

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1269 Session of
1998

INTRODUCED BY ROBBINS, SLOCUM, BELL, EARLL, WENGER, BRIGHTBILL,
TOMLINSON, MUSTO, LEMMOND, LAVALLE, JUBELIRER, HOLL, LOEPER,
KASUNIC, WILLIAMS, COSTA, STOUT, RHOADES, THOMPSON,
SALVATORE, TARTAGLIONE, KUKOVICH, HART, MELLOW, CONTI,
ULIANA, CORMAN, WAGNER, WHITE, BODACK, GERLACH, WOZNIAK,
STAPLETON, PUNT, O'PAKE, HELFRICK, AFFLERBACH, MADIGAN,
GREENLEAF, SCHWARTZ, MURPHY, TILGHMAN AND PICCOLA,
FEBRUARY 2, 1998

REFERRED TO FINANCE, FEBRUARY 2, 1998

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated
2 Statutes, providing for a supplemental annuity; adding
3 definitions; further providing for actuarial cost method, for
4 set-aside special contribution rates and for annuity reserve
5 account; and providing for a supplemental annuity reserve
6 account.

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

9 Section 1. The definition of "valuation interest" in section
10 8102 of Title 24 of the Pennsylvania Consolidated Statutes is
11 amended and the section is amended by adding definitions to
12 read:

13 § 8102. Definitions.

14 The following words and phrases when used in this part shall
15 have, unless the context clearly indicates otherwise, the
16 meanings given to them in this section:

17 * * *

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

7 * * *

8 "Time-weighted rate of return." The fund's total investment
9 return, expressed as a percentage, including both realized and
10 unrealized gains and losses, based on the actuarial value of
11 assets used for determining annual contribution rates.

12 "Valuation interest." Interest at 5 1/2% per annum,
13 compounded annually and applied to all accounts other than the
14 members' savings account and the supplemental annuity reserve
15 account.

16 * * *

17 Section 2. Section 8328(c) and (d) of Title 24 are amended
18 to read:

19 § 8328. Actuarial cost method.

20 * * *

21 (c) Accrued liability contribution rate.--For the fiscal
22 year beginning July 1, 1991, the accrued liability contribution
23 rate shall be computed as the rate of total compensation of all
24 active members which shall be certified by the actuary as
25 sufficient to fund over a period of 20 years from July 1, 1991,
26 the present value of the liabilities for all prospective
27 benefits of active members, except for the supplemental benefits
28 provided in sections 8348, 8348.1, 8348.2 [and], 8348.3, 8348.4
29 (relating to special supplemental postretirement adjustment) and
30 8348.5 (relating to supplemental annuities commencing 1998), in

1 excess of the total assets in the fund, excluding the balance in
2 the annuity reserve account and the balance in the supplemental
3 annuity reserve account, and of the present value of normal
4 contributions and of member contributions payable with respect
5 to all active members on July 1, 1991, during the remainder of
6 their active service. Thereafter, the amount of each annual
7 accrued liability contribution shall be 5% greater than the
8 amount of such contribution for the previous fiscal year, except
9 that, if the accrued liability is increased by legislation
10 enacted subsequent to July 1, 1991, such additional liability
11 shall be funded over a period of 20 years from the first day of
12 July, coincident with or next following the effective date of
13 the increase, provided that the liability for any additional
14 benefits created by this act, except for the health insurance
15 premium assistance program established in section 8509 (relating
16 to health insurance premium assistance program), shall be funded
17 over a period of 20 years commencing July 1, 1992. The amount of
18 each annual accrued liability contribution for such additional
19 legislative liabilities shall be 5% greater than the amount of
20 such contribution for the previous fiscal year.

