

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2594 Session of  
2010

INTRODUCED BY GODSHALL, GERBER, GOODMAN AND SIPTROTH,  
JUNE 22, 2010

REFERRED TO COMMITTEE ON FINANCE, JUNE 22, 2010

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania  
2 Consolidated Statutes, further providing for member's  
3 options; and providing for Option 5 annual supplemental  
4 annuities commencing 2010.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 hereby enacts as follows:

7 Section 1. Section 5705(a) of Title 71 of the Pennsylvania  
8 Consolidated Statutes is amended by adding a paragraph to read:

9 § 5705. Member's options.

10 (a) General rule.--Any special vestee who has attained  
11 superannuation age, any vestee having five or more eligibility  
12 points, any member with Class G, Class H, Class I, Class J,  
13 Class K, Class L, Class M or Class N service having five or more  
14 eligibility points or any other eligible member upon termination  
15 of State service who has not withdrawn his total accumulated  
16 deductions as provided in section 5701 (relating to return of  
17 total accumulated deductions) may apply for and elect to receive  
18 either a maximum single life annuity, as calculated in  
19 accordance with the provisions of section 5702 (relating to

1 maximum single life annuity), or a reduced annuity certified by  
2 the actuary to be actuarially equivalent to the maximum single  
3 life annuity and in accordance with one of the following  
4 options; except that no member shall elect an annuity payable to  
5 one or more survivor annuitants other than his spouse or  
6 alternate payee of such a magnitude that the present value of  
7 the annuity payable to him for life plus any lump sum payment he  
8 may have elected to receive is less than 50% of the present  
9 value of his maximum single life annuity:

10 \* \* \*

11 (5) Option 5.--A benefit which shall be certified by the  
12 actuary to be actuarially equivalent to the maximum single  
13 life annuity, subject to the following restrictions:

14 (i) any annuity shall be payable without reduction  
15 during the lifetime of the member;

16 (ii) the sum of all annuities payable to the  
17 designated survivor annuitants shall not be greater than  
18 one and one-half times the annuity payable to the member;  
19 and

20 (iii) a portion of the benefit shall be payable as  
21 annual supplemental annuities under section 5708.9  
22 (relating to Option 5 annual supplemental annuities  
23 commencing 2010) if the member elects to have the total  
24 accumulated deductions standing to the member's credit  
25 retained by the fund and transferred from the member's  
26 savings account to the annuity reserve account in  
27 accordance with section 5933(b) (relating to members'  
28 savings account). The balance of the present value of the  
29 maximum single life annuity adjusted in accordance with  
30 section 5702(b) shall be paid in the form of an annuity

1       with a guaranteed total payment, a single life annuity,  
2       or a joint and survivor annuity, or any combination  
3       thereof, but subject to the restrictions of subparagraphs  
4       (i) and (ii) under this option.

5               \* \* \*

6       Section 2. Title 71 is amended by adding a section to read:  
7       § 5708.9. Option 5 annual supplemental annuities commencing  
8       2010.

9       (a) Benefits.--Commencing with the first monthly annuity  
10      payment after July 1, 2010, and annually thereafter, any Option  
11      5 benefit recipient shall be entitled to receive monthly  
12      supplemental annuities from the system.

13      (b) Amounts of supplemental annuities.--Beginning July 1,  
14      2010, and annually thereafter, the amounts of the supplemental  
15      annuities payable pursuant to this section shall be calculated  
16      by applying the lesser of 3% or the percentage change in the  
17      Consumer Price Index for All Urban Consumers (CPI-U) for the  
18      Pennsylvania, New Jersey, Delaware and Maryland area, for the  
19      most recent 12-month period for which figures have been  
20      officially reported by the United States Department of Labor,  
21      Bureau of Labor Statistics, immediately prior to the date the  
22      adjustment is due to take effect, to the then-current annuity  
23      amount.

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

29      (d) Benefits paid to beneficiaries or survivors.--No  
30      supplemental annuity effective after the death of a member shall

1 be payable to the beneficiary or survivor annuitant of the  
2 deceased member.

3 (e) Limitation.--No supplemental annuity shall be payable  
4 under this section to an Option 5 benefit recipient prior to the  
5 first day of July coincident with or following the recipient's  
6 attainment of superannuation age.

7 (f) Definition.--As used in this section, the term "Option 5  
8 benefit recipient" means a member who is receiving a benefit  
9 under section 5705(a)(5) (relating to member's options) and  
10 whose most recent effective date of retirement is prior to July  
11 1 of the calendar year immediately preceding the year in which  
12 the supplemental annuity is paid.

13 Section 3. This act shall take effect immediately.