

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 2084 Session of  
2007

INTRODUCED BY GIBBONS, SAINATO, GRUCELA, BELFANTI, BASTIAN,  
BIANCUCCI, BLACKWELL, BRENNAN, BUXTON, CAPPELLI, CARROLL,  
CAUSER, CLYMER, CONKLIN, COSTA, CRUZ, DENLINGER, ELLIS,  
FABRIZIO, FLECK, GEORGE, GERGELY, GINGRICH, GOODMAN, HALUSKA,  
HANNA, HARHAI, HARKINS, HELM, HENNESSEY, HESS, HORNAMAN,  
HUTCHINSON, JAMES, KOTIK, KULA, LEACH, LONGIETTI, MAHONEY,  
MANDERINO, MARKOSEK, McILHATTAN, MENSCH, MILNE, MOYER, MUNDY,  
MURT, MYERS, M. O'BRIEN, O'NEILL, PASHINSKI, PAYNE, PETRARCA,  
PETRONE, PICKETT, RAMALEY, READSHAW, REICHLEY, SCAVELLO,  
SCHRODER, SEIP, SHIMKUS, SIPTROTH, McILVAINE SMITH, K. SMITH,  
SOLOBAY, STERN, SURRA, TANGRETTI, WAGNER, J. WHITE,  
WOJNAROSKI, HARRIS, KAUFFMAN, D. EVANS, REED, MARSHALL,  
SWANGER, M. KELLER, KORTZ, BENNINGHOFF AND McCALL,  
DECEMBER 5, 2007

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF  
REPRESENTATIVES, AS AMENDED, MAY 5, 2008

## AN ACT

1 ~~Amending Titles 24 (Education) and 71 (State Government) of the~~ <—  
2 ~~Pennsylvania Consolidated Statutes, providing for~~  
3 ~~supplemental annuity commencing 2007.~~  
4 AMENDING TITLES 24 (EDUCATION) AND 71 (STATE GOVERNMENT) OF THE <—  
5 PENNSYLVANIA CONSOLIDATED STATUTES, FURTHER PROVIDING FOR  
6 ACTUARIAL COST METHOD; PROVIDING FOR SUPPLEMENTAL ANNUITIES  
7 COMMENCING 2008 AND FOR SUPPLEMENTAL POSTRETIREMENT  
8 ADJUSTMENT OF 2008; FURTHER PROVIDING FOR ANNUITY RESERVE  
9 ACCOUNT AND FOR SUPPLEMENTAL ANNUITY ACCOUNT; AND PROVIDING  
10 FOR WINDOW FOR MULTIPLE SERVICE ELECTION.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 ~~Section 1. Title 24 of the Pennsylvania Consolidated~~ <—  
14 ~~Statutes is amended by adding a section to read:~~  
15 ~~§ 8348.8. Supplemental annuity commencing 2007.~~

1     ~~(a) Benefits. Commencing with the first monthly annuity~~  
2 ~~payment after July 1, 2007, any eligible benefit recipient shall~~  
3 ~~be entitled to receive an additional monthly supplemental~~  
4 ~~annuity from the system that shall be paid over a five year~~  
5 ~~period in accordance with this section. This shall be in~~  
6 ~~addition to the supplemental annuities provided for in sections~~  
7 ~~8348 (relating to supplemental annuities), 8348.1 (relating to~~  
8 ~~additional supplemental annuities), 8348.2 (relating to further~~  
9 ~~additional supplemental annuities), 8348.3 (relating to~~  
10 ~~supplemental annuities commencing 1994), 8348.4 (relating to~~  
11 ~~special supplemental postretirement adjustment), 8348.5~~  
12 ~~(relating to supplemental annuities commencing 1998), 8348.6~~  
13 ~~(relating to supplemental annuities commencing 2002) and 8348.7~~  
14 ~~(relating to supplemental annuities commencing 2003).~~

15     ~~(b) Amount of additional supplemental annuity. The amount~~  
16 ~~of the supplemental annuity payable from July 1, 2007, through~~  
17 ~~June 30, 2008, pursuant to this section shall be a percentage of~~  
18 ~~the amount of the monthly annuity payment on July 1, 2007,~~  
19 ~~determined on the basis of the most recent effective date of~~  
20 ~~retirement as follows:~~

<del>Most recent effective</del>	<del>Percentage factor</del>
<del>date of retirement</del>	
<del>July 2, 2000, through July 1, 2001</del>	<del>20.0%</del>
<del>July 2, 1999, through July 1, 2000</del>	<del>24.0%</del>
<del>July 2, 1998, through July 1, 1999</del>	<del>28.0%</del>
<del>July 2, 1997, through July 1, 1998</del>	<del>32.0%</del>
<del>July 2, 1996, through July 1, 1997</del>	<del>36.0%</del>
<del>July 2, 1995, through July 1, 1996</del>	<del>40.0%</del>
<del>July 2, 1994, through July 1, 1995</del>	<del>44.0%</del>
<del>July 2, 1993, through July 1, 1994</del>	<del>48.0%</del>

