

## 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, PICCOLA, MOWERY,  
KITCHEN, BELAN, HUGHES AND DELP, FEBRUARY 2, 1998

SENATOR TILGHMAN, APPROPRIATIONS, RE-REPORTED AS AMENDED,  
APRIL 28, 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 AMENDING TITLES 24 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE <—  
8 PENNSYLVANIA CONSOLIDATED STATUTES, PROVIDING FOR WAIVER OF  
9 ADJUSTMENTS; FURTHER PROVIDING FOR CREDITABLE NONSTATE  
10 SERVICE; PROVIDING FOR SUPPLEMENTAL ANNUITIES FOR SCHOOL  
11 EMPLOYEES; FURTHER PROVIDING FOR ADMINISTRATIVE DUTIES OF THE  
12 PUBLIC SCHOOL EMPLOYEES' RETIREMENT BOARD AND FOR THE ANNUITY  
13 RESERVE ACCOUNT; PROVIDING FOR HEALTH INSURANCE; FURTHER  
14 PROVIDING FOR CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER  
15 EMPLOYERS; PROVIDING FOR SUPPLEMENTAL ANNUITIES FOR STATE  
16 ANNUITANTS; AND FURTHER PROVIDING FOR ADMINISTRATIVE DUTIES  
17 OF THE STATE EMPLOYEES' RETIREMENT BOARD AND FOR THE  
18 SUPPLEMENTAL ANNUITY ACCOUNT.

19 The General Assembly of the Commonwealth of Pennsylvania  
20 hereby enacts as follows:

21 ~~Section 1. The definition of "valuation interest" in section~~ <—  
22 ~~8102 of Title 24 of the Pennsylvania Consolidated Statutes is~~

1 ~~amended and the section is amended by adding definitions to~~  
2 ~~read:~~

3 ~~§ 8102. Definitions.~~

4 ~~The following words and phrases when used in this part shall~~  
5 ~~have, unless the context clearly indicates otherwise, the~~  
6 ~~meanings given to them in this section:~~

7 ~~\* \* \*~~

8 ~~"Set aside." Amounts credited annually to the supplemental~~  
9 ~~annuity reserve account calculated by multiplying the difference~~  
10 ~~of the fund's time weighted rate of return for the preceding~~  
11 ~~year minus the board's actuarial interest rate assumption for~~  
12 ~~the preceding year, times the mean amount of the annuity reserve~~  
13 ~~account for the preceding year.~~

14 ~~\* \* \*~~

15 ~~"Time weighted rate of return." The fund's total investment~~  
16 ~~return, expressed as a percentage, including both realized and~~  
17 ~~unrealized gains and losses, based on the actuarial value of~~  
18 ~~assets used for determining 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 supplemental annuity reserve~~  
22 ~~account.~~

23 ~~\* \* \*~~

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

26 ~~§ 8328. Actuarial cost method.~~

27 ~~\* \* \*~~

28 ~~(c) Accrued liability contribution rate. For the fiscal~~  
29 ~~year beginning July 1, 1991, the accrued liability contribution~~  
30 ~~rate shall be computed as the rate of total compensation of all~~

1 ~~active members which shall be certified by the actuary as~~  
2 ~~sufficient to fund over a period of 20 years from July 1, 1991,~~  
3 ~~the present value of the liabilities for all prospective~~  
4 ~~benefits of active members, except for the supplemental benefits~~  
5 ~~provided in sections 8348, 8348.1, 8348.2 [and], 8348.3, 8348.4~~  
6 ~~(relating to special supplemental postretirement adjustment) and~~  
7 ~~8348.5 (relating to supplemental annuities commencing 1998), in~~  
8 ~~excess of the total assets in the fund, excluding the balance in~~  
9 ~~the annuity reserve account and the balance in the supplemental~~  
10 ~~annuity reserve account, and of the present value of normal~~  
11 ~~contributions and of member contributions payable with respect~~  
12 ~~to all active members on July 1, 1991, during the remainder of~~  
13 ~~their active service. Thereafter, the amount of each annual~~  
14 ~~accrued liability contribution shall be 5% greater than the~~  
15 ~~amount of such contribution for the previous fiscal year, except~~  
16 ~~that, if the accrued liability is increased by legislation~~  
17 ~~enacted subsequent to July 1, 1991, such additional liability~~  
18 ~~shall be funded over a period of 20 years from the first day of~~  
19 ~~July, coincident with or next following the effective date of~~  
20 ~~the increase, provided that the liability for any additional~~  
21 ~~benefits created by this act, except for the health insurance~~  
22 ~~premium assistance program established in section 8509 (relating~~  
23 ~~to health insurance premium assistance program), shall be funded~~  
24 ~~over a period of 20 years commencing July 1, 1992. The amount of~~  
25 ~~each annual accrued liability contribution for such additional~~  
26 ~~legislative liabilities shall be 5% greater than the amount of~~  
27 ~~such contribution for the previous fiscal year.~~

