

AMENDMENTS TO HOUSE BILL NO. 1460

Sponsor: SENATOR BROWNE

Printer's No. 2810

1 Amend Bill, page 1, lines 1 through 8, by striking out all of
2 said lines and inserting

3 Amending Titles 24 (Education) and 71 (State Government) of the
4 Pennsylvania Consolidated Statutes as follows:

5 In Title 24:

6 for retirement for school employees, in preliminary
7 provisions, further providing for definitions; in
8 membership, contributions and benefits, providing for
9 nonparticipatory employer withdraw liability and further
10 providing for actuarial cost method; in School Employees'
11 Defined Contribution Plan, further providing for vesting;
12 and, in administration and miscellaneous provisions,
13 further providing for administrative duties of board, for
14 payments to school entities by Commonwealth commencing
15 with the 2019-2020 school year and providing for
16 delinquent payments.

17 In Title 71:

18 for retirement for State employees and officers, in
19 membership, credited service, classes of service and
20 eligibility for benefits regarding administration of the
21 State Employees' Retirement Fund, further providing for
22 election to become a Class A-6 member or solely a
23 participant in the plan and for eligibility for death
24 benefits; in benefits, further providing for maximum
25 single life annuity; and, in administration of funds,
26 accounts and general provisions, further providing for
27 administrative duties of the board.

28 Amend Bill, page 1, lines 11 and 12, by striking out all of
29 said lines and inserting

30 Section 1. The definitions of "eligible annuitants" and
31 "eligibility points" in section 8102 of Title 24 of the
32 Pennsylvania Consolidated Statutes are amended and the section
33 is amended by adding a definition to read:
34 § 8102. Definitions.

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

meanings given to them in this section:

* * *

"Eligible annuitants." All current and prospective annuitants of the system and Class DC participants receiving distributions with 24 1/2 or more eligibility points and all current and prospective disability annuitants. Beginning January 1, 1995, "eligible annuitants" shall include members with 15 or more eligibility points who terminated or who terminate school service on or after attaining superannuation retirement age and who are annuitants with an effective date of retirement after superannuation age.

"Eligibility points." Points which are accrued by an active member, a participant, a multiple service member who is an active member of the State Employees' Retirement System for credited service or by a member or participant who has been reemployed from USERRA leave or dies while performing USERRA leave and are used in the determination of eligibility for benefits as provided in section 8306 (relating to eligibility points). A participant shall earn one eligibility point for each fiscal year in which the participant contributes to the trust. Eligibility points earned by Class T-G or Class T-H participants shall apply only for purposes of determining vesting of employer defined contributions under section 8409(b) (relating to vesting).

* * *

"Employer defined contribution rate." For Class T-G service, the rate of 2.25% applied to Class T-G compensation. For Class T-H service, the rate of 2.0% applied to Class T-H compensation. For Class DC participants, the rate of 2.0% applied to Class DC compensation.

* * *

Section 2. Title 24 is amended by adding a section to read:
§ 8327.1. Nonparticipating employer withdrawal liability.

(a) General rule.--A nonparticipating employer is liable to the system for withdrawal liability in the amount determined under subsection (c). A nonparticipating employer is an employer that is determined by the board to have ceased:

(1) covered operations under the system; or

(2) to have an obligation to contribute under the system for all or any of the employer's school employees but continues covered operations.

(b) Determination.--An employer shall, within the time prescribed by the board in a written request, furnish such information as the board deems necessary to administer this section and to determine whether an employer is a nonparticipating employer. If the board determines that an employer is a nonparticipating employer, the board shall:

(1) Determine the nonparticipation date.

(2) Determine the amount of the employer's withdrawal liability.