1	<del>July 2, 1992, through July 1, 1993</del>	<del>52.0%</del>
2	<del>July 2, 1991, through July 1, 1992</del>	<del>56.0%</del>
3	<del>July 2, 1990, through July 1, 1991</del>	<del>60.0%</del>
4	<del>July 2, 1989, through July 1, 1990</del>	<del>64.0%</del>
5	<del>July 2, 1988, through July 1, 1989</del>	<del>68.0%</del>
6	<del>July 2, 1987, through July 1, 1988</del>	<del>72.0%</del>
7	<del>July 2, 1986, through July 1, 1987</del>	<del>76.0%</del>
8	<del>July 2, 1985, through July 1, 1986</del>	<del>80.0%</del>
9	<del>July 2, 1984, through July 1, 1985</del>	<del>84.0%</del>
10	<del>July 2, 1983, through July 1, 1984</del>	<del>88.0%</del>
11	<del>July 2, 1982, through July 1, 1983</del>	<del>92.0%</del>
12	<del>July 2, 1981, through July 1, 1982</del>	<del>96.0%</del>
13	<del>Prior to July 2, 1981</del>	<del>100.0%</del>

14     ~~(c) Payment. The supplemental annuity provided under this~~  
15 ~~section shall be paid automatically over a five year period at~~  
16 ~~20% of the supplemental annuity amount each year unless the~~  
17 ~~annuitant files a written notice with the board requesting that~~  
18 ~~the additional monthly supplemental annuity not be paid.~~

19     ~~(d) Conditions. The supplemental annuity provided under~~  
20 ~~this section shall be payable under the same terms and~~  
21 ~~conditions as provided under the option plan in effect as of~~  
22 ~~July 1, 2007.~~

23     ~~(e) Benefits to beneficiaries or survivors. No supplemental~~  
24 ~~annuity provided under this section shall be payable to the~~  
25 ~~beneficiary or survivor annuitant of a member who dies before~~  
26 ~~July 1, 2007.~~

27     ~~(f) Funding. The additional liability for the increase in~~  
28 ~~benefits provided in this section shall be funded in equal~~  
29 ~~dollar annual installments over a period of ten years beginning~~  
30 ~~July 1, 2007.~~

~~(g) Eligible benefit recipient. As used in this section, the term "eligible benefit recipient" means a person:~~

~~(1) who is receiving a superannuation, withdrawal or disability annuity on July 1, 2007;~~

~~(2) whose most recent effective date of retirement is prior to July 1, 2001; and~~

~~(3) whose credited service does not include any service credited as either Class T D, Class D 4 or Class AA service.~~

~~Notwithstanding the above, the supplemental annuities provided under this section 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.~~

~~Section 2. Title 71 is amended by adding a section to read: § 5708.9. Supplemental annuity commencing 2007.~~

~~(a) Benefits. Commencing with the first monthly annuity payment after July 1, 2007, any eligible benefit recipient shall be entitled to receive an additional monthly supplemental annuity from the system that shall be paid over a five year period in accordance with this section. This shall be in addition to the supplemental annuities provided for in sections 5708 (relating to supplemental annuities), 5708.1 (relating to additional supplemental annuities), 5708.2 (relating to further additional supplemental annuities), 5708.3 (relating to supplemental annuities commencing 1994), 5708.4 (relating to special supplemental postretirement adjustment), 5708.5 (relating to supplemental annuities commencing 1998), 5708.6 (relating to supplemental annuities commencing 2002) and 5708.7 (relating to supplemental annuities commencing 2003).~~

~~(b) Amount of additional supplemental annuity. The amount~~

~~of the supplemental annuity payable from July 1, 2007, through June 30, 2008, pursuant to this section shall be a percentage of the amount of the monthly annuity payment on July 1, 2007, determined on the basis of the most recent effective date of retirement as follows:~~

<del>Most recent effective</del>	<del>Percentage factor</del>
<del>date of retirement</del>	

<del>July 2, 2000, through July 1, 2001</del>	<del>20.0%</del>
<del>July 2, 1999, through July 1, 2000</del>	<del>24.0%</del>
<del>July 2, 1998, through July 1, 1999</del>	<del>28.0%</del>
<del>July 2, 1997, through July 1, 1998</del>	<del>32.0%</del>
<del>July 2, 1996, through July 1, 1997</del>	<del>36.0%</del>
<del>July 2, 1995, through July 1, 1996</del>	<del>40.0%</del>
<del>July 2, 1994, through July 1, 1995</del>	<del>44.0%</del>
<del>July 2, 1993, through July 1, 1994</del>	<del>48.0%</del>
<del>July 2, 1992, through July 1, 1993</del>	<del>52.0%</del>
<del>July 2, 1991, through July 1, 1992</del>	<del>56.0%</del>
<del>July 2, 1990, through July 1, 1991</del>	<del>60.0%</del>
<del>July 2, 1989, through July 1, 1990</del>	<del>64.0%</del>
<del>July 2, 1988, through July 1, 1989</del>	<del>68.0%</del>
<del>July 2, 1987, through July 1, 1988</del>	<del>72.0%</del>
<del>July 2, 1986, through July 1, 1987</del>	<del>76.0%</del>
<del>July 2, 1985, through July 1, 1986</del>	<del>80.0%</del>
<del>July 2, 1984, through July 1, 1985</del>	<del>84.0%</del>
<del>July 2, 1983, through July 1, 1984</del>	<del>88.0%</del>
<del>July 2, 1982, through July 1, 1983</del>	<del>92.0%</del>
<del>July 2, 1981, through July 1, 1982</del>	<del>96.0%</del>
<del>Prior to July 2, 1981</del>	<del>100.0%</del>