28 ~~(d) Supplemental annuity contribution rate. Contributions~~  
29 ~~from the Commonwealth and other employers required to provide~~  
30 ~~for the payment of the supplemental annuities provided for in~~

1 ~~sections 8348, 8348.1 and 8348.2 shall be paid over a period of~~  
2 ~~20 years from July 1, 1991. The amount of each annual~~  
3 ~~supplemental annuities contribution shall be 5% greater than the~~  
4 ~~amount of such contribution for the previous fiscal year. In the~~  
5 ~~event that supplemental annuities are increased by legislation~~  
6 ~~enacted subsequent to July 1, 1991, the additional liability for~~  
7 ~~the increased benefits shall be funded in annual installments~~  
8 ~~increasing by 5% each year over a period of 20 years from the~~  
9 ~~July 1, coincident with or next following the effective date of~~  
10 ~~such legislation. Notwithstanding the preceding, the funding for~~  
11 ~~the supplemental annuities commencing 1994 provided for in~~  
12 ~~section 8348.3 shall be as provided in section 8348.3(f) and the~~  
13 ~~funding for the supplemental annuities commencing 1998 provided~~  
14 ~~for in section 8348.5 shall be as provided in section 8348.5(f).~~

15 \* \* \*

16 SECTION 1. TITLE 24 OF THE PENNSYLVANIA CONSOLIDATED  
17 STATUTES IS AMENDED BY ADDING A SECTION TO READ:

18 § 8303.1. WAIVER OF ADJUSTMENTS.

19 (A) ALLOWANCE.--UPON APPEAL BY AN AFFECTED MEMBER,  
20 BENEFICIARY OR SURVIVOR ANNUITANT, THE BOARD MAY WAIVE AN  
21 ADJUSTMENT OR ANY PORTION OF AN ADJUSTMENT MADE UNDER SECTION  
22 8534(B) (RELATING TO FRAUD AND THE ADJUSTMENT OF ERRORS) IF, IN  
23 THE OPINION OF THE BOARD, OR THE BOARD'S DESIGNATED  
24 REPRESENTATIVE:

25 (1) THE ADJUSTMENT OR PORTION OF THE ADJUSTMENT WILL  
26 CAUSE UNDUE HARDSHIP TO THE MEMBER, BENEFICIARY OR SURVIVOR  
27 ANNUITANT;

28 (2) THE ADJUSTMENT WAS NOT THE RESULT OF ERRONEOUS  
29 INFORMATION SUPPLIED BY THE MEMBER, BENEFICIARY OR SURVIVOR  
30 ANNUITANT;

1           (3) THE MEMBER HAD NO KNOWLEDGE OR NOTICE OF THE ERROR  
2           BEFORE ADJUSTMENT WAS MADE AND THE MEMBER, BENEFICIARY OR  
3           SURVIVOR ANNUITANT TOOK ACTION WITH RESPECT TO THEIR BENEFITS  
4           BASED ON ERRONEOUS INFORMATION PROVIDED BY THE SYSTEM; AND

5           (4) THE MEMBER, BENEFICIARY OR SURVIVOR ANNUITANT HAD NO  
6           REASONABLE GROUNDS TO BELIEVE THE ERRONEOUS INFORMATION WAS  
7           INCORRECT BEFORE THE ADJUSTMENT WAS MADE.

8           (B) TIME PERIOD.--IN ORDER TO OBTAIN CONSIDERATION OF A  
9           WAIVER UNDER THIS SECTION, THE AFFECTED MEMBER, BENEFICIARY OR  
10          SURVIVOR ANNUITANT MUST APPEAL TO THE BOARD IN WRITING WITHIN 30  
11          DAYS AFTER RECEIPT OF NOTICE THAT BENEFITS HAVE BEEN ADJUSTED,  
12          OR, IF NO NOTICE WAS GIVEN, WITHIN 30 DAYS AFTER THE ADJUSTMENT  
13          WAS KNOWN OR SHOULD HAVE BEEN KNOWN TO THE AFFECTED MEMBER,  
14          BENEFICIARY OR SURVIVOR ANNUITANT. FOR ANY ADJUSTMENTS MADE  
15          PRIOR TO THE EFFECTIVE DATE OF THIS SUBSECTION FOR WHICH THE  
16          MEMBER, BENEFICIARY OR SURVIVOR ANNUITANT APPEALED TO THE BOARD  
17          AND WAS DENIED, AN APPEAL UNDER THIS SECTION MUST BE FILED  
18          WITHIN 90 DAYS OF THE EFFECTIVE DATE OF THIS SUBSECTION.

19          SECTION 2.   SECTION 8304(B)(7) OF TITLE 24 IS AMENDED TO  
20          READ:

21          § 8304.   CREDITABLE NONSCHOOL SERVICE.

