, HARHAI, HARHART, HARKINS, HARPER, HARRIS, HELM, HENNESSEY, HERSHEY, HESS, HICKERNELL, HUTCHINSON, KAUFFMAN, M. KELLER, KENNEY, KOTIK, KULA, LENTZ, LONGIETTI, MACKERETH, MAHER, MAHONEY, MAJOR, MANDERINO, MANN, MARKOSEK, MARSHALL, MARSICO, McILHATTAN, McILVAINE SMITH, MICOZZIE, R. MILLER, MILNE, MOUL, MOYER, MUNDY, MURT, MUSTIO, NAILOR, M. O'BRIEN, O'NEILL, PALLONE, PAYNE, PEIFER, PETRARCA, PETRI, PHILLIPS, PICKETT, PRESTON, PYLE, QUIGLEY, QUINN, RAMALEY, RAPP, RAYMOND, READSHAW, REED, ROEBUCK, ROSS, RUBLEY, SABATINA, SAINATO, SAMUELSON, SANTONI, SAYLOR, SHAPIRO, SHIMKUS, SIPTROTH, K. SMITH, M. SMITH, SOLOBAY, SONNEY, STABACK, STAIRS, STEIL, STERN, R. STEVENSON, SURRA, SWANGER, J. TAYLOR, TRUE, VEREB, WAGNER, WALKO, WANSACZ, WATSON, J. WHITE, WOJNAROSKI, YEWIC, YUDICHAK, JOSEPHS, PASHINSKI, TANGRETTI, WHEATLEY, LEACH, SEIP, GEIST, KILLION, PERRY, MENSCH, R. TAYLOR, GERBER, BARRAR, McCALL AND KING,
APRIL 15, 2008

REFERRED TO COMMITTEE ON FINANCE, APRIL 15, 2008

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, further providing for
3 actuarial cost method; providing for supplemental annuities
4 commencing 2008 and for supplemental postretirement
5 adjustment of 2008; and further providing for annuity reserve
6 account and for supplemental annuity account.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

1 Section 1. Section 8328(b), (c)(1) and (d) of Title 24 of
2 the Pennsylvania Consolidated Statutes are amended to read:

3 § 8328. Actuarial cost method.

4 * * *

5 (b) Normal contribution rate.--The normal contribution rate
6 shall be determined after each actuarial valuation. Until all
7 accrued liability contributions have been completed, the normal
8 contribution rate shall be determined, on the basis of an annual
9 interest rate and such mortality and other tables as shall be
10 adopted by the board in accordance with generally accepted
11 actuarial principles, as a level percentage of the compensation
12 of the average new active member, which percentage, if
13 contributed on the basis of his prospective compensation through
14 the entire period of active school service, would be sufficient
15 to fund the liability for any prospective benefit payable to
16 him, in excess of that portion funded by his prospective member
17 contributions, except for the supplemental benefits provided in
18 sections 8348 (relating to supplemental annuities), 8348.1
19 (relating to additional supplemental annuities), 8348.2
20 (relating to further additional supplemental annuities), 8348.3
21 (relating to supplemental annuities commencing 1994), 8348.4
22 (relating to special supplemental postretirement adjustment),
23 8348.5 (relating to supplemental annuities commencing 1998),
24 8348.6 (relating to supplemental annuities commencing 2002)
25 [and], 8348.7 (relating to supplemental annuities commencing
26 2003) and 8348.8 (relating to supplemental annuities commencing
27 2008).

28 (c) Accrued liability contribution rate.--

29 (1) For the fiscal year beginning July 1, 2002, the
30 accrued liability contribution rate shall be computed as the

1 rate of total compensation of all active members which shall
2 be certified by the actuary as sufficient to fund over a
3 period of ten years from July 1, 2002, the present value of
4 the liabilities for all prospective benefits of active
5 members, except for the supplemental benefits provided in
6 sections 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6
7 [and], 8348.7 and 8348.8, in excess of the total assets in
8 the fund (calculated by recognizing the actuarially expected
9 investment return immediately and recognizing the difference
10 between the actual investment return and the actuarially
11 expected investment return over a five-year period),
12 excluding the balance in the annuity reserve account, and of
13 the present value of normal contributions and of member
14 contributions payable with respect to all active members on
15 July 1, 2002, during the remainder of their active service.