~~(c) Payment. The supplemental annuity provided under this section shall be paid automatically over a five year period at~~

~~20% of the supplemental annuity amount each year 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 this section shall be payable under the same terms and conditions as provided under the option plan in effect as of July 1, 2007.~~

~~(e) Benefits to beneficiaries or survivors. No supplemental annuity provided under this section shall be payable to the beneficiary or survivor annuitant of a member who dies before July 1, 2007.~~

~~(f) Funding. The additional liability for the increase in benefits provided in this section shall be funded in equal dollar annual installments over a period of ten years beginning July 1, 2007.~~

~~(g) Eligible benefit recipient. As used in this section, the term "eligible benefit recipient" means a person:~~

~~(1) who is receiving a superannuation, withdrawal or disability annuity on July 1, 2007;~~

~~(2) whose most recent effective date of retirement is prior to July 1, 2001; and~~

~~(3) whose credited service does not include any service credited as either Class T D, Class D 4 or Class AA service.~~

~~Notwithstanding the above, the supplemental annuities provided under this section 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.~~

~~Section 3. This act shall take effect immediately.~~

~~SECTION 1. SECTION 8328(B), (C)(1) AND (D) OF TITLE 24 OF~~

~~<—~~

1 THE PENNSYLVANIA CONSOLIDATED STATUTES ARE AMENDED TO READ:

2 § 8328. ACTUARIAL COST METHOD.

3 \* \* \*

4 (B) NORMAL CONTRIBUTION RATE.--THE NORMAL CONTRIBUTION RATE  
5 SHALL BE DETERMINED AFTER EACH ACTUARIAL VALUATION. UNTIL ALL  
6 ACCRUED LIABILITY CONTRIBUTIONS HAVE BEEN COMPLETED, THE NORMAL  
7 CONTRIBUTION RATE SHALL BE DETERMINED, ON THE BASIS OF AN ANNUAL  
8 INTEREST RATE AND SUCH MORTALITY AND OTHER TABLES AS SHALL BE  
9 ADOPTED BY THE BOARD IN ACCORDANCE WITH GENERALLY ACCEPTED  
10 ACTUARIAL PRINCIPLES, AS A LEVEL PERCENTAGE OF THE COMPENSATION  
11 OF THE AVERAGE NEW ACTIVE MEMBER, WHICH PERCENTAGE, IF  
12 CONTRIBUTED ON THE BASIS OF HIS PROSPECTIVE COMPENSATION THROUGH  
13 THE ENTIRE PERIOD OF ACTIVE SCHOOL SERVICE, WOULD BE SUFFICIENT  
14 TO FUND THE LIABILITY FOR ANY PROSPECTIVE BENEFIT PAYABLE TO  
15 HIM, IN EXCESS OF THAT PORTION FUNDED BY HIS PROSPECTIVE MEMBER  
16 CONTRIBUTIONS, EXCEPT FOR THE SUPPLEMENTAL BENEFITS PROVIDED IN  
17 SECTIONS 8348 (RELATING TO SUPPLEMENTAL ANNUITIES), 8348.1  
18 (RELATING TO ADDITIONAL SUPPLEMENTAL ANNUITIES), 8348.2  
19 (RELATING TO FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES), 8348.3  
20 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1994), 8348.4  
21 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT),  
22 8348.5 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1998),  
23 8348.6 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 2002)  
24 [AND], 8348.7 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING  
25 2003) AND 8348.8 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING  
26 2008).

27 (C) ACCRUED LIABILITY CONTRIBUTION RATE.--

28 (1) FOR THE FISCAL YEAR BEGINNING JULY 1, 2002, THE  
29 ACCRUED LIABILITY CONTRIBUTION RATE SHALL BE COMPUTED AS THE  
30 RATE OF TOTAL COMPENSATION OF ALL ACTIVE MEMBERS WHICH SHALL

1 BE CERTIFIED BY THE ACTUARY AS SUFFICIENT TO FUND OVER A  
2 PERIOD OF TEN YEARS FROM JULY 1, 2002, THE PRESENT VALUE OF  
3 THE LIABILITIES FOR ALL PROSPECTIVE BENEFITS OF ACTIVE  
4 MEMBERS, EXCEPT FOR THE SUPPLEMENTAL BENEFITS PROVIDED IN  
5 SECTIONS 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6  
6 [AND], 8348.7 AND 8348.8, IN EXCESS OF THE TOTAL ASSETS IN  
7 THE FUND (CALCULATED BY RECOGNIZING THE ACTUARIALLY EXPECTED  
8 INVESTMENT RETURN IMMEDIATELY AND RECOGNIZING THE DIFFERENCE  
9 BETWEEN THE ACTUAL INVESTMENT RETURN AND THE ACTUARIALLY  
10 EXPECTED INVESTMENT RETURN OVER A FIVE-YEAR PERIOD),  
11 EXCLUDING THE BALANCE IN THE ANNUITY RESERVE ACCOUNT, AND OF  
12 THE PRESENT VALUE OF NORMAL CONTRIBUTIONS AND OF MEMBER  
13 CONTRIBUTIONS PAYABLE WITH RESPECT TO ALL ACTIVE MEMBERS ON  
14 JULY 1, 2002, DURING THE REMAINDER OF THEIR ACTIVE SERVICE.