22                 \* \* \*

23          (B)   LIMITATIONS ON NONSCHOOL SERVICE.--CREDITABLE NONSCHOOL  
24          SERVICE CREDIT SHALL BE LIMITED TO:

25                 \* \* \*

26                 (7)   (I)   SERVICE FOR THE PERIOD OF TIME SPENT ON A  
27                 MATERNITY LEAVE OF ABSENCE REQUIRED BY THE EMPLOYER,  
28                 WHICH CREDITABLE SERVICE SHALL NOT EXCEED TWO YEARS PER  
29                 LEAVE AND SHALL BE APPLICABLE ONLY TO A MATERNITY LEAVE  
30                 WHICH WAS MANDATORY PRIOR TO MAY 17, 1975. THE PURCHASE

1 OF THIS SERVICE SHALL BEGIN WITHIN ONE YEAR OF THE  
2 EMPLOYEE'S ELIGIBILITY TO PURCHASE [THIS] THE CREDITABLE  
3 SERVICE[.] UNDER THIS SUBPARAGRAPH AS ORIGINALLY ENACTED  
4 BY THE ACT OF AUGUST 5, 1991 (P.L.183, NO.23), ENTITLED  
5 "AN ACT AMENDING TITLES 24 (EDUCATION) AND 71 (STATE  
6 GOVERNMENT) OF THE PENNSYLVANIA CONSOLIDATED STATUTES,  
7 FURTHER PROVIDING FOR THE PUBLIC SCHOOL EMPLOYEES'  
8 RETIREMENT SYSTEM AND THE STATE EMPLOYEES' RETIREMENT  
9 SYSTEM; ADDING AND AMENDING CERTAIN DEFINITIONS; FURTHER  
10 PROVIDING FOR MEMBERSHIP IN THE SYSTEMS, FOR CREDITABLE  
11 NONSCHOOL AND NONSTATE SERVICE AND THE PURCHASE OF  
12 CREDIT, FOR INCENTIVES FOR SPECIAL EARLY RETIREMENT, FOR  
13 CONTRIBUTIONS TO THE RETIREMENT FUNDS, FOR ANNUITIES AND  
14 THE RIGHTS AND DUTIES OF ANNUITANTS, FOR HEALTH INSURANCE  
15 PREMIUM ASSISTANCE, FOR BOARD MEMBERSHIP AND FOR THE  
16 REAMORTIZATION AND MANAGEMENT OF THE RETIREMENT FUNDS."

17 (II) SERVICE FOR THE PERIOD OF TIME SPENT ON A  
18 MATERNITY LEAVE OF ABSENCE REQUIRED BY THE EMPLOYER,  
19 WHICH CREDITABLE SERVICE SHALL NOT EXCEED TWO YEARS PER  
20 LEAVE AND SHALL BE APPLICABLE ONLY TO A MATERNITY LEAVE  
21 THAT WAS MANDATORY AND BEGAN AFTER MAY 16, 1975, AND  
22 PRIOR TO NOVEMBER 1, 1978. THE PURCHASE OF THIS SERVICE  
23 SHALL BEGIN WITHIN ONE YEAR OF THE EMPLOYEE'S ELIGIBILITY  
24 TO PURCHASE THE CREDITABLE SERVICE UNDER THIS  
25 SUBPARAGRAPH.

26 \* \* \*

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

28 § 8348.5. Supplemental annuities commencing 1998.

29 (a) Benefits.--Commencing with the first monthly annuity  
30 payment after July 1, 1998, any eligible benefit recipient shall

1 be entitled to receive a further additional monthly supplemental  
2 annuity from the system. This shall be in addition to the  
3 supplemental annuities provided for in sections 8348 (relating  
4 to supplemental annuities), 8348.1 (relating to additional  
5 supplemental annuities), 8348.2 (relating to further additional  
6 supplemental annuities), 8348.3 (relating to supplemental  
7 annuities commencing 1994) and 8348.4 (relating to special  
8 supplemental postretirement adjustment).

9 ~~(b) Amount of additional supplemental annuity. The amount~~ <—  
10 ~~of the additional supplemental annuity shall be determined on~~  
11 ~~the basis of the most recent effective date of retirement and~~  
12 ~~payable on the first \$3,000 of annuity received per month, as~~  
13 ~~follows:~~

<del>Most recent effective</del>	<del>Percentage</del>
<del>date of retirement</del>	<del>factor</del>
<del>July 2, 1996, through July 1, 1997</del>	<del>1.35%</del>
<del>July 2, 1995, through July 1, 1996</del>	<del>2.80%</del>
<del>July 2, 1994, through July 1, 1995</del>	<del>4.20%</del>
<del>July 2, 1993, through July 1, 1994</del>	<del>5.50%</del>
<del>On or prior to July 1, 1993</del>	<del>7.00%</del>

21 ~~In addition to the supplemental annuity payable as a result of~~  
22 ~~the percentage factors as set forth in this subsection, there~~  
23 ~~shall be a monthly longevity supplemental annuity payable as~~  
24 ~~follows:~~

