
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1149 Session of
2015

INTRODUCED BY FRANKEL, DERMODY, HANNA, GOODMAN, YOUNGBLOOD,
STURLA, MARKOSEK, FABRIZIO, SCHREIBER, COHEN, BROWNLIE,
PASHINSKI, KINSEY, DEAN, M. DALEY, WATERS, McNEILL, DeLISSIO,
DAVIDSON, C. PARKER, THOMAS, O'BRIEN AND ROEBUCK,
JUNE 5, 2015

REFERRED TO COMMITTEE ON STATE GOVERNMENT, JUNE 5, 2015

AN ACT

1 Providing for the Public School Employees' Retirement System
2 Reform Act, for payment of the Commonwealth's public school
3 employees' retirement code contributions; establishing the
4 Public School Employees' Retirement Contribution Restricted
5 Account; imposing duties on the Public School Employees'
6 Retirement Board; imposing duties on the Secretary of the
7 Budget; imposing duties on the Department of Revenue; making
8 an appropriation; providing for bond issuance, for criteria
9 for bond issuance, for issuance of bond and security, for
10 sale of bonds, for use of bond proceeds, for payment of bond-
11 related obligations, for Commonwealth not to impair bond-
12 related obligations, for no personal liability and for
13 expiration of authority to issue bonds; establishing the
14 Public School Employees' Retirement Debt Service and Sinking
15 Account; imposing a duty on the Pennsylvania Liquor Control
16 Board; providing for a certification of amounts payable from
17 account and for school district assistance for fiscal year
18 2016-2017; and making a repeal.

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

21 CHAPTER 1

22 GENERAL PROVISIONS

23 Section 101. Short title.

24 This act shall be known and may be cited as the Public School

1 Employees' Retirement System Reform Act.

2 CHAPTER 3

3 PAYMENT OF THE COMMONWEALTH'S PUBLIC

4 SCHOOL EMPLOYEES' RETIREMENT CODE CONTRIBUTIONS

5 Section 301. Establishment and dedication of restricted
6 account.

7 (a) Establishment.--There is established in the General Fund
8 a restricted account known as the Public School Employees'
9 Retirement Contribution Restricted Account.

10 (b) Funds.--Funds in the restricted account established
11 under subsection (a), including interest earned on funds
12 deposited in the account are dedicated and appropriated under
13 section 303 for the payment of the Commonwealth's share of
14 retirement contributions due each fiscal year under 24 Pa.C.S.
15 Pt. IV (relating to retirement for school employees).

16 Section 302. Certification of amounts payable from the account.

17 (a) Detailed estimate.--The following shall apply:

18 (1) When the Public School Employees' Retirement Board
19 submits its annual appropriation request to the Governor and
20 the Office of the Budget under 24 Pa.C.S. § 8502 (relating to
21 administrative duties of board) and Article VI of the act of
22 April 9, 1929 (P.L.177, No.175), known as The Administrative
23 Code of 1929, the Public School Employees' Retirement Board
24 shall include, for the same fiscal year for which it makes
25 its appropriation request, a detailed estimate of the amount
26 that will be required to pay the Commonwealth's share of
27 retirement contributions due under 24 Pa.C.S. Pt. IV
28 (relating to retirement for school employees).

29 (2) The board shall submit a detailed update of its
30 estimate to the Governor and the Secretary of the Budget by

1 each December 1, and at other times as the Governor and the
2 secretary may request.

3 (b) Final detailed estimate.--By each May 15, the Public
4 School Employees' Retirement Board shall submit to the Governor
5 and the Secretary of the Budget a final detailed estimate of the
6 amount that will be required in the immediately succeeding
7 fiscal year to pay the Commonwealth's share of retirement
8 contributions due under 24 Pa.C.S. Pt. IV. If the amount
9 certified by the Secretary of the Budget for the fiscal year in
10 which the estimate is delivered or for a prior year was not
11 sufficient to fully pay the Commonwealth's share of retirement
12 contributions under 24 Pa.C.S. Pt. IV, the Pennsylvania Public
13 School Employees' Retirement System's final detailed estimate
14 must include sufficient amounts to fully pay the contributions.

15 (c) Secretary of the Budget.--The following shall apply:

16 (1) By each June 1, the Secretary of the Budget shall
17 certify to the Department of Revenue the total amount that
18 will be required to pay the Commonwealth's share of
19 retirement contributions due under 24 Pa.C.S. Pt. IV for the
20 fiscal year beginning on the July 1 immediately following the
21 date of the secretary's certification.

22 (2) If any money that is attributable to a previous
23 fiscal year's certification remains in the account
24 established under section 301, the Secretary of the Budget
25 shall take the remaining money into consideration when making
26 the certification for the next succeeding fiscal year.