(3) Notify the employer of the amount of the withdrawal

1 liability.
2 (4) Collect the amount of the withdrawal liability.
3 (c) Calculation of withdrawal liability.--A nonparticipating
4 employer's withdrawal liability shall be determined as of the
5 employer's nonparticipation date and shall be calculated as
6 follows:
7 (1) For a nonparticipating employer under subsection (a)
8 (1), the excess of the actuarial present value of the vested
9 accrued benefits of the system's members over the market
10 value of assets, both as of the date of the last actuarial
11 valuation adopted by the board prior to the employer's
12 nonparticipation date shall be multiplied by a withdrawal
13 fraction calculated as follows:
14 (i) The numerator of the withdrawal fraction shall
15 be the total present value of accrued benefits of all
16 active members of the employer.
17 (ii) The denominator of the withdrawal fraction
18 shall be the total present value of accrued benefits of
19 all active members of the system.
20 (2) For a nonparticipating employer under subsection (a)
21 (2), the excess of the actuarial accrued liability of the
22 system's members over the market value of assets, both as of
23 the date of the last actuarial valuation adopted by the board
24 prior to the employer's nonparticipation date shall be
25 multiplied by a withdrawal fraction calculated as follows:
26 (i) The numerator of the withdrawal fraction shall
27 be the total present value of accrued benefits of all
28 active members of the employer.
29 (ii) The denominator of the withdrawal fraction
30 shall be the total present value of accrued benefits of
31 all active members of the system.
32 (d) Value of benefits.--The actuarial present value of the
33 vested accrued benefits and total present value of accrued
34 benefits shall be determined based on the unit credit actuarial
35 cost method, applying the system's provisions and actuarial
36 assumptions used in the last actuarial valuation adopted by the
37 board prior to the nonparticipation date. The actuarial accrued
38 liability shall be determined based on the same actuarial cost
39 method used to determine the actuarially required contribution
40 rate in section 8328(i) (relating to actuarial cost method),
41 applying the system's provisions and actuarial assumptions used
42 in the last actuarial valuation adopted by the board prior to
43 the nonparticipation date.
44 (e) Interest rate assumption.--For purposes of calculating
45 the withdrawal liability in subsection (c)(1):
46 (1) For a nonparticipating employer under subsection (a)
47 (1), the interest rate assumption shall be reduced by an
48 amount determined by the actuary to reflect the increased
49 investment, mortality and other actuarial risk associated
50 with the accrued benefit of the members of the
51 nonparticipating employer on a basis approved by the board.

1 (2) For a nonparticipating employer under subsection (a)
2 (2), the interest rate assumption shall be the same annual
3 interest rate used to determine the annual normal
4 contribution rate under section 8328(b) as of the date of the
5 last actuarial valuation adopted by the board prior to the
6 employer's nonparticipation date.

7 (f) Payment.--A nonparticipating employer shall pay the
8 withdrawal liability as follows:

9 (1) The withdrawal liability for a nonparticipating
10 employer under subsection (a) (1) shall be paid in a lump sum
11 no later than the time prescribed by the board in the notice
12 of the amount of the withdrawal liability.

13 (2) The withdrawal liability for a nonparticipating
14 employer under subsection (a) (2) shall be paid based on the
15 schedule and method of payment determined by the board. In
16 addition, the obligations of such nonparticipating employer
17 under this section shall not impair the obligation of the
18 nonparticipating employer to continue to pay the employer
19 contribution rate under section 8328 as adjusted for the
20 withdrawal liability. For purposes of this section, the board
21 may determine whether a member should be treated as being
22 employed by a single employer, regardless of whether the
23 employer is a nonparticipating employer. In making such
24 determination, the board may rely on the provisions of
25 section 414(b), (c) and (m) of the Internal Revenue Code of
26 1986 (Public Law 99-514, 26 U.S.C. § 414(b), (c) and (m)) and
27 corresponding regulations or may establish other relevant
28 factors the board deems necessary.

29 (3) The board is authorized to pursue all causes of
30 action and collection remedies as permitted under applicable
31 law to collect the withdrawal liability and to seek relief
32 under section 8327(b) (relating to payments by employers)
33 each without regard to whether the nonparticipating employer
34 has ceased all operations.

35 Section 3. Sections 8328(a), 8409(b) (3) and 8501(a) of Title
36 24 are amended to read:

37 § 8328. Actuarial cost method.

38 (a) Employer contribution rate.--The amount of the total
39 employer contributions shall be computed by the actuary as a
40 percentage of the total compensation of all active members and
41 active participants, as applicable, during the period for which
42 the amount is determined and shall be so certified by the board.
43 The total employer contribution rate shall be the sum of
44 paragraphs (1), (2) and (3) divided by the total compensation of
45 all active members and active participants:

46 (1) the final contribution [rate as] amount computed by
47 multiplying the final contribution rate calculated in
48 subsection (h) [plus] by the total compensation of all active
49 members;

50 (2) the premium assistance contribution [rate as
51 computed in subsection (f). The actuarially required

1 contribution rate shall consist of the normal contribution
2 rate as defined in subsection (b), the accrued liability
3 contribution rate as defined in subsection (c) and the
4 supplemental annuity contribution rate as defined in
5 subsection (d). Beginning July 1, 2004, the actuarially
6 required contribution rate shall be modified by the
7 experience adjustment factors as calculated in subsection
8 (e).] amount computed by multiplying the premium assistance
9 contribution rate calculated in subsection (f) by the total
10 compensation of all active members and active participants;
11 and

12 (3) the employer defined contribution amount computed by
13 multiplying the employer defined contribution rate by the
14 compensation of the corresponding active participants. The
15 actuarially required contribution shall be no less than the
16 normal cost plus the cost to fully amortize the unfunded
17 actuarial accrued liability calculated using actuarial
18 methods and assumptions that are consistent with generally
19 accepted actuarial standards and generally accepted
20 accounting principles, including professional actuarial
21 standards of practice.