16 * * *

17 (d) Supplemental annuity contribution rate.--Contributions
18 from the Commonwealth and other employers required to provide
19 for the payment of the supplemental annuities provided for in
20 sections 8348, 8348.1, 8348.2, 8348.4 and 8348.5 shall be paid
21 over a period of ten years from July 1, 2002. The funding for
22 the supplemental annuities commencing 2002 provided for in
23 section 8348.6 shall be as provided in section 8348.6(f). The
24 funding for the supplemental annuities commencing 2003 provided
25 for in section 8348.7 shall be as provided in section 8348.7(f).
26 The funding for the supplemental annuities commencing 2008
27 provided for in section 8347.8 shall be as provided in section
28 8348.7(f). The amount of each annual supplemental annuities
29 contribution shall be equal to the amount of such contribution
30 for the fiscal year beginning July 1, 2002. In the event that

1 supplemental annuities are increased by legislation enacted
2 subsequent to June 30, 2002, the additional liability for the
3 increased benefits to be amortized shall be funded in equal
4 dollar annual installments over a period of [ten] twenty years.

5 * * *

6 Section 2. Title 24 is amended by adding a section to read:
7 § 8348.8. Supplemental annuities commencing 2008.

8 (a) Benefits.--Commencing with the first monthly annuity
9 payment after July 1, 2008, any eligible benefit recipient shall
10 be entitled to receive an additional monthly supplemental
11 annuity from the system. This shall be in addition to the
12 supplemental annuities provided for in sections 8348 (relating
13 to supplemental annuities), 8348.1 (relating to additional
14 supplemental annuities), 8348.2 (relating to further additional
15 supplemental annuities), 8348.3 (relating to supplemental
16 annuities commencing 1994), 8348.4 (relating to special
17 supplemental postretirement adjustment), 8348.5 (relating to
18 supplemental annuities commencing 1998), 8348.6 (relating to
19 supplemental annuities commencing 2002) and 8348.7 (relating to
20 supplemental annuities commencing 2003).

21 (b) Amount of supplemental annuity.--The amount of the
22 supplemental annuity payable pursuant to this section shall be a
23 percentage of the amount of the monthly annuity payment on July
24 1, 2008, determined on the basis of the most recent effective
25 date of retirement, as follows:

<u>Most recent effective date</u>	<u>Percentage factor</u>
<u>of retirement</u>	
<u>July 2, 2006, through July 1, 2007</u>	<u>2.67%</u>
<u>July 2, 2005, through July 1, 2006</u>	<u>4.01%</u>
<u>July 2, 2004, through July 1, 2005</u>	<u>5.85%</u>

July 2, 2003, through July 1, 2004	7.67%
July 2, 2002, through July 1, 2003	8.75%
July 1, 2001, through July 1, 2002	9.15%
July 2, 1997, through June 30, 2001	10.00%
July 2, 1990, through July 1, 1997	15.00%
Prior to July 2, 1990	25.00%

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

(d) Conditions.--The supplemental annuity provided under this section shall be payable under the same terms and conditions as provided under the option plan in effect as of July 1, 2008.

(e) Benefits to beneficiaries or survivors.--No supplemental annuity provided under this section shall be payable to the beneficiary or survivor annuitant of a member who dies before July 1, 2008.

(f) Funding.--The additional liability for the increase under benefits provided in this section shall be funded in equal dollar annual installments over a period of 20 years beginning July 1, 2009.

(g) Eligible benefit recipient.--As used in this section, the term "eligible benefit recipient" means a person who is receiving a superannuation, withdrawal or disability annuity on July 1, 2008; whose most recent effective date of retirement is prior to July 2, 2007, but the supplemental annuities provided under this section shall not be payable to an annuitant receiving a withdrawal annuity prior to the first day of July coincident with or following the annuitant's attainment of

1 superannuation age.

2 Section 3. Section 8525(a) of Title 24 is amended to read:

3 § 8525. Annuity reserve account.