27 (d) Department of Revenue.--The Department of Revenue shall
28 divide the amount certified by the Secretary of the Budget in
29 subsection (c) as follows:

30 (1) Thirty percent or other percentage determined by the

1 Secretary of Budget and the Pennsylvania Public School
2 Employees' Retirement System shall be transferred in equal
3 installments from the General Fund to the restricted account
4 established under section 301 not later than September 5 of
5 each year.

6 (2) Seventy percent or the remaining amount shall be
7 transferred to the restricted account in equal installments
8 through the end of the fiscal year to which the certification
9 applies.

10 The Department of Revenue shall begin making the transfers under
11 this subsection by each July 15, and then not later than the
12 fifth day of each succeeding month of each fiscal year from
13 moneys received in the General Fund from the tax imposed under
14 section 202 of the act of March 4, 1971 (P.L.6, No.2), known as
15 the Tax Reform Code of 1971.

16 Section 303. Payments from restricted account.

17 Funds deposited by the Department of Revenue into the
18 restricted account established under section 301 are hereby
19 appropriated to the Department of Education for payment of the
20 Commonwealth's required contribution for public school
21 employees' retirement due under 24 Pa.C.S. Pt. IV (relating to
22 retirement for school employees) for each fiscal year as
23 certified by the Secretary of the Budget.

24 CHAPTER 5

25 ISSUANCE OF BONDS

26 Section 501. Findings and declarations.

27 The General Assembly finds and declares as follows:

28 (1) Financing the prepayment of all or a portion of the
29 Commonwealth's share of the system's unfunded accrued
30 actuarial liability, including interest and the costs of

1 issuance by means of the sale of bonds by and through the
2 authority is in the best interest of the Commonwealth,
3 Pennsylvania's school districts and the citizens of this
4 Commonwealth.

5 (2) The public school districts of this Commonwealth
6 have been subject to increasing contribution rates required
7 of employers in the system with the effect that school
8 districts' funds have had less money available for the
9 construction, rehabilitation, refurbishment and maintenance
10 of the public school districts' educational facilities.

11 (3) The system will apply the principal amount of the
12 bond proceeds as additional contributions for the prepayment
13 of a portion of the system's unfunded accrued actuarial
14 liability in accordance with 24 Pa.C.S. § 8328 (relating to
15 actuarial cost method).

16 (4) A decrease in public school districts' contribution
17 rates will aid the public school districts' annual budgets
18 and make money available in their budgets for educational
19 facilities.

20 Section 502. Definitions.

21 The following words and phrases when used in this chapter
22 shall have the meanings given to them in this section unless the
23 context clearly indicates otherwise:

24 "Account." The Public School Employees' Retirement Debt
25 Service and Sinking Account established under section 512.

26 "Authority." The Pennsylvania Economic Development Financing
27 Authority.

28 "Bond." Any type of revenue obligation, including a bond or
29 series of bonds, note, certificate or other instrument issued by
30 the Pennsylvania Economic Development Financing Authority for

1 the benefit of the Pennsylvania Public School Employees'
2 Retirement System under this act.

3 "Bond administrative expenses." Expenses incurred to
4 administer bonds as provided under the act of August 23, 1967
5 (P.L.251, No.102), known as the Economic Development Financing
6 Law, or as otherwise necessary to comply with applicable Federal
7 or State law.

8 "Bond obligations." The principal of a bond and the premium
9 and interest payable on a bond, together with the amount owed
10 under a related credit agreement or a related resolution of the
11 financing authority authorizing a bond.

12 "Financing law." The act of August 23, 1967 (P.L.251,
13 No.102), known as the Economic Development Financing Law.

14 "Fund." The Public School Employees' Retirement Fund
15 established under 24 Pa.C.S. § 8522 (relating to Public School
16 Employees' Retirement Fund).

17 "System." The Pennsylvania Public School Employees'
18 Retirement System.

19 Section 503. Bond issuance.

20 (a) System.--Notwithstanding any other law, the following
21 shall apply:

22 (1) The system may be a project applicant under the
23 financing law and may apply to the authority for the
24 prepayment of all or a portion of the system's unfunded
25 accrued actuarial liability subject to the limitations
26 contained in section 504(b)(2).

27 (2) The prepayment of all or a portion of the system's
28 unfunded accrued actuarial liability shall constitute a
29 project for purposes of the financing law.

30 (3) The authority may issue bonds under the financing

1 law, consistent with this act, to finance the prepayment of
2 all or a portion of the system's unfunded accrued actuarial
3 liability or the refunding or redeeming of prior bonds.