15 \* \* \*

16 (D) SUPPLEMENTAL ANNUITY CONTRIBUTION RATE.--CONTRIBUTIONS  
17 FROM THE COMMONWEALTH AND OTHER EMPLOYERS REQUIRED TO PROVIDE  
18 FOR THE PAYMENT OF THE SUPPLEMENTAL ANNUITIES PROVIDED FOR IN  
19 SECTIONS 8348, 8348.1, 8348.2, 8348.4 AND 8348.5 SHALL BE PAID  
20 OVER A PERIOD OF TEN YEARS FROM JULY 1, 2002. THE FUNDING FOR  
21 THE SUPPLEMENTAL ANNUITIES COMMENCING 2002 PROVIDED FOR IN  
22 SECTION 8348.6 SHALL BE AS PROVIDED IN SECTION 8348.6(F). THE  
23 FUNDING FOR THE SUPPLEMENTAL ANNUITIES COMMENCING 2003 PROVIDED  
24 FOR IN SECTION 8348.7 SHALL BE AS PROVIDED IN SECTION 8348.7(F).  
25 THE FUNDING FOR THE SUPPLEMENTAL ANNUITIES COMMENCING 2008  
26 PROVIDED FOR IN SECTION 8348.8 SHALL BE AS PROVIDED IN SECTION  
27 8348.8(F). THE AMOUNT OF EACH ANNUAL SUPPLEMENTAL ANNUITIES  
28 CONTRIBUTION SHALL BE EQUAL TO THE AMOUNT OF SUCH CONTRIBUTION  
29 FOR THE FISCAL YEAR BEGINNING JULY 1, 2002. IN THE EVENT THAT  
30 SUPPLEMENTAL ANNUITIES ARE INCREASED BY LEGISLATION ENACTED



SUBSEQUENT TO JUNE 30, 2002, THE ADDITIONAL LIABILITY FOR THE  
INCREASED BENEFITS TO BE AMORTIZED SHALL BE FUNDED IN EQUAL  
DOLLAR ANNUAL INSTALLMENTS OVER A PERIOD OF [TEN] TWENTY YEARS.

\* \* \*

SECTION 2. TITLE 24 IS AMENDED BY ADDING A SECTION TO READ:  
§ 8348.8. SUPPLEMENTAL ANNUITIES COMMENCING 2008.

(A) BENEFITS.--COMMENCING WITH THE FIRST MONTHLY ANNUITY  
PAYMENT AFTER JULY 1, 2008, ANY ELIGIBLE BENEFIT RECIPIENT SHALL  
BE ENTITLED TO RECEIVE AN ADDITIONAL MONTHLY SUPPLEMENTAL  
ANNUITY FROM THE SYSTEM. THIS SHALL BE IN ADDITION TO THE  
SUPPLEMENTAL ANNUITIES PROVIDED FOR IN SECTIONS 8348 (RELATING  
TO SUPPLEMENTAL ANNUITIES), 8348.1 (RELATING TO ADDITIONAL  
SUPPLEMENTAL ANNUITIES), 8348.2 (RELATING TO FURTHER ADDITIONAL  
SUPPLEMENTAL ANNUITIES), 8348.3 (RELATING TO SUPPLEMENTAL  
ANNUITIES COMMENCING 1994), 8348.4 (RELATING TO SPECIAL  
SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT), 8348.5 (RELATING TO  
SUPPLEMENTAL ANNUITIES COMMENCING 1998), 8348.6 (RELATING TO  
SUPPLEMENTAL ANNUITIES COMMENCING 2002) AND 8348.7 (RELATING TO  
SUPPLEMENTAL ANNUITIES COMMENCING 2003).

(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, 2008, DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE  
DATE OF RETIREMENT, AS FOLLOWS:

<u>MOST RECENT EFFECTIVE DATE</u>	<u>PERCENTAGE FACTOR</u>
<u>OF RETIREMENT</u>	
<u>JULY 2, 2006, THROUGH JULY 1, 2007</u>	<u>2.67%</u>
<u>JULY 2, 2005, THROUGH JULY 1, 2006</u>	<u>4.01%</u>
<u>JULY 2, 2004, THROUGH JULY 1, 2005</u>	<u>5.85%</u>
<u>JULY 2, 2003, THROUGH JULY 1, 2004</u>	<u>7.67%</u>

<u>JULY 2, 2002, THROUGH JULY 1, 2003</u>	<u>8.75%</u>
<u>JULY 1, 2001, THROUGH JULY 1, 2002</u>	<u>9.15%</u>
<u>JULY 2, 1997, THROUGH JUNE 30, 2001</u>	<u>10.00%</u>
<u>JULY 2, 1990, THROUGH JULY 1, 1997</u>	<u>15.00%</u>
<u>PRIOR TO JULY 2, 1990</u>	<u>25.00%</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 THIS SECTION SHALL BE PAYABLE UNDER THE SAME TERMS AND CONDITIONS AS PROVIDED UNDER THE OPTION PLAN IN EFFECT AS OF JULY 1, 2008.

