

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 900 Session of 2015

INTRODUCED BY MCGINNIS, METCALFE, BLOOM, CALTAGIRONE, COX,
CUTLER, IRVIN, KAUFFMAN, F. KELLER, KOTIK, ORTITAY, PETRI,
RAPP, ROAE, SANKEY, SAYLOR, SCHEMEL, TALLMAN, TRUITT, TURZAI,
WARD AND ZIMMERMAN, MAY 13, 2015

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MAY 13, 2015

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, in retirement for school
3 employees, further providing for actuarial cost method; and,
4 in retirement for State employees and officers, further
5 providing for actuarial cost method.

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

8 Section 1. Section 8328(c)(4), (d)(2), (e) and (g)(2) of
9 Title 24 of the Pennsylvania Consolidated Statutes are amended
10 to read:

11 § 8328. Actuarial cost method.

12 * * *

13 (c) Accrued liability contribution rate.--

14 * * *

15 (4) For the fiscal year beginning July 1, 2011, the
16 accrued liability contribution rate shall be computed as the
17 rate of total compensation of all active members which shall
18 be certified by the actuary as sufficient to fund as a level

percentage of compensation over a period of 24 years from July 1, 2011, the present value of the liabilities for all prospective benefits calculated as of June 30, 2010, including the supplemental benefits as provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7, in excess of the actuarially calculated assets in the fund (calculated recognizing all realized and unrealized investment gains and losses each year in level annual installments over a ten-year period). The balance of any recognized unfunded accrued liability net of market value of assets as of June 30, 2014, shall be funded in equal dollar annual contributions over a period of 20 years from July 1, 2015. In the event that the accrued liability is increased by legislation enacted subsequent to June 30, 2010, and before July 1, 2014, such additional liability shall be funded as a level percentage of compensation over a period of ten years from the July 1 second succeeding the date such legislation is enacted. In the event that the accrued liability is increased by legislation enacted subsequent to June 30, 2014, such additional liability shall be funded in equal dollar annual contributions over a period of 20 years from the July 1 second succeeding the date such legislation is enacted.

(d) Supplemental annuity contribution rate.--

* * *

(2) For fiscal years beginning July 1, 2011, contributions from the Commonwealth and other employers whose employees are members of the system required to provide for the payment of supplemental annuities as provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7 shall be paid as part of the accrued liability

1 contribution rate as provided for in subsection (c) (4), and
2 there shall not be a separate supplemental annuity
3 contribution rate attributable to those supplemental
4 annuities. In the event that supplemental annuities are
5 increased by legislation enacted subsequent to June 30, 2010,
6 and before July 1, 2014, the additional liability for the
7 increase in benefits shall be funded as a level percentage of
8 compensation over a period of ten years from the July 1
9 second succeeding the date such legislation is enacted. In
10 the event that supplemental annuities are increased by
11 legislation enacted subsequent to June 30, 2014, the
12 additional liability for the increase in benefits shall be
13 funded in equal dollar annual contributions over a period of
14 20 years from the July 1 second succeeding the date such
15 legislation is enacted.

16 (e) Experience adjustment factor.--

17 (1) For each year after the establishment of the accrued
18 liability contribution rate for the fiscal year beginning
19 July 1, 2011, any increase or decrease in the unfunded
20 accrued liability, excluding the gains or losses on the
21 assets of the health insurance account, due to actual
22 experience differing from assumed experience, changes in
23 actuarial assumptions, changes in contributions caused by the
24 final contribution rate being different from the actuarially
25 required contribution rate, active members making shared-risk
26 contributions or changes in the terms and conditions of the
27 benefits provided by the system by judicial, administrative
28 or other processes other than legislation, including, but not
29 limited to, reinterpretation of the provisions of this part,
30 shall be amortized as a level percentage of compensation over

1 a period of 24 years beginning with the July 1 second
2 succeeding the actuarial valuation determining said increases
3 or decreases[.] when the actuarial valuation occurs on or
4 before June 30, 2013, and over a period of 20 years beginning
5 with the July 1 succeeding the actuarial valuation
6 determining said increases or decreases when the actuarial
7 valuation occurs after June 30, 2013. Any remaining balances
8 of annual increases or decreases in the unfunded accrued
9 liability due to actual experience differing from assumed
10 experience determined under this paragraph by actuarial
11 valuations occurring on or before June 30, 2013, as of June
12 30, 2014, shall be amortized in equal dollar annual
13 contributions over a period of 20 years beginning July 1,
14 2015.

15 (2) (Reserved).

16 * * *

17 (g) Temporary application of collared contribution rate.--

18 * * *

19 (2) If, for any of the fiscal years beginning July 1,
20 2011, July 1, 2012, [and on or after] July 1, 2013, and July
21 1, 2014, the actuarially required contribution rate,
22 calculated without regard for the costs added by legislation,
23 is more than 3%, 3.5%, 4.5% and 4.5%, respectively, of the
24 total compensation of all active members greater than the
25 prior year's final contribution rate, then the collared
26 contribution rate shall be applied and be equal to the prior
27 year's final contribution rate increased by 3%, 3.5%, 4.5%
28 and 4.5%, respectively, of total compensation of all active
29 members. Otherwise, and for all other fiscal years, the
30 collared contribution rate shall not be applicable. In no

case shall the collared contribution rate be less than 4% of the total compensation of all active members.

* * *

Section 2. Section 5508(c)(3), (e)(2), (f)(1) and (h) of Title 71 are amended to read:

§ 5508. Actuarial cost method.