22 * * *

23 § 8409. Vesting.

24 * * *

25 (b) Employer defined contributions.--

26 * * *

27 (3) Nonvested employer defined contributions, including
28 interest and investment gains and losses that are forfeited
29 by a participant, shall be [applied to the participant's most
30 recent employer's obligations assessed in future years]
31 retained by the board and used for the payment of expenses of
32 the plan.

33 * * *

34 § 8501. Public School Employees' Retirement Board.

35 (a) Status and membership.--The board shall be an
36 independent administrative board and shall consist of 15
37 members: the Secretary of Education, ex officio; the State
38 Treasurer, ex officio; the Secretary of Banking and Securities,
39 ex officio; two Senators; two members of the House of
40 Representatives; the executive secretary of the Pennsylvania
41 School Boards Association, ex officio; one to be appointed by
42 the Governor; three to be elected by the active professional
43 members of the system and active professional participants in
44 the plan from among their number; one to be elected by
45 annuitants or Class DC participants in the plan who have
46 terminated school service and are receiving [or are eligible to
47 receive] distributions from among their number; one to be
48 elected by the active nonprofessional members of the system or
49 active nonprofessional participants in the plan from among their
50 number; and one to be elected by members of Pennsylvania public
51 school boards from among their number. The appointments made by

1 the Governor shall be confirmed by the Senate and each election
2 shall be conducted in a manner approved by the board. The terms
3 of the appointed and nonlegislative elected members shall be
4 three years. The members from the Senate shall be appointed by
5 the President pro tempore of the Senate and shall consist of one
6 member from the majority and one member from the minority. The
7 members from the House of Representatives shall be appointed by
8 the Speaker of the House of Representatives and shall consist of
9 one member from the majority and one member from the minority.
10 The legislative members shall serve on the board for the
11 duration of their legislative terms and shall continue to serve
12 until 30 days after the convening of the next regular session of
13 the General Assembly after the expiration of their respective
14 legislative terms or until a successor is appointed for the new
15 term, whichever occurs first. The chairman of the board shall be
16 elected by the board members. Each ex officio member of the
17 board and each legislative member of the board may appoint a
18 duly authorized designee to act in his stead. In the event that
19 a board member, who is designated as an active participant or as
20 the participant in the plan who is receiving or is eligible to
21 receive distributions, receives a total distribution of the
22 board member's interest in the plan, that board member may
23 continue to serve on the board for the remainder of his term.

24 * * *

25 Section 4. Section 8502 of Title 24 is amended by adding a
26 subsection to read:

27 Amend Bill, page 3, by inserting between lines 18 and 19

28 Section 5. Section 8535.1 of Title 24 is amended to read:

29 § 8535.1. Payments to school entities by Commonwealth

30 commencing with the 2019-2020 school year.

31 For each school year, beginning with the 2019-2020 school
32 year, each school entity shall be paid by the Commonwealth for
33 contributions based upon school service of active members of the
34 system and active participants of the plan after June 30, 2018,
35 as follows:

36 * * *

37 [(4) Employers whose payments to the Public School
38 Employees' Retirement Fund are delinquent shall be charged
39 interest by the Public School Employees' Retirement Fund at
40 the annual interest rate adopted by the board under section
41 8328 in effect in the fiscal year in which the payments are
42 required to be paid.]

43 Section 6. Title 24 is amended by adding a section to read:

44 § 8535.2. Delinquent payments.

45 Employers whose payments to the Public School Employees'
46 Retirement Fund are delinquent shall be charged interest by the
47 Public School Employees' Retirement Fund at the annual interest
48 rate adopted by the board under section 8328 (relating to
49 actuarial cost method) in effect in the fiscal year in which the

1 payments are required to be paid.

2 Section 7. Sections 5306.4(c) and (d), 5310 and 5702(a)(1)
3 of Title 71, amended or added June 12, 2017 (P.L.11, No.5), are
4 amended to read:

5 § 5306.4. Election to become a Class A-6 member or solely a
6 participant in the plan.