(E) BENEFITS TO BENEFICIARIES OR SURVIVORS.--NO SUPPLEMENTAL ANNUITY PROVIDED UNDER THIS SECTION SHALL BE PAYABLE TO THE BENEFICIARY OR SURVIVOR ANNUITANT OF A MEMBER WHO DIES BEFORE JULY 1, 2008.

(F) FUNDING.--THE ADDITIONAL LIABILITY FOR THE INCREASE UNDER BENEFITS PROVIDED IN THIS SECTION SHALL BE FUNDED IN EQUAL DOLLAR ANNUAL INSTALLMENTS OVER A PERIOD OF 20 YEARS BEGINNING JULY 1, 2009.

(G) ELIGIBLE BENEFIT RECIPIENT.--AS USED IN THIS SECTION, THE TERM "ELIGIBLE BENEFIT RECIPIENT" MEANS A PERSON WHO IS RECEIVING A SUPERANNUATION, WITHDRAWAL OR DISABILITY ANNUITY ON JULY 1, 2008; WHOSE MOST RECENT EFFECTIVE DATE OF RETIREMENT IS PRIOR TO JULY 2, 2007, BUT THE SUPPLEMENTAL ANNUITIES PROVIDED UNDER THIS SECTION 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.

SECTION 3. SECTION 8525(A) OF TITLE 24 IS AMENDED TO READ:

§ 8525. ANNUITY RESERVE ACCOUNT.

(A) CREDITS AND CHARGES TO ACCOUNT.--THE ANNUITY RESERVE ACCOUNT SHALL BE THE LEDGER ACCOUNT TO WHICH SHALL BE CREDITED THE RESERVES HELD FOR THE PAYMENT OF ANNUITIES AND DEATH BENEFITS ON ACCOUNT OF ALL ANNUITANTS AND THE CONTRIBUTIONS FROM THE COMMONWEALTH AND OTHER EMPLOYERS AS DETERMINED IN ACCORDANCE WITH SECTION 8328 (RELATING TO ACTUARIAL COST METHOD) FOR THE PAYMENT OF THE SUPPLEMENTAL ANNUITIES PROVIDED IN SECTIONS 8348 (RELATING TO SUPPLEMENTAL ANNUITIES), 8348.1 (RELATING TO ADDITIONAL SUPPLEMENTAL ANNUITIES), 8348.2 (RELATING TO FURTHER ADDITIONAL SUPPLEMENTAL ANNUITIES), 8348.3 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1994), 8348.4 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT), 8348.5 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1998), 8348.6 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 2002) [AND], 8348.7 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 2003) AND 8348.8 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 2008). THE ANNUITY RESERVE ACCOUNT SHALL BE CREDITED WITH VALUATION INTEREST. AFTER THE TRANSFERS PROVIDED IN SECTIONS 8523 (RELATING TO MEMBERS' SAVINGS ACCOUNT) AND 8524 (RELATING TO STATE ACCUMULATION ACCOUNT), ALL ANNUITY AND DEATH BENEFIT PAYMENTS SHALL BE CHARGED TO THE ANNUITY RESERVE ACCOUNT AND PAID FROM THE FUND.

\* \* \*

SECTION 4. SECTION 5508(B), (C)(1) AND (E) OF TITLE 71 ARE AMENDED TO READ:

§ 5508. ACTUARIAL COST METHOD.

\* \* \*

(B) EMPLOYER NORMAL CONTRIBUTION RATE.--THE EMPLOYER NORMAL

1 CONTRIBUTION RATE SHALL BE DETERMINED AFTER EACH ACTUARIAL  
2 VALUATION ON THE BASIS OF AN ANNUAL INTEREST RATE AND SUCH  
3 MORTALITY AND OTHER TABLES AS SHALL BE ADOPTED BY THE BOARD IN  
4 ACCORDANCE WITH GENERALLY ACCEPTED ACTUARIAL PRINCIPLES. THE  
5 EMPLOYER NORMAL CONTRIBUTION RATE SHALL BE DETERMINED AS A LEVEL  
6 PERCENTAGE OF THE COMPENSATION OF THE AVERAGE NEW ACTIVE MEMBER,  
7 WHICH PERCENTAGE, IF CONTRIBUTED ON THE BASIS OF HIS PROSPECTIVE  
8 COMPENSATION THROUGH HIS ENTIRE PERIOD OF ACTIVE STATE SERVICE,  
9 WOULD BE SUFFICIENT TO FUND THE LIABILITY FOR ANY PROSPECTIVE  
10 BENEFIT PAYABLE TO HIM, EXCEPT FOR THE SUPPLEMENTAL BENEFITS  
11 PROVIDED FOR IN SECTIONS 5708 (RELATING TO SUPPLEMENTAL  
12 ANNUITIES), 5708.1 (RELATING TO ADDITIONAL SUPPLEMENTAL  
13 ANNUITIES), 5708.2 (RELATING TO FURTHER ADDITIONAL SUPPLEMENTAL  
14 ANNUITIES), 5708.3 (RELATING TO SUPPLEMENTAL ANNUITIES  
15 COMMENCING 1994), 5708.4 (RELATING TO SPECIAL SUPPLEMENTAL  
16 POSTRETIREMENT ADJUSTMENT), 5708.5 (RELATING TO SUPPLEMENTAL  
17 ANNUITIES COMMENCING 1998), 5708.6 (RELATING TO SUPPLEMENTAL  
18 ANNUITIES COMMENCING 2002), 5708.7 (RELATING TO SUPPLEMENTAL  
19 ANNUITIES COMMENCING 2003) [AND] 5708.8 (RELATING TO SPECIAL  
20 SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT OF 2002) AND 5708.9  
21 (RELATING TO SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT OF 2008), IN  
22 EXCESS OF THAT PORTION FUNDED BY HIS PROSPECTIVE MEMBER  
23 CONTRIBUTIONS.