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

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

~~(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, 1998.~~

~~(e) Benefits paid to beneficiaries of 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. Notwithstanding section 8328(d) (relating to actuarial cost method), the additional liability for the increase in benefits provided in this section in excess of the balance of the supplemental annuity reserve account shall be funded in annual installments increasing by 5% each year over a period of 20 years beginning July 1, 1998.~~

~~(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, 1997,  
but the supplemental annuities 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 superannuation age.~~

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

(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, 1998, DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE  
DATE OF RETIREMENT, AS FOLLOWS:

<u>MOST RECENT EFFECTIVE</u>	<u>PERCENTAGE</u>
<u>DATE OF RETIREMENT</u>	<u>FACTOR</u>
<u>JULY 1, 1996, THROUGH JUNE 30, 1997</u>	<u>1.86% JULY 1,</u>
<u>1995, THROUGH JUNE 30, 1996</u>	<u>3.59%</u>
<u>JULY 1, 1994, THROUGH JUNE 30, 1995</u>	<u>4.95% JULY 1,</u>
<u>1993, THROUGH JUNE 30, 1994</u>	<u>6.42%</u>
<u>JULY 1, 1992, THROUGH JUNE 30, 1993</u>	<u>7.97% JULY 1,</u>
<u>1979, THROUGH JUNE 30, 1992</u>	<u>10%</u>
<u>JULY 1, 1969, THROUGH JUNE 30, 1979</u>	<u>20% ON OR PRIOR</u>
<u>TO JUNE 30, 1969</u>	<u>25%</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

1 THIS SECTION SHALL BE PAYABLE UNDER THE SAME TERMS AND  
2 CONDITIONS AS PROVIDED UNDER THE OPTION PLAN IN EFFECT AS OF  
3 JULY 1, 1998.

4 (E) BENEFITS TO BENEFICIARIES OR SURVIVORS.--NO SUPPLEMENTAL  
5 ANNUITY PROVIDED UNDER THIS SECTION SHALL BE PAYABLE TO THE  
6 BENEFICIARY OR SURVIVOR ANNUITANT OF A MEMBER WHO DIES BEFORE  
7 JULY 1, 1998.

8 (F) FUNDING.--NOTWITHSTANDING SECTION 8328 (RELATING TO  
9 ACTUARIAL COST METHOD), THE ADDITIONAL LIABILITY FOR THE  
10 INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN  
11 ANNUAL INSTALLMENTS INCREASING BY 5% EACH YEAR OVER A PERIOD OF  
12 20 YEARS BEGINNING JULY 1, 1998. NOTWITHSTANDING THE PROVISIONS  
13 OF SECTION 212 OF THE ACT OF APRIL 22, 1998 (P.L., NO.6A), KNOWN  
14 AS THE GENERAL APPROPRIATION ACT OF 1998, REGARDING PAYMENT FOR  
15 COST OF LIVING INCREASES FOR ANNUITANTS, PAYMENTS FOR COST OF  
16 LIVING INCREASES FOR ANNUITANTS SHALL BE MADE UNDER SECTION 8535  
17 (RELATING TO PAYMENTS TO SCHOOL ENTITIES BY COMMONWEALTH).

18 (G) ELIGIBLE BENEFIT RECIPIENT.--AS USED IN THIS SECTION,  
19 THE TERM "ELIGIBLE BENEFIT RECIPIENT" MEANS A PERSON WHO IS  
20 RECEIVING A SUPERANNUATION, WITHDRAWAL OR DISABILITY ANNUITY ON  
21 JULY 1, 1998, AND WHOSE MOST RECENT EFFECTIVE DATE OF RETIREMENT  
22 IS PRIOR TO JULY 1, 1997, BUT THE SUPPLEMENTAL ANNUITIES  
23 PROVIDED UNDER THIS SECTION SHALL NOT BE PAYABLE TO AN ANNUITANT  
24 RECEIVING A WITHDRAWAL ANNUITY PRIOR TO THE FIRST DAY OF JULY  
25 COINCIDENT WITH OR FOLLOWING THE ANNUITANT'S ATTAINMENT OF  
26 SUPERANNUATION AGE.

27 SECTION 4. SECTION 8502(A) OF TITLE 24, AMENDED APRIL 2,  
28 1998 (P.L.229, NO.41), IS AMENDED TO READ:

29 § 8502. ADMINISTRATIVE DUTIES OF BOARD.

30 (A) EMPLOYEES.--[THE SECRETARY, CLERICAL AND OTHER EMPLOYEES

1 OF THE BOARD AND THEIR SUCCESSORS WHOSE POSITIONS ON THE  
2 EFFECTIVE DATE OF THIS PART ARE UNDER THE CLASSIFIED SERVICE  
3 PROVISIONS OF THE ACT OF AUGUST 5, 1941 (P.L.752, NO.286),  
4 KNOWN AS THE CIVIL SERVICE ACT, SHALL CONTINUE UNDER SUCH  
5 PROVISIONS.]