7 * * *

8 (c) Effect of election to be a Class A-6 member.--An
9 election to become a Class A-6 member shall be irrevocable and
10 shall become effective on the effective date of membership in
11 the system and shall remain in effect for all future creditable
12 State service, other than service performed as a Class A-5
13 exempt employee. Payment and adjustment of regular member
14 contributions and mandatory pickup participant contributions for
15 Class A-5 State service and for Class A-6 State service
16 performed prior to the election of Class A-6 membership shall be
17 made in a form, manner and time determined by the board. Upon
18 termination and subsequent reemployment, a member who elected
19 Class A-6 membership shall be credited as a Class A-6 member for
20 creditable State service performed after reemployment, except as
21 a Class A-5 exempt employee, regardless of termination of
22 employment, termination of membership by withdrawal of
23 accumulated deductions or status as an annuitant, vestee or
24 inactive member after the termination of service.

25 (d) Effect of election to be solely a participant in the
26 plan.--An election to become solely a participant in the plan
27 shall be irrevocable and shall become effective on the date that
28 membership in the system would have been effective had the
29 election not been made and shall remain in effect for all future
30 State service, other than service performed as a Class A-5
31 exempt employee. [Payment] Adjustment of regular member
32 contributions for Class A-5 State service and payment of
33 mandatory participant pickup contributions for service solely as
34 a participant in the plan performed prior to the election shall
35 be made in a form, manner and time determined by the board. Upon
36 termination and subsequent reemployment, a State employee who
37 elected to be solely a participant in the plan shall resume
38 active participation for State service performed after
39 reemployment, except as a Class A-5 exempt employee, regardless
40 of termination of employment, termination of participation by a
41 partial or total distribution of vested total defined
42 contributions or status as an annuitant, vestee or inactive
43 member of the system as a Class A-5 exempt employee after the
44 termination of service.

45 * * *

46 § 5310. Eligibility for death benefits.

47 In the event of the death of a member who is eligible for an
48 annuity in accordance with section 5308(a) or (b) (relating to
49 eligibility for annuities), his beneficiary shall be entitled to
50 a death benefit. [For purposes of this section, a member with
51 ten or more eligibility points shall be considered eligible for

1 an annuity based on Class A-5 service or Class A-6 service even
2 if under superannuation age.]

3 § 5702. Maximum single life annuity.

4 (a) General rule.--Any full coverage member who is eligible
5 to receive an annuity pursuant to the provisions of section
6 5308(a) or (b) (relating to eligibility for annuities) who
7 terminates State service, or if a multiple service member who is
8 a school employee who is an active member of the Public School
9 Employees' Retirement System who terminates school service,
10 before attaining age 70 shall be entitled to receive a maximum
11 single life annuity attributable to his credited service and
12 equal to the sum of the following single life annuities
13 beginning at the effective date of retirement:

14 (1) A single life annuity that is the sum of the
15 standard single life annuities determined separately for each
16 class of service multiplied by the appropriate class of
17 service multiplier applicable to each standard single life
18 annuity. In case the member on the effective date of
19 retirement is under superannuation age for any service, a
20 reduction factor calculated to provide benefits actuarially
21 equivalent to an annuity starting at superannuation age and
22 subject to the provisions of subsection [(e)] (f) shall be
23 applied to the product determined for that service: Provided,
24 however, That any standard single life annuity resulting from
25 Class A-5 service shall be reduced by a percentage determined
26 by multiplying the number of months, including a fraction of
27 a month as a full month, by which the effective date of
28 retirement precedes superannuation age by 0.25% if the
29 effective date of retirement is on or after the date the
30 member has attained age 57 and the member has 25 or more
31 eligibility points, and that any standard single life annuity
32 resulting from Class A-6 service shall be reduced by a
33 percentage determined by multiplying the number of months,
34 including a fraction of a month as a full month, by which the
35 effective date of retirement precedes superannuation age by
36 0.25% if the effective date of retirement is on or after the
37 date the member has attained age 62 and the member has 25 or
38 more eligibility points. The class of service multiplier for
39 any period of concurrent service shall be multiplied by the
40 proportion of total State and school compensation during such
41 period attributable to State service as a member of the
42 system. In the event a member has two multipliers for one
43 class of service, separate standard single life annuities
44 shall be calculated for the portion of service in the class
45 applicable to each class of service multiplier.

46 * * *

47 Amend Bill, page 3, line 19, by striking out "2" and
48 inserting

1 Amend Bill, page 5, line 16, by striking out "3" and
2 inserting
3 9