24 (C) ACCRUED LIABILITY CONTRIBUTION RATE.--

25 (1) FOR THE FISCAL YEAR BEGINNING JULY 1, 2002, THE  
26 ACCRUED LIABILITY CONTRIBUTION RATE SHALL BE COMPUTED AS THE  
27 RATE OF TOTAL COMPENSATION OF ALL ACTIVE MEMBERS WHICH SHALL  
28 BE CERTIFIED BY THE ACTUARY AS SUFFICIENT TO FUND OVER A  
29 PERIOD OF TEN YEARS FROM JULY 1, 2002, THE PRESENT VALUE OF  
30 THE LIABILITIES FOR ALL PROSPECTIVE BENEFITS, EXCEPT FOR THE

1 SUPPLEMENTAL BENEFITS AS PROVIDED IN SECTIONS 5708, 5708.1,  
2 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 [AND] 5708.8  
3 AND 5708.9, IN EXCESS OF THE TOTAL ASSETS IN THE FUND  
4 (CALCULATED RECOGNIZING ALL INVESTMENT GAINS AND LOSSES OVER  
5 A FIVE-YEAR PERIOD), EXCLUDING THE BALANCE IN THE  
6 SUPPLEMENTAL ANNUITY ACCOUNT, AND THE PRESENT VALUE OF  
7 EMPLOYER NORMAL CONTRIBUTIONS AND OF MEMBER CONTRIBUTIONS  
8 PAYABLE WITH RESPECT TO ALL ACTIVE MEMBERS ON DECEMBER 31,  
9 2001, AND EXCLUDING CONTRIBUTIONS TO BE TRANSFERRED BY COUNTY  
10 RETIREMENT SYSTEMS OR PENSION PLANS PURSUANT TO SECTION  
11 5507(C) (RELATING TO CONTRIBUTIONS BY THE COMMONWEALTH AND  
12 OTHER EMPLOYERS). THE AMOUNT OF EACH ANNUAL ACCRUED LIABILITY  
13 CONTRIBUTION SHALL BE EQUAL TO THE AMOUNT OF SUCH  
14 CONTRIBUTION FOR THE FISCAL YEAR BEGINNING JULY 1, 2002,  
15 EXCEPT THAT, IF THE ACCRUED LIABILITY IS INCREASED BY  
16 LEGISLATION ENACTED SUBSEQUENT TO JUNE 30, 2002, BUT BEFORE  
17 JULY 1, 2003, SUCH ADDITIONAL LIABILITY SHALL BE FUNDED OVER  
18 A PERIOD OF TEN YEARS FROM THE FIRST DAY OF JULY, COINCIDENT  
19 WITH OR NEXT FOLLOWING THE EFFECTIVE DATE OF THE INCREASE.  
20 THE AMOUNT OF EACH ANNUAL ACCRUED LIABILITY CONTRIBUTION FOR  
21 SUCH ADDITIONAL LEGISLATIVE LIABILITIES SHALL BE EQUAL TO THE  
22 AMOUNT OF SUCH CONTRIBUTION FOR THE FIRST ANNUAL PAYMENT.

23 \* \* \*

24 (E) SUPPLEMENTAL ANNUITY CONTRIBUTION RATE.--CONTRIBUTIONS  
25 FROM THE COMMONWEALTH REQUIRED TO PROVIDE FOR THE PAYMENT OF  
26 SUPPLEMENTAL ANNUITIES AS PROVIDED IN SECTIONS 5708, 5708.1,  
27 5708.2, 5708.3, 5708.4 AND 5708.5 SHALL BE PAID OVER A PERIOD OF  
28 TEN YEARS FROM JULY 1, 2002. THE FUNDING FOR THE SUPPLEMENTAL  
29 ANNUITIES COMMENCING 2002 PROVIDED FOR IN SECTION 5708.6 SHALL  
30 BE AS PROVIDED IN SECTION 5708.6(F). THE FUNDING FOR THE