6 (1) EFFECTIVE 30 DAYS AFTER THE EFFECTIVE DATE OF THIS  
7 PARAGRAPH, THE POSITIONS OF SECRETARY, ASSISTANT SECRETARY  
8 AND INVESTMENT PROFESSIONAL SHALL BE PLACED UNDER THE  
9 UNCLASSIFIED SERVICE PROVISIONS OF THE CIVIL SERVICE ACT AS  
10 THOSE POSITIONS ARE VACATED. ALL OTHER POSITIONS OF THE BOARD  
11 SHALL BE PLACED IN EITHER THE CLASSIFIED OR UNCLASSIFIED  
12 SERVICE ACCORDING TO THE DEFINITION OF THE TERMS UNDER THE  
13 CIVIL SERVICE ACT.

14 (2) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE  
15 COMPENSATION OF INVESTMENT PROFESSIONALS SHALL BE ESTABLISHED  
16 BY THE BOARD. THE COMPENSATION OF ALL OTHER OFFICERS AND  
17 EMPLOYEES OF THE BOARD WHO ARE NOT COVERED BY A COLLECTIVE  
18 BARGAINING AGREEMENT SHALL BE ESTABLISHED BY THE BOARD  
19 CONSISTENT WITH THE STANDARDS OF COMPENSATION ESTABLISHED BY  
20 THE EXECUTIVE BOARD OF THE COMMONWEALTH.

21 \* \* \*

22 SECTION 5. TITLE 24 IS AMENDED BY ADDING A SECTION TO READ:

23 § 8502.1. HEALTH INSURANCE.

24 (A) AUTHORITY.--THE BOARD MAY SPONSOR A PARTICIPANT FUNDED  
25 GROUP HEALTH INSURANCE PROGRAM FOR ANNUITANTS, SPOUSES OF  
26 ANNUITANTS, SURVIVOR ANNUITANTS AND THEIR DEPENDENTS. THE BOARD  
27 MAY PROMULGATE REGULATIONS REGARDING THE PRUDENT AND EFFICIENT  
28 OPERATION OF THE PROGRAM, INCLUDING, BUT NOT LIMITED TO:

29 (1) ESTABLISHMENT OF AN ANNUAL BUDGET AND DISBURSEMENTS  
30 IN ACCORDANCE WITH THE BUDGET.

1           (2) DETERMINATION OF THE BENEFITS STRUCTURE.  
2           (3) DETERMINATION OF ENROLLMENT PROCEDURES.  
3           (4) ESTABLISHMENT OF PREMIUM RATES SUFFICIENT TO FULLY  
4           FUND THE PROGRAM, INCLUDING ADMINISTRATIVE EXPENSES.  
5           (5) CONTRACTING FOR GOODS, EQUIPMENT, SERVICES,  
6           CONSULTANTS AND OTHER PROFESSIONAL PERSONNEL AS NEEDED TO  
7           OPERATE THE PROGRAM.

8           (B) SEPARATE ACCOUNT.--ALL FUNDS RELATED TO THE HEALTH  
9           INSURANCE PROGRAM SHALL BE MAINTAINED AND ACCOUNTED FOR  
10          SEPARATELY FROM THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND.

11          (C) OPERATION.--THE BOARD MAY ESTABLISH AND OPERATE THE  
12          PROGRAM THROUGH A LAWFULLY AUTHORIZED ENTITY.

13          (D) ADDITIONAL REQUIREMENTS.--THE ASSETS OF THE FUND SHALL  
14          NOT BE LIABLE OR UTILIZED FOR PAYMENT OF ANY EXPENSES OR CLAIMS  
15          INCURRED BY THE HEALTH INSURANCE PROGRAM. THE PROGRAM SHALL BE  
16          AN APPROVED HEALTH INSURANCE PROGRAM FOR PURPOSES OF SECTION  
17          8505(I) (RELATING TO DUTIES OF BOARD REGARDING APPLICATIONS AND  
18          ELECTIONS OF MEMBERS) AND AN APPROVED INSURANCE CARRIER FOR  
19          PURPOSES OF SECTION 8509 (RELATING TO HEALTH INSURANCE PREMIUM  
20          ASSISTANCE PROGRAM). THE PROGRAM SHALL NOT BE SUBJECT TO THE  
21          PROVISIONS OF SECTION 8531 (RELATING TO STATE GUARANTEE).

22          ~~Section 4. Sections 8522, 8524 and 8525(a) of Title 24 are~~       <—  
23          ~~SECTION 6. SECTION 8525(A) OF TITLE 24 IS amended to read:~~       <—  
24          ~~§ 8522. Public School Employees' Retirement Fund.~~               <—

25          ~~The fund shall consist of all moneys in the several separate~~  
26          ~~funds in the State Treasury set apart to be used under the~~  
27          ~~direction of the board for the benefit of members of the system;~~  
28          ~~and the Treasury Department shall credit to the fund all moneys~~  
29          ~~received from the Department of Revenue arising from the~~  
30          ~~contributions required under the provisions of Chapter 83~~

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

9 ~~§ 8524. State accumulation account.~~

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

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

5 § 8525. Annuity reserve account.