4 (a) Credits and charges to account.--The annuity reserve
5 account shall be the ledger account to which shall be credited
6 the reserves held for the payment of annuities and death
7 benefits on account of all annuitants and the contributions from
8 the Commonwealth and other employers as determined in accordance
9 with section 8328 (relating to actuarial cost method) for the
10 payment of the supplemental annuities provided in sections 8348
11 (relating to supplemental annuities), 8348.1 (relating to
12 additional supplemental annuities), 8348.2 (relating to further
13 additional supplemental annuities), 8348.3 (relating to
14 supplemental annuities commencing 1994), 8348.4 (relating to
15 special supplemental postretirement adjustment), 8348.5
16 (relating to supplemental annuities commencing 1998), 8348.6
17 (relating to supplemental annuities commencing 2002) [and],
18 8348.7 (relating to supplemental annuities commencing 2003) and
19 8348.8 (relating to supplemental annuities commencing 2008). The
20 annuity reserve account shall be credited with valuation
21 interest. After the transfers provided in sections 8523
22 (relating to members' savings account) and 8524 (relating to
23 State accumulation account), all annuity and death benefit
24 payments shall be charged to the annuity reserve account and
25 paid from the fund.

26 * * *

27 Section 4. Section 5508(b), (c)(1) and (e) of Title 71 are
28 amended to read:

29 § 5508. Actuarial cost method.

30 * * *

1 (b) Employer normal contribution rate.--The employer normal
2 contribution rate shall be determined after each actuarial
3 valuation on the basis of an annual interest rate and such
4 mortality and other tables as shall be adopted by the board in
5 accordance with generally accepted actuarial principles. The
6 employer normal contribution rate shall be determined as a level
7 percentage of the compensation of the average new active member,
8 which percentage, if contributed on the basis of his prospective
9 compensation through his entire period of active State service,
10 would be sufficient to fund the liability for any prospective
11 benefit payable to him, except for the supplemental benefits
12 provided for in sections 5708 (relating to supplemental
13 annuities), 5708.1 (relating to additional supplemental
14 annuities), 5708.2 (relating to further additional supplemental
15 annuities), 5708.3 (relating to supplemental annuities
16 commencing 1994), 5708.4 (relating to special supplemental
17 postretirement adjustment), 5708.5 (relating to supplemental
18 annuities commencing 1998), 5708.6 (relating to supplemental
19 annuities commencing 2002), 5708.7 (relating to supplemental
20 annuities commencing 2003) [and], 5708.8 (relating to special
21 supplemental postretirement adjustment of 2002) and 5708.9
22 (relating to supplemental postretirement adjustment of 2008), in
23 excess of that portion funded by his prospective member
24 contributions.

25 (c) Accrued liability contribution rate.--

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

1 the liabilities for all prospective benefits, except for the
2 supplemental benefits as provided in sections 5708, 5708.1,
3 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 [and] 5708.8
4 and 5708.9, in excess of the total assets in the fund
5 (calculated recognizing all investment gains and losses over
6 a five-year period), excluding the balance in the
7 supplemental annuity account, and the present value of
8 employer normal contributions and of member contributions
9 payable with respect to all active members on December 31,
10 2001, and excluding contributions to be transferred by county
11 retirement systems or pension plans pursuant to section
12 5507(c) (relating to contributions by the Commonwealth and
13 other employers). The amount of each annual accrued liability
14 contribution shall be equal to the amount of such
15 contribution for the fiscal year beginning July 1, 2002,
16 except that, if the accrued liability is increased by
17 legislation enacted subsequent to June 30, 2002, but before
18 July 1, 2003, such additional liability shall be funded over
19 a period of ten years from the first day of July, coincident
20 with or next following the effective date of the increase.
21 The amount of each annual accrued liability contribution for
22 such additional legislative liabilities shall be equal to the
23 amount of such contribution for the first annual payment.

24 * * *

25 (e) Supplemental annuity contribution rate.--Contributions
26 from the Commonwealth required to provide for the payment of
27 supplemental annuities as provided in sections 5708, 5708.1,
28 5708.2, 5708.3, 5708.4 and 5708.5 shall be paid over a period of
29 ten years from July 1, 2002. The funding for the supplemental
30 annuities commencing 2002 provided for in section 5708.6 shall

1 be as provided in section 5708.6(f). The funding for the
2 supplemental annuities commencing 2003 provided for in section
3 5708.7 shall be as provided in section 5708.7(f). The funding
4 for the special supplemental postretirement adjustment of 2002
5 under section 5708.8 shall be as provided in section 5708.8(g).
6 The funding for the supplemental postretirement adjustment of
7 2008 under section 5708.9 shall be as provided in section
8 5708.9(f). The amount of each annual supplemental annuities
9 contribution shall be equal to the amount of such contribution
10 for the fiscal year beginning July 1, 2002. In the event that
11 supplemental annuities are increased by legislation enacted
12 subsequent to June 30, 2002, the additional liability for the
13 increase in benefits shall be funded in equal dollar annual
14 installments over a period of [ten] twenty years from the July
15 first, coincident with or next following the effective date of
16 such legislation.