1 SUPPLEMENTAL ANNUITIES COMMENCING 2003 PROVIDED FOR IN SECTION  
2 5708.7 SHALL BE AS PROVIDED IN SECTION 5708.7(F). THE FUNDING  
3 FOR THE SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT OF 2002  
4 UNDER SECTION 5708.8 SHALL BE AS PROVIDED IN SECTION 5708.8(G).  
5 THE FUNDING FOR THE SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT OF  
6 2008 UNDER SECTION 5708.9 SHALL BE AS PROVIDED IN SECTION  
7 5708.9(F). THE AMOUNT OF EACH ANNUAL SUPPLEMENTAL ANNUITIES  
8 CONTRIBUTION SHALL BE EQUAL TO THE AMOUNT OF SUCH CONTRIBUTION  
9 FOR THE FISCAL YEAR BEGINNING JULY 1, 2002. IN THE EVENT THAT  
10 SUPPLEMENTAL ANNUITIES ARE INCREASED BY LEGISLATION ENACTED  
11 SUBSEQUENT TO JUNE 30, 2002, THE ADDITIONAL LIABILITY FOR THE  
12 INCREASE IN BENEFITS SHALL BE FUNDED IN EQUAL DOLLAR ANNUAL  
13 INSTALLMENTS OVER A PERIOD OF [TEN] TWENTY YEARS FROM THE JULY  
14 FIRST, COINCIDENT WITH OR NEXT FOLLOWING THE EFFECTIVE DATE OF  
15 SUCH LEGISLATION.

16 \* \* \*

17 SECTION 5. TITLE 71 IS AMENDED BY ADDING A SECTION TO READ:  
18 § 5708.9 SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT OF 2008.

19 (A) BENEFITS.--COMMENCING WITH THE FIRST MONTHLY ANNUITY  
20 PAYMENT AFTER JULY 1, 2008, ANY ELIGIBLE BENEFIT RECIPIENT SHALL  
21 BE ENTITLED TO RECEIVE AN ADDITIONAL MONTHLY SUPPLEMENTAL  
22 ANNUITY FROM THE SYSTEM. THIS SHALL BE IN ADDITION TO THE  
23 SUPPLEMENTAL ANNUITIES PROVIDED FOR IN SECTIONS 5708 (RELATING  
24 TO SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO ADDITIONAL  
25 SUPPLEMENTAL ANNUITIES), 5708.2 (RELATING TO FURTHER ADDITIONAL  
26 SUPPLEMENTAL ANNUITIES), 5708.3 (RELATING TO SUPPLEMENTAL  
27 ANNUITIES COMMENCING 1994), 5708.5 (RELATING TO SUPPLEMENTAL  
28 ANNUITIES COMMENCING 1998), 5708.6 (RELATING TO SUPPLEMENTAL  
29 ANNUITIES COMMENCING 2002), 5708.7 (RELATING TO SUPPLEMENTAL  
30 ANNUITIES COMMENCING 2003) AND THE SPECIAL SUPPLEMENTAL

1 POSTRETIREMENT ADJUSTMENT PROVIDED FOR IN SECTIONS 5708.4  
2 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT) AND  
3 5708.8 (RELATING TO ADDITIONAL SPECIAL SUPPLEMENTAL  
4 POSTRETIREMENT ADJUSTMENT OF 2002).

5 (B) AMOUNT OF SUPPLEMENTAL ANNUITY.--THE AMOUNT OF THE  
6 SUPPLEMENTAL ANNUITY PAYABLE PURSUANT TO THIS SECTION SHALL BE A  
7 PERCENTAGE OF THE AMOUNT OF THE MONTHLY ANNUITY PAYMENT ON JULY  
8 1, 2008, DETERMINED ON THE BASIS OF THE MOST RECENT EFFECTIVE  
9 DATE OF RETIREMENT, AS FOLLOWS:

<u>MOST RECENT EFFECTIVE DATE</u>	<u>PERCENTAGE FACTOR</u>
<u>OF RETIREMENT</u>	
<u>JULY 2, 2006, THROUGH JULY 1, 2007</u>	<u>2.67%</u>
<u>JULY 2, 2005, THROUGH JULY 1, 2006</u>	<u>4.01%</u>
<u>JULY 2, 2004, THROUGH JULY 1, 2005</u>	<u>5.85%</u>
<u>JULY 2, 2003, THROUGH JULY 1, 2004</u>	<u>7.67%</u>
<u>JULY 2, 2002, THROUGH JULY 1, 2003</u>	<u>8.75%</u>
<u>JULY 1, 2001, THROUGH JULY 1, 2002</u>	<u>9.15%</u>
<u>JULY 2, 1997, THROUGH JUNE 30, 2001</u>	<u>10.00%</u>
<u>JULY 2, 1990, THROUGH JULY 1, 1997</u>	<u>15.00%</u>
<u>PRIOR TO JULY 2, 1990</u>	<u>25.00%</u>

21 (C) PAYMENT.--THE SUPPLEMENTAL ANNUITY PROVIDED UNDER THIS  
22 SECTION SHALL BE PAID AUTOMATICALLY UNLESS THE ANNUITANT FILES A  
23 WRITTEN NOTICE WITH THE BOARD REQUESTING THAT THE ADDITIONAL  
24 MONTHLY SUPPLEMENTAL ANNUITY NOT BE PAID.

25 (D) CONDITIONS.--THE SUPPLEMENTAL ANNUITY PROVIDED UNDER  
26 THIS SECTION SHALL BE PAYABLE UNDER THE SAME TERMS AND  
27 CONDITIONS AS PROVIDED UNDER THE OPTION PLAN IN EFFECT AS OF  
28 JULY 1, 2008.