6 (a) Credits and charges to account.--The annuity reserve  
7 account shall be the ledger account to which shall be credited  
8 the reserves held for the payment of annuities and death  
9 benefits on account of all annuitants and the contributions from  
10 the Commonwealth and other employers as determined in accordance  
11 with section 8328 (relating to actuarial cost method) for the  
12 payment of the supplemental annuities provided in sections 8348  
13 (relating to supplemental annuities), 8348.1 (relating to  
14 additional supplemental annuities) and 8348.2 (relating to  
15 further additional supplemental annuities), 8348.3 (RELATING TO <—  
16 SUPPLEMENTAL ANNUITIES COMMENCING 1994), 8348.4 (RELATING TO  
17 SPECIAL SUPPLEMENT POSTRETIREMENT ADJUSTMENT) AND 8348.5  
18 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1998). The  
19 annuity reserve account shall be credited with valuation  
20 interest. After the transfers provided in sections 8523  
21 (relating to members' savings account) and 8524 (relating to  
22 State accumulation account), all annuity and death benefit  
23 payments, ~~except supplemental annuities provided in section~~ <—  
24 ~~8348.5 (relating to supplemental annuities commencing 1998) and~~  
25 ~~any additional supplemental annuity enacted subsequent to July~~  
26 ~~1, 1998,~~ shall be charged to the annuity reserve account and  
27 paid from the fund.

28 \* \* \*

29 ~~Section 5. Title 24 is amended by adding a section to read:~~ <—  
30 ~~§ 8525.1. Supplemental annuity reserve account.~~

~~The supplemental annuity reserve account shall be the ledger 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.~~

SECTION 7. SECTION 5507(B) OF TITLE 71 IS AMENDED TO READ: <—

§ 5507. CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER EMPLOYERS.

\* \* \*

(B) CONTRIBUTIONS ON BEHALF OF ANNUITANTS.--THE COMMONWEALTH SHALL MAKE CONTRIBUTIONS ON BEHALF OF ANNUITANTS IN SUCH AMOUNTS AS SHALL BE CERTIFIED BY THE BOARD AS NECESSARY TO FUND THE

1 LIABILITIES FOR SUPPLEMENTAL ANNUITIES IN ACCORDANCE WITH THE  
2 ACTUARIAL COST METHOD PROVIDED IN [SECTION 5508(E)] SECTIONS  
3 5508(E) (RELATING TO ACTUARIAL COST METHOD), 5708.3(F) (RELATING  
4 TO SUPPLEMENTAL ANNUITIES COMMENCING 1994) AND 5708.5(F)  
5 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1998).

6 SECTION 8. TITLE 71 IS AMENDED BY ADDING A SECTION TO READ:  
7 § 5708.5. SUPPLEMENTAL ANNUITIES COMMENCING 1998.

8 (A) BENEFITS.--COMMENCING WITH THE FIRST MONTHLY ANNUITY  
9 PAYMENT AFTER JUNE 30, 1998, ANY ELIGIBLE BENEFIT RECIPIENT  
10 SHALL BE ENTITLED TO RECEIVE A SUPPLEMENTAL MONTHLY ANNUITY FROM  
11 THE SYSTEM. THIS SHALL BE IN ADDITION TO THE SUPPLEMENTAL  
12 ANNUITIES PROVIDED FOR IN SECTIONS 5708 (RELATING TO  
13 SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO ADDITIONAL  
14 SUPPLEMENTAL ANNUITIES), 5708.2 (RELATING TO FURTHER ADDITIONAL  
15 SUPPLEMENTAL ANNUITIES, 5708.3 (RELATING TO SUPPLEMENTAL  
16 ANNUITIES COMMENCING 1994) AND THE SPECIAL SUPPLEMENTAL  
17 POSTRETIREMENT ADJUSTMENT PROVIDED FOR IN SECTION 5708.4  
18 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT).

19 (B) AMOUNT OF SUPPLEMENTAL ANNUITY.--THE AMOUNT OF THE  
20 SUPPLEMENTAL ANNUITY PAYABLE PURSUANT TO THIS SECTION SHALL BE A  
21 PERCENTAGE OF THE AMOUNT OF THE MONTHLY ANNUITY PAYMENT ON JULY  
22 1, 1998, DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE  
23 DATE OF RETIREMENT, AS FOLLOWS:

<u>MOST RECENT EFFECTIVE</u>	<u>PERCENTAGE</u>
<u>DATE OF RETIREMENT</u>	<u>FACTOR</u>
<u>JULY 1, 1996, THROUGH JUNE 30, 1997</u>	<u>1.86% JULY 1,</u>
<u>1995, THROUGH JUNE 30, 1996</u>	<u>3.59%</u>
<u>JULY 1, 1994, THROUGH JUNE 30, 1995</u>	<u>4.95% JULY 1,</u>
<u>1993, THROUGH JUNE 30, 1994</u>	<u>6.42%</u>
<u>JULY 1, 1992, THROUGH JUNE 30, 1993</u>	<u>7.97% JULY 1,</u>