* * *

(c) Accrued liability contribution rate.--

* * *

(3) For the fiscal year beginning July 1, 2010, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund in equal dollar installments over a period of 30 years from July 1, 2010, the present value of the liabilities for all prospective benefits calculated as of the immediately prior valuation date, including the supplemental benefits as provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits payable from the retirement benefit plan established pursuant to section 5941 (relating to benefits completion plan), in excess of the actuarially calculated assets in the fund (calculated recognizing all realized and unrealized investment gains and losses each year in level annual installments over five years), including the balance in the supplemental annuity account, and the present value of employer normal contributions and of member contributions payable with respect to all active members, inactive members on leave without pay, vestees and special vestees on December 31, 2009. The balance of any recognized unfunded accrued

1 liability net of market value of assets as of December 31,
2 2014, shall be funded in equal dollar installments over a
3 period of 20 years from July 1, 2015. If the accrued
4 liability is changed by legislation enacted subsequent to
5 December 31, 2009, and before January 1, 2015, such change in
6 liability shall be funded in equal dollar installments over a
7 period of ten years from the first day of July following the
8 valuation date coincident with or next following the date
9 such legislation is enacted. If the accrued liability is
10 changed by legislation enacted subsequent to December 31,
11 2014, such change in liability shall be funded in equal
12 dollar installments over a period of 20 years from the first
13 day of July following the valuation date coincident with or
14 next following the date such legislation is enacted.

15 * * *

16 (e) Supplemental annuity contribution rate.--

17 * * *

18 (2) For fiscal years beginning on or after July 1, 2010,
19 contributions from the Commonwealth and other employers whose
20 employees are members of the system required to provide for
21 the payment of supplemental annuities as provided in sections
22 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
23 and 5708.8 shall be paid as part of the accrued liability
24 contribution rate as provided for in subsection (c)(3), and
25 there shall not be a separate supplemental annuity
26 contribution rate attributable to those supplemental
27 annuities. In the event that supplemental annuities are
28 increased by legislation enacted subsequent to December 31,
29 2009, and before January 1, 2015, the additional liability
30 for the increase in benefits shall be funded in equal dollar

installments over a period of ten years from the first day of July following the valuation date coincident with or next following the date such legislation is enacted. In the event that supplemental annuities are increased by legislation enacted subsequent to December 31, 2014, the additional liability for the increase in benefits shall be funded in equal dollar installments over a period of 20 years from the first day of July following the valuation date coincident with or next following the date such legislation is enacted.

(f) Experience adjustment factor.--

(1) For each year after the establishment of the accrued liability contribution rate and the supplemental annuity contribution rate for the fiscal year beginning July 1, 2010, any increase or decrease in the unfunded accrued liability and any increase or decrease in the liabilities and funding for supplemental annuities, due to actual experience differing from assumed experience (recognizing all realized and unrealized investment gains and losses over a five-year period), changes in contributions caused by the final contribution rate being different from the actuarially required contribution rate, State employees making shared-risk member contributions, changes in actuarial assumptions or changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions over a period of 30 years beginning with the July 1 succeeding the actuarial valuation determining

1 said increases or decreases[.] when the actuarial
2 valuation occurs on or before December 31, 2013, and over
3 a period of 20 years beginning with the July 1 succeeding
4 the actuarial valuation determining said increases or
5 decreases when the actuarial valuation occurs after
6 December 31, 2013. Any remaining balances of annual
7 increases or decreases in the unfunded accrued liability
8 due to actual experience differing from assumed
9 experience determined under this paragraph by actuarial
10 valuations occurring on or before December 31, 2013, as
11 of December 31, 2014, shall be amortized in equal dollar
12 annual contributions over a period of 20 years beginning
13 July 1, 2015.

14 * * *

15 (h) Temporary application of collared contribution rate.--

16 The collared contribution rate for each year shall be determined
17 by comparing the actuarially required contribution rate
18 calculated without regard for costs added by legislation to the
19 prior year's final contribution rate. If, for any of the fiscal
20 years beginning July 1, 2011, July 1, 2012, [and on or after]
21 July 1, 2013, and July 1, 2014, the actuarially required
22 contribution rate calculated without regard for costs added by
23 legislation is more than 3%, 3.5%, 4.5% and 4.5%, respectively,
24 of the total compensation of all active members greater than the
25 prior year's final contribution rate, then the collared
26 contribution rate shall be applied and be equal to the prior
27 year's final contribution rate increased by the respective
28 percentage above of total compensation of all active members.
29 Otherwise, and for all subsequent fiscal years, the collared
30 contribution rate shall not be applicable. In no case shall the

1 collared contribution rate be less than 4% of total compensation
2 of all active members.

3 * * *

4 Section 3. The Public School Employees' Retirement Board
5 shall, notwithstanding any other provision of law, recertify to
6 the Secretary of the Budget the contributions, rates, factors
7 and amounts under 24 Pa.C.S. § 8502(k). The board's
8 recertification shall reflect all changes in the contributions,
9 rates, factors and amounts previously certified by the board for
10 the fiscal year beginning July 1, 2015, which are required to
11 comply with 24 Pa.C.S. § 8328. The recertification shall occur
12 within 15 days of the effective date of this section and shall
13 supersede the prior certification.

14 Section 4. The State Employees' Retirement Board shall,
15 notwithstanding any other provision of law, recertify to the
16 Secretary of the Budget the contributions, rates, factors and
17 amounts under 71 Pa.C.S. § 5902(k). The board's recertification
18 shall reflect all changes in the contributions, rates, factors
19 and amounts previously certified by the board prior to the
20 effective date of this section for the fiscal year beginning
21 July 1, 2015, which are required to comply with 71 Pa.C.S. §
22 5508. The recertification shall occur within 15 days of the
23 effective date of this section and shall supersede the prior
24 certification.

25 Section 5. This act shall take effect immediately.