21 (d) Supplemental annuity contribution rate.--Contributions
22 from the Commonwealth and other employers required to provide
23 for the payment of the supplemental annuities provided for in
24 sections 8348, 8348.1 and 8348.2 shall be paid over a period of
25 20 years from July 1, 1991. The amount of each annual
26 supplemental annuities contribution shall be 5% greater than the
27 amount of such contribution for the previous fiscal year. In the
28 event that supplemental annuities are increased by legislation
29 enacted subsequent to July 1, 1991, the additional liability for
30 the increased benefits shall be funded in annual installments

1 increasing by 5% each year over a period of 20 years from the
2 July 1, coincident with or next following the effective date of
3 such legislation. Notwithstanding the preceding, the funding for
4 the supplemental annuities commencing 1994 provided for in
5 section 8348.3 shall be as provided in section 8348.3(f) and the
6 funding for the supplemental annuities commencing 1998 provided
7 for in section 8348.5 shall be as provided in section 8348.5(f).

8 * * *

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

10 § 8348.5. Supplemental annuities commencing 1998.

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

21 (b) Amount of additional supplemental annuity.--The amount
22 of the additional supplemental annuity shall be determined on
23 the basis of the most recent effective date of retirement and
24 payable on the first \$3,000 of annuity received per month, as
25 follows:

<u>Most recent effective</u>	<u>Percentage</u>
<u>date of retirement</u>	<u>factor</u>
<u>July 2, 1996, through July 1, 1997</u>	<u>1.35%</u>
<u>July 2, 1995, through July 1, 1996</u>	<u>2.80%</u>
<u>July 2, 1994, through July 1, 1995</u>	<u>4.20%</u>

1 July 2, 1993, through July 1, 1994 5.50%

2 On or prior to July 1, 1993 7.00%

3 In addition to the supplemental annuity payable as a result of
4 the percentage factors as set forth in this subsection, there
5 shall be a monthly longevity supplemental annuity payable as
6 follows:

7 (1) For those annuitants whose most recent effective
8 date of retirement is on or after July 2, 1980, and on or
9 before July 1, 1988, the monthly longevity supplemental
10 annuity shall be equal to 0.25% of the first \$3,000 of
11 annuity received per month multiplied by the number of
12 eligibility points greater than ten.

13 (2) For those annuitants whose most recent effective
14 date of retirement is on or before July 1, 1980, the monthly
15 longevity supplemental annuity shall be equal to 5% of the
16 first \$3,000 of annuity received per month multiplied by the
17 number of years on retirement, plus 0.5% of the first \$3,000
18 of annuity received per month multiplied by the number of
19 eligibility points greater than ten.

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

25 (d) Conditions.--The additional supplemental annuity
26 provided under this section shall be payable under the same
27 terms and conditions as provided under the option plan in effect
28 June 30, 1998.

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

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

3 (f) Funding.--Notwithstanding section 8328(d) (relating to
4 actuarial cost method), the additional liability for the
5 increase in benefits provided in this section in excess of the
6 balance of the supplemental annuity reserve account shall be
7 funded in annual installments increasing by 5% each year over a
8 period of 20 years beginning July 1, 1998.

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

12 "Eligible benefit recipient." A person who is receiving a
13 superannuation, withdrawal or disability annuity and who
14 commenced receipt of that annuity on or prior to July 1, 1997,
15 but the supplemental annuities shall not be payable to an
16 annuitant receiving a withdrawal annuity prior to the first day
17 of July coincident with or following the annuitant's attainment
18 of superannuation age.

19 "Years on retirement." The number of full years as of July
20 1, 1982, which have elapsed since the eligible benefit recipient
21 most recently commenced the receipt of an annuity and during
22 which the eligible benefit recipient received an annuity.

23 Section 4. Sections 8522, 8524 and 8525(a) of Title 24 are
24 amended to read:

25 § 8522. Public School Employees' Retirement Fund.

26 The fund shall consist of all moneys in the several separate
27 funds in the State Treasury set apart to be used under the
28 direction of the board for the benefit of members of the system;
29 and the Treasury Department shall credit to the fund all moneys
30 received from the Department of Revenue arising from the

1 contributions required under the provisions of Chapter 83
2 (relating to membership, contributions and benefits) and all
3 earnings from investments or moneys of said fund. There shall be
4 established and maintained by the board the several ledger
5 accounts specified in sections 8523 (relating to members'
6 savings account), 8524 (relating to State accumulation account)
7 8525 (relating to annuity reserve account), 8525.1 (relating to
8 supplemental annuity reserve account) and 8526 (relating to
9 health insurance account).