29 (E) BENEFITS TO BENEFICIARIES OR SURVIVORS.--NO SUPPLEMENTAL  
30 ANNUITY PROVIDED UNDER THIS SECTION SHALL BE PAYABLE TO THE

1 BENEFICIARY OR SURVIVOR ANNUITANT OF A MEMBER WHO DIES BEFORE  
2 JULY 1, 2008.

3 (F) FUNDING.--THE ADDITIONAL LIABILITY FOR THE INCREASE IN  
4 BENEFITS PROVIDED UNDER THIS SECTION SHALL BE FUNDED IN EQUAL  
5 DOLLAR ANNUAL INSTALLMENTS OVER A PERIOD OF 20 YEARS BEGINNING  
6 JULY 1, 2009.

7 (G) ELIGIBLE BENEFIT RECIPIENT.--AS USED IN THIS SECTION,  
8 THE TERM "ELIGIBLE BENEFIT RECIPIENT" MEANS A PERSON WHO IS  
9 RECEIVING A SUPERANNUATION, WITHDRAWAL OR DISABILITY ANNUITY ON  
10 JULY 1, 2008, AND WHOSE MOST RECENT EFFECTIVE DATE OF RETIREMENT  
11 IS PRIOR TO JULY 2, 2007. NOTWITHSTANDING THE ABOVE, THE  
12 SUPPLEMENTAL ANNUITIES PROVIDED UNDER THIS SECTION SHALL NOT BE  
13 PAYABLE TO AN ANNUITANT RECEIVING A SUPERANNUATION OR WITHDRAWAL  
14 ANNUITY PRIOR TO THE FIRST DAY OF JULY COINCIDENT WITH OR  
15 FOLLOWING THE ANNUITANT'S ATTAINMENT OF SUPERANNUATION AGE.

16 SECTION 6. SECTION 5938 OF TITLE 71 IS AMENDED TO READ:

17 § 5938. SUPPLEMENTAL ANNUITY ACCOUNT.

18 THE SUPPLEMENTAL ANNUITY ACCOUNT SHALL BE THE LEDGER ACCOUNT  
19 TO WHICH SHALL BE CREDITED ALL CONTRIBUTIONS FROM THE  
20 COMMONWEALTH IN ACCORDANCE WITH SECTION 5507(B) (RELATING TO  
21 CONTRIBUTIONS BY THE COMMONWEALTH AND OTHER EMPLOYERS) FOR THE  
22 PAYMENT OF THE SUPPLEMENTAL ANNUITIES PROVIDED IN SECTIONS 5708  
23 (RELATING TO SUPPLEMENTAL ANNUITIES), 5708.1 (RELATING TO  
24 ADDITIONAL SUPPLEMENTAL ANNUITIES), 5708.2 (RELATING TO FURTHER  
25 ADDITIONAL SUPPLEMENTAL ANNUITIES), 5708.3 (RELATING TO  
26 SUPPLEMENTAL ANNUITIES COMMENCING 1994), 5708.4 (RELATING TO  
27 SPECIAL SUPPLEMENTAL POSTRETIREMENT ADJUSTMENT), 5708.5  
28 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 1998), 5708.6  
29 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 2002), 5708.7  
30 (RELATING TO SUPPLEMENTAL ANNUITIES COMMENCING 2003) [AND],



1 5708.8 (RELATING TO SPECIAL SUPPLEMENTAL POSTRETIREMENT  
2 ADJUSTMENT OF 2002) AND 5708.9 (RELATING TO SUPPLEMENTAL  
3 POSTRETIREMENT ADJUSTMENT OF 2008). THE SUPPLEMENTAL ANNUITY  
4 ACCOUNT SHALL BE CREDITED WITH VALUATION INTEREST. THE RESERVES  
5 NECESSARY FOR THE PAYMENT OF SUCH SUPPLEMENTAL ANNUITIES SHALL  
6 BE TRANSFERRED FROM THE SUPPLEMENTAL ANNUITY ACCOUNT TO THE  
7 ANNUITY RESERVE ACCOUNT AS PROVIDED IN SECTION 5935 (RELATING TO  
8 ANNUITY RESERVE ACCOUNT).

9 SECTION 7. NOTWITHSTANDING THE LIMITATION CONTAINED IN 71  
10 PA.C.S. § 5907(C), ANY ACTIVE MEMBER OF THE STATE EMPLOYEES'  
11 RETIREMENT SYSTEM WHO WAS FORMERLY ELIGIBLE TO BE AN ACTIVE  
12 MEMBER OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM AND  
13 WHOSE SERVICE CREDIT IN THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT  
14 SYSTEM HAS NOT BEEN CONVERTED TO SERVICE CREDITED IN ANOTHER  
15 PUBLIC PENSION PLAN OR RETIREMENT SYSTEM IN THIS COMMONWEALTH  
16 MAY ELECT TO BECOME A MULTIPLE SERVICE MEMBER ON OR BEFORE  
17 DECEMBER 31, 2008.

18 SECTION 8. THIS ACT SHALL TAKE EFFECT IMMEDIATELY.