17 * * *

18 Section 5. Title 71 is amended by adding a section to read:
19 § 5708.9 Supplemental postretirement adjustment of 2008.

20 (a) Benefits.--Commencing with the first monthly annuity
21 payment after July 1, 2008, any eligible benefit recipient shall
22 be entitled to receive an additional monthly supplemental
23 annuity from the system. This shall be in addition to the
24 supplemental annuities provided for in sections 5708 (relating
25 to supplemental annuities), 5708.1 (relating to additional
26 supplemental annuities), 5708.2 (relating to further additional
27 supplemental annuities), 5708.3 (relating to supplemental
28 annuities commencing 1994), 5708.5 (relating to supplemental
29 annuities commencing 1998), 5708.6 (relating to supplemental
30 annuities commencing 2002), 5708.7 (relating to supplemental

annuities commencing 2003) and the special supplemental postretirement adjustment provided for in sections 5708.4 (relating to special supplemental postretirement adjustment) and 5708.8 (relating to additional special supplemental postretirement adjustment of 2002).

(b) Amount of supplemental annuity.--The amount of the supplemental annuity payable pursuant to this section shall be a percentage of the amount of the monthly annuity payment on July 1, 2008, determined on the basis of the most recent effective date of retirement, as follows:

<u>Most recent effective date</u> <u>of retirement</u>	<u>Percentage factor</u>
<u>July 2, 2006, through July 1, 2007</u>	<u>2.67%</u>
<u>July 2, 2005, through July 1, 2006</u>	<u>4.01%</u>
<u>July 2, 2004, through July 1, 2005</u>	<u>5.85%</u>
<u>July 2, 2003, through July 1, 2004</u>	<u>7.67%</u>
<u>July 2, 2002, through July 1, 2003</u>	<u>8.75%</u>
<u>July 1, 2001, through July 1, 2002</u>	<u>9.15%</u>
<u>July 2, 1997, through June 30, 2001</u>	<u>10.00%</u>
<u>July 2, 1990, through July 1, 1997</u>	<u>15.00%</u>
<u>Prior to July 2, 1990</u>	<u>25.00%</u>

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

(d) Conditions.--The supplemental annuity provided under this section shall be payable under the same terms and conditions as provided under the option plan in effect as of July 1, 2008.

(e) Benefits to beneficiaries or survivors.--No supplemental

annuity provided under this section shall be payable to the beneficiary or survivor annuitant of a member who dies before July 1, 2008.

(f) Funding.--The additional liability for the increase in benefits provided under this section shall be funded in equal dollar annual installments over a period of 20 years beginning July 1, 2009.

(g) Eligible benefit recipient.--As used in this section, the term "eligible benefit recipient" means a person who is receiving a superannuation, withdrawal or disability annuity on July 1, 2008, and whose most recent effective date of retirement is prior to July 2, 2007. Notwithstanding the above, the supplemental annuities provided under this section shall not be payable to an annuitant receiving a superannuation or withdrawal annuity prior to the first day of July coincident with or following the annuitant's attainment of superannuation age.

Section 6. Section 5938 of Title 71 is amended to read:

§ 5938. 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 5507(b) (relating to contributions by the Commonwealth and other employers) for the payment of the supplemental annuities provided in sections 5708 (relating to supplemental annuities), 5708.1 (relating to additional supplemental annuities), 5708.2 (relating to further additional supplemental annuities), 5708.3 (relating to supplemental annuities commencing 1994), 5708.4 (relating to special supplemental postretirement adjustment), 5708.5 (relating to supplemental annuities commencing 1998), 5708.6 (relating to supplemental annuities commencing 2002), 5708.7

1 (relating to supplemental annuities commencing 2003) [and],
2 5708.8 (relating to special supplemental postretirement
3 adjustment of 2002) and 5708.9 (relating to supplemental
4 postretirement adjustment of 2008). The supplemental annuity
5 account shall be credited with valuation interest. The reserves
6 necessary for the payment of such supplemental annuities shall
7 be transferred from the supplemental annuity account to the
8 annuity reserve account as provided in section 5935 (relating to
9 annuity reserve account).

10 Section 7. This act shall take effect immediately.