10 § 8524. State accumulation account.

11 The State accumulation account shall be the ledger account to
12 which shall be credited all contributions of the Commonwealth
13 and other employers as well as the earnings of the fund, except
14 the premium assistance contributions and earnings thereon in the
15 health insurance account and the supplemental annuity
16 contributions and earnings on the assets in the supplemental
17 annuity reserve account. Valuation interest shall be allowed on
18 the total amount of such account less any earnings of the fund
19 credited during the year. The reserves necessary for the payment
20 of annuities and death benefits as approved by the board and as
21 provided in Chapter 83 (relating to membership, contributions
22 and benefits) shall be transferred from the State accumulation
23 account to the annuity reserve account. At the end of each year
24 the required interest shall be transferred from the State
25 accumulation account to the credit of the members' savings
26 account and the annuity reserve account and beginning June 30,
27 1997, the required amounts representing the set-aside shall be
28 transferred from the State accumulation account to the credit of
29 the supplemental annuity reserve account. In addition, at the
30 end of each year beginning July 1, 1997, the transfer of any

1 amounts from the supplemental annuity reserve account, in
2 accordance with section 8525.1 (relating to supplemental annuity
3 reserve account), shall be credited to the State accumulation
4 account. The administrative expenses of the board shall be
5 charged to the State accumulation account.

6 § 8525. Annuity reserve account.

7 (a) Credits and charges to account.--The annuity reserve
8 account shall be the ledger account to which shall be credited
9 the reserves held for the payment of annuities and death
10 benefits on account of all annuitants and the contributions from
11 the Commonwealth and other employers as determined in accordance
12 with section 8328 (relating to actuarial cost method) for the
13 payment of the supplemental annuities provided in sections 8348
14 (relating to supplemental annuities), 8348.1 (relating to
15 additional supplemental annuities) and 8348.2 (relating to
16 further additional supplemental annuities). The annuity reserve
17 account shall be credited with valuation interest. After the
18 transfers provided in sections 8523 (relating to members'
19 savings account) and 8524 (relating to State accumulation
20 account), all annuity and death benefit payments, except
21 supplemental annuities provided in section 8348.5 (relating to
22 supplemental annuities commencing 1998) and any additional
23 supplemental annuity enacted subsequent to July 1, 1998, shall
24 be charged to the annuity reserve account and paid from the
25 fund.

26 * * *

27 Section 5. Title 24 is amended by adding a section to read:
28 § 8525.1. Supplemental annuity reserve account.

29 The supplemental annuity reserve account shall be the ledger
30 account to which shall be credited the annual set-aside amounts

and contributions from the Commonwealth and other employers as
determined in accordance with section 8328(d) (relating to
actuarial cost method) and section 8348.5(f) (relating to
supplemental annuities commencing 1998). In addition, all
earnings derived from investment of the reserves of the
supplemental annuity reserve account, determined by using the
fund's time-weighted rate of return, shall be credited to this
account. In any year in which the fund's time-weighted rate of
return is less than the board's actuarial interest rate
assumption for the year, the mean amount in the annuity reserve
account for the preceding year shall be multiplied by the
difference of the board's actuarial rate assumption for the
preceding year minus the actual time-weighted rate of return and
such amount shall be debited to the supplemental annuity reserve
account and credited to the State accumulation account
regardless of the resulting balance in the supplemental annuity
reserve account. Effective July 1, 1998, payment of the
supplemental annuities provided in section 8348.5, and any
additional supplemental annuity enacted subsequent to July 1,
1998, shall be charged to the supplemental annuity reserve
account and paid by the fund.

Section 6. This act shall take effect in 60 days.