

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:~~

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

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~~

1 ~~superannuation, withdrawal or disability annuity and who~~
2 ~~commenced receipt of that annuity on or prior to July 1, 1997,~~
3 ~~but the supplemental annuities shall not be payable to an~~
4 ~~annuitant receiving a withdrawal annuity prior to the first day~~
5 ~~of July coincident with or following the annuitant's attainment~~
6 ~~of superannuation age.~~

7 ~~"Years on retirement." The number of full years as of July~~
8 ~~1, 1982, which have elapsed since the eligible benefit recipient~~
9 ~~most recently commenced the receipt of an annuity and during~~
10 ~~which the eligible benefit recipient received an annuity.~~

11 (B) AMOUNT OF SUPPLEMENTAL ANNUITY.--THE AMOUNT OF THE ←
12 SUPPLEMENTAL ANNUITY PAYABLE PURSUANT TO THIS SECTION SHALL BE A
13 PERCENTAGE OF THE AMOUNT OF THE MONTHLY ANNUITY PAYMENT ON JULY
14 1, 1998, DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE
15 DATE OF RETIREMENT, AS FOLLOWS:

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

26 (C) PAYMENT.--THE SUPPLEMENTAL ANNUITY PROVIDED UNDER THIS
27 SECTION SHALL BE PAID AUTOMATICALLY UNLESS THE ANNUITANT FILES A
28 WRITTEN NOTICE WITH THE BOARD REQUESTING THAT THE ADDITIONAL
29 MONTHLY SUPPLEMENTAL ANNUITY NOT BE PAID.

30 (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.~~

1 ~~The supplemental annuity reserve account shall be the ledger~~
2 ~~account to which shall be credited the annual set aside amounts~~
3 ~~and contributions from the Commonwealth and other employers as~~
4 ~~determined in accordance with section 8328(d) (relating to~~
5 ~~actuarial cost method) and section 8348.5(f) (relating to~~
6 ~~supplemental annuities commencing 1998). In addition, all~~
7 ~~earnings derived from investment of the reserves of the~~
8 ~~supplemental annuity reserve account, determined by using the~~
9 ~~fund's time weighted rate of return, shall be credited to this~~
10 ~~account. In any year in which the fund's time weighted rate of~~
11 ~~return is less than the board's actuarial interest rate~~
12 ~~assumption for the year, the mean amount in the annuity reserve~~
13 ~~account for the preceding year shall be multiplied by the~~
14 ~~difference of the board's actuarial rate assumption for the~~
15 ~~preceding year minus the actual time weighted rate of return and~~
16 ~~such amount shall be debited to the supplemental annuity reserve~~
17 ~~account and credited to the State accumulation account~~
18 ~~regardless of the resulting balance in the supplemental annuity~~
19 ~~reserve account. Effective July 1, 1998, payment of the~~
20 ~~supplemental annuities provided in section 8348.5, and any~~
21 ~~additional supplemental annuity enacted subsequent to July 1,~~
22 ~~1998, shall be charged to the supplemental annuity reserve~~
23 ~~account and paid by the fund.~~

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

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

26 § 5507. CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER EMPLOYERS.

27 * * *

28 (B) CONTRIBUTIONS ON BEHALF OF ANNUITANTS.--THE COMMONWEALTH
29 SHALL MAKE CONTRIBUTIONS ON BEHALF OF ANNUITANTS IN SUCH AMOUNTS
30 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 DATE</u>	<u>PERCENTAGE</u>
<u>OF RETIREMENT</u>	<u>FACTOR</u>
<u>JULY 1, 1996, THROUGH JUNE 30, 1997</u>	<u>1.86%</u>
<u>JULY 1, 1995, THROUGH JUNE 30, 1996</u>	<u>3.59%</u>
<u>JULY 1, 1994, THROUGH JUNE 30, 1995</u>	<u>4.95%</u>
<u>JULY 1, 1993, THROUGH JUNE 30, 1994</u>	<u>6.42%</u>
<u>JULY 1, 1992, THROUGH JUNE 30, 1993</u>	<u>7.97%</u>

1 JULY 1, 1979, THROUGH JUNE 30, 1992 10%
2 JULY 1, 1969, THROUGH JUNE 30, 1979 20%
3 ON OR PRIOR TO JUNE 30, 1969 25%

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

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

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

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

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

29 SECTION 9. SECTION 5902(A) OF TITLE 71, AMENDED APRIL
30 2, 1998 (P.L.229, NO.41), IS AMENDED AND RENUMBERED IN PART TO READ:

1 § 5902. ADMINISTRATIVE DUTIES OF THE BOARD.

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

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

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

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

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

27 (2) SERVE AS LIAISON BETWEEN THE BOARD AND APPLICABLE
28 LEGISLATIVE COMMITTEES, THE TREASURY DEPARTMENT, THE
29 DEPARTMENT OF THE AUDITOR GENERAL, AND BETWEEN THE BOARD AND
30 THE INVESTMENT COUNSEL AND THE MORTGAGE SUPERVISOR IN

1 ARRANGING FOR INVESTMENTS TO SECURE MAXIMUM RETURNS TO THE
2 FUND.

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

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

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

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

21 * * *

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

23 § 5938. SUPPLEMENTAL ANNUITY ACCOUNT.

24 THE SUPPLEMENTAL ANNUITY ACCOUNT SHALL BE THE LEDGER ACCOUNT
25 TO WHICH SHALL BE CREDITED ALL CONTRIBUTIONS FROM THE
26 COMMONWEALTH IN ACCORDANCE WITH [SECTION] SECTIONS 5507(B)
27 (RELATING TO CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER
28 EMPLOYERS), 5708.3(F) (RELATING TO FUNDING FOR SUPPLEMENTAL
29 ANNUITIES COMMENCING 1994) AND 5708.5(F) (RELATING TO FUNDING
30 FOR SUPPLEMENTAL ANNUITIES COMMENCING 1998) FOR THE PAYMENT OF

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