1           1979, THROUGH JUNE 30, 1992 10%

2           JULY 1, 1969, THROUGH JUNE 30, 1979           20% ON OR PRIOR

3           TO JUNE 30, 1969 25%

4       (C) PAYMENT.--THE SUPPLEMENTAL ANNUITY PROVIDED UNDER THIS  
5       SECTION SHALL BE PAID AUTOMATICALLY UNLESS THE ANNUITANT FILES A  
6       WRITTEN NOTICE WITH THE BOARD REQUESTING THAT THE ADDITIONAL  
7       MONTHLY SUPPLEMENTAL ANNUITY NOT BE PAID.

8       (D) CONDITIONS.--THE SUPPLEMENTAL ANNUITY PROVIDED UNDER  
9       THIS SECTION SHALL BE PAYABLE UNDER THE SAME TERMS AND  
10       CONDITIONS AS PROVIDED UNDER THE OPTION PLAN IN EFFECT AS OF  
11       JULY 1, 1998.

12       (E) BENEFITS PAID TO BENEFICIARIES OR SURVIVORS.--NO  
13       SUPPLEMENTAL ANNUITY PROVIDED UNDER THIS SECTION SHALL BE  
14       PAYABLE TO THE BENEFICIARY OR SURVIVOR ANNUITANT OF A MEMBER WHO  
15       DIES BEFORE JULY 1, 1998.

16       (F) FUNDING.--NOTWITHSTANDING SECTION 5508(E) (RELATING TO  
17       ACTUARIAL COST METHOD), THE ADDITIONAL LIABILITY FOR THE  
18       INCREASE IN BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN  
19       ANNUAL INSTALLMENTS INCREASING BY 5% EACH YEAR OVER A PERIOD OF  
20       20 YEARS BEGINNING JULY 1, 1998.

21       (G) ELIGIBLE BENEFIT RECIPIENT.--AS USED IN THIS SECTION,  
22       THE TERM "ELIGIBLE BENEFIT RECIPIENT" MEANS A PERSON WHO IS  
23       RECEIVING A SUPERANNUATION, WITHDRAWAL OR DISABILITY ANNUITY ON  
24       JULY 1, 1998 AND WHOSE MOST RECENT EFFECTIVE DATE OF RETIREMENT  
25       IS PRIOR TO JULY 1, 1997, BUT THE SUPPLEMENTAL ANNUITIES  
26       PROVIDED UNDER THIS SECTION SHALL NOT BE PAYABLE TO AN ANNUITANT  
27       RECEIVING A WITHDRAWAL ANNUITY PRIOR TO THE FIRST DAY OF JULY  
28       COINCIDENT WITH OR FOLLOWING THE ANNUITANT'S ATTAINMENT OF  
29       SUPERANNUATION AGE.

30       SECTION 9.   SECTION 5902(A) OF TITLE 71, AMENDED APRIL 2,

1 1998 (P.L.229, NO.41), IS AMENDED AND RENUMBERED IN PART TO  
2 READ:

3 § 5902. ADMINISTRATIVE DUTIES OF THE BOARD.

4 (A) EMPLOYEES.--[THE SECRETARY, CLERICAL, AND OTHER  
5 EMPLOYEES OF THE BOARD AND THEIR SUCCESSORS WHOSE POSITIONS ON  
6 THE EFFECTIVE DATE OF THIS PART ARE UNDER THE CLASSIFIED SERVICE  
7 PROVISIONS OF THE ACT OF AUGUST 5, 1941 (P.L.752, NO.286), KNOWN  
8 AS THE CIVIL SERVICE ACT, SHALL CONTINUE UNDER SUCH PROVISIONS.]

9 (1) EFFECTIVE 30 DAYS AFTER THE EFFECTIVE DATE OF THIS  
10 PARAGRAPH, THE POSITIONS OF SECRETARY, ASSISTANT SECRETARY  
11 AND INVESTMENT PROFESSIONAL SHALL BE PLACED UNDER THE  
12 UNCLASSIFIED SERVICE PROVISIONS OF THE CIVIL SERVICE ACT AS  
13 THOSE POSITIONS ARE VACATED. ALL OTHER POSITIONS OF THE BOARD  
14 SHALL BE PLACED IN EITHER THE CLASSIFIED OR UNCLASSIFIED  
15 SERVICE ACCORDING TO THE DEFINITION OF THE TERMS UNDER THE  
16 CIVIL SERVICE ACT.

17 (2) NOTWITHSTANDING ANY OTHER PROVISIONS OF LAW, THE  
18 COMPENSATION OF INVESTMENT PROFESSIONALS SHALL BE ESTABLISHED  
19 BY THE BOARD. THE COMPENSATION OF ALL OTHER OFFICERS AND  
20 EMPLOYEES OF THE BOARD WHO ARE NOT COVERED BY A COLLECTIVE  
21 BARGAINING AGREEMENT SHALL BE ESTABLISHED BY THE BOARD  
22 CONSISTENT WITH THE STANDARDS OF COMPENSATION ESTABLISHED BY  
23 THE EXECUTIVE BOARD OF THE COMMONWEALTH.

24 (A.1) SECRETARY.--THE SECRETARY SHALL ACT AS CHIEF  
25 ADMINISTRATIVE OFFICER FOR THE BOARD. IN ADDITION TO OTHER  
26 POWERS AND DUTIES CONFERRED UPON AND DELEGATED TO THE SECRETARY  
27 BY THE BOARD, THE SECRETARY SHALL:

28 (1) SERVE AS THE ADMINISTRATIVE AGENT OF THE BOARD.

29 (2) SERVE AS LIAISON BETWEEN THE BOARD AND APPLICABLE  
30 LEGISLATIVE COMMITTEES, THE TREASURY DEPARTMENT, THE

1 DEPARTMENT OF THE AUDITOR GENERAL, AND BETWEEN THE BOARD AND  
2 THE INVESTMENT COUNSEL AND THE MORTGAGE SUPERVISOR IN  
3 ARRANGING FOR INVESTMENTS TO SECURE MAXIMUM RETURNS TO THE  
4 FUND.

5 (3) REVIEW AND ANALYZE PROPOSED LEGISLATION AND  
6 LEGISLATIVE DEVELOPMENTS AFFECTING THE SYSTEM AND PRESENT  
7 FINDINGS TO THE BOARD, LEGISLATIVE COMMITTEES, AND OTHER  
8 INTERESTED GROUPS OR INDIVIDUALS.

9 (4) DIRECT THE MAINTENANCE OF FILES AND RECORDS AND  
10 PREPARATION OF PERIODIC REPORTS REQUIRED FOR ACTUARIAL  
11 EVALUATION STUDIES.

12 (5) RECEIVE INQUIRIES AND REQUESTS FOR INFORMATION  
13 CONCERNING THE SYSTEM FROM THE PRESS, COMMONWEALTH OFFICIALS,  
14 STATE EMPLOYEES, THE GENERAL PUBLIC, RESEARCH ORGANIZATIONS,  
15 AND OFFICIALS AND ORGANIZATIONS FROM OTHER STATES, AND  
16 PROVIDE INFORMATION AS AUTHORIZED BY THE BOARD.

17 (6) SUPERVISE A STAFF OF ADMINISTRATIVE, TECHNICAL, AND  
18 CLERICAL EMPLOYEES ENGAGED IN RECORD-KEEPING AND CLERICAL  
19 PROCESSING ACTIVITIES IN MAINTAINING FILES OF MEMBERS,  
20 ACCOUNTING FOR CONTRIBUTIONS, PROCESSING PAYMENTS TO  
21 ANNUITANTS, PREPARING REQUIRED REPORTS, AND RETIREMENT  
22 COUNSELING.

23 \* \* \*

24 SECTION 10. SECTION 5938 OF TITLE 71 IS AMENDED TO READ:

25 § 5938. SUPPLEMENTAL ANNUITY ACCOUNT.

26 THE SUPPLEMENTAL ANNUITY ACCOUNT SHALL BE THE LEDGER ACCOUNT  
27 TO WHICH SHALL BE CREDITED ALL CONTRIBUTIONS FROM THE  
28 COMMONWEALTH IN ACCORDANCE WITH [SECTION] SECTIONS 5507(B)  
29 (RELATING TO CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER  
30 EMPLOYERS), 5708.3(F) (RELATING TO FUNDING FOR SUPPLEMENTAL

1 ANNUITIES COMMENCING 1994) AND 5708.5(F) (RELATING TO FUNDING  
2 FOR SUPPLEMENTAL ANNUITIES COMMENCING 1998) FOR THE PAYMENT OF  
3 THE SUPPLEMENTAL ANNUITIES PROVIDED IN SECTIONS 5708 (RELATING  
4 TO SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO ADDITIONAL  
5 SUPPLEMENTAL ANNUITIES) [AND], 5708.2 (RELATING TO FURTHER  
6 ADDITIONAL SUPPLEMENTAL ANNUITIES), 5708.3 AND 5708.5. THE  
7 SUPPLEMENTAL ANNUITY ACCOUNT SHALL BE CREDITED WITH VALUATION  
8 INTEREST. THE RESERVES NECESSARY FOR THE PAYMENT OF SUCH  
9 SUPPLEMENTAL ANNUITIES SHALL BE TRANSFERRED FROM THE  
10 SUPPLEMENTAL ANNUITY ACCOUNT TO THE ANNUITY RESERVE ACCOUNT AS  
11 PROVIDED IN SECTION 5935 (RELATING TO ANNUITY RESERVE ACCOUNT).  
12 SECTION 11. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.