4 (4) Participation of an industrial and commercial
5 development authority is not required to finance the
6 prepayment of all or a portion of the system's unfunded
7 accrued actuarial liability.

8 (b) Debt or liability.--The following shall apply:

9 (1) Bonds issued under this act shall not be a debt or
10 liability of the Commonwealth and shall not create or
11 constitute an indebtedness, liability or obligation of the
12 Commonwealth.

13 (2) Bond obligations and bond administrative expenses
14 shall be payable solely from revenues or funds pledged or
15 available for their repayment as authorized in this act that
16 shall include the proceeds of any issuance of bonds.

17 (3) A bond must contain on its face a statement that:

18 (i) the authority is obligated to pay the principal
19 of the bond or the interest on the bond only from funds
20 made available under this act;

21 (ii) the Commonwealth, the system, a political
22 subdivision or any school district are not obligated to
23 pay the principal or interest; and

24 (iii) the full faith and credit of the Commonwealth
25 is not pledged to the payment of the principal of or the
26 interest on the bonds.

27 (c) Requirement.--If the authority approves the system's
28 application, the bonds authorized by this chapter may only be
29 issued during fiscal year 2015-2016.

30 (d) Prohibition.--The first bond obligation payment or bond

1 administrative expense payment or both may not be made before
2 fiscal year 2016-2017.

3 Section 504. Criteria for bond issuance.

4 (a) Determination.--If the system reasonably expects that
5 the issuance of bonds to fund the prepayment of all or a portion
6 of the system's unfunded accrued actuarial liability, including
7 interest and the costs of issuance, via the sale of a bond or
8 bonds by and through the authority, would result in a savings to
9 the school districts of this Commonwealth, then the system, with
10 the prior approval of the Office of the Budget, may apply to the
11 authority to issue bonds for its benefit under section 503.

12 (b) Terms.--The following shall apply:

13 (1) With the approval of the Office of the Budget, the
14 system shall specify in its application to the authority the
15 maximum principal amount of the bonds for each separate bond
16 issue.

17 (2) The total principal amount of bonds issued under
18 this act may not exceed \$3,000,000,000, excluding refinancing
19 of bonds.

20 Section 505. Issuance of bond and security.

21 (a) Issuance.--The authority shall consider issuance of
22 bonds upon application by the system. Bonds issued under this
23 chapter shall be subject to the financing law, unless otherwise
24 specified by this chapter.

25 (b) Agreements.--The authority and the system may enter into
26 loan agreements, credit agreements, bond purchase agreements or
27 other agreements, contracts or instruments in connection with
28 the issuance of bonds in order to effectuate the purposes of the
29 financing law and this chapter.

30 (c) Security.--The bond obligations and bond administrative

1 expenses are secured, for the benefit of the holders of the
2 bonds and the obligees under agreements in subsection (b), by
3 pledge of, security interest in and first lien on, money
4 deposited in the account, including the investment income on
5 those moneys. The security provided in this subsection does not
6 apply to moneys in any fund or other account related to
7 arbitrage rebate obligations.

8 Section 506. Sale of bonds.

9 The bonds shall be sold by means of the methods authorized
10 under the financing law and in accordance with this act.

11 Section 507. Use of bond proceeds.

12 (a) Use.--Upon issuance of a bond, the proceeds may be used
13 to:

14 (1) Pay the cost of issuance of the bond.

15 (2) Fund bond reserves.

16 (3) Refund outstanding bonds.

17 (4) Make other deposits required under an instrument or
18 agreement pertaining to the bonds.

19 (5) Pay capitalized interest, if any.

20 (b) Application of balance.--After payment of the items
21 under subsection (a), the remaining balance of the proceeds
22 shall be paid to the system. The system shall apply the proceeds
23 as additional contributions for the prepayment of a portion of
24 the system's unfunded accrued actuarial liability in accordance
25 with 24 Pa.C.S. § 8328 (relating to actuarial method).

26 Section 508. Payment of bond-related obligations.

27 Moneys in the account that are needed to pay bond obligations
28 and bond administrative expenses or to replenish bond reserves
29 shall be transferred to the authority to ensure timely payment
30 of bond obligations and bond administrative expenses and timely

1 replenishment of bond reserves under an instrument or agreement
2 related to the bonds.

3 Section 509. Commonwealth not to impair bond-related
4 obligations.

5 The Commonwealth pledges that it shall not do any of the
6 following:

7 (1) Limit or alter the rights and responsibilities of
8 the authority or the system under this chapter, including the
9 responsibility to:

10 (i) pay bond obligations and bond administrative
11 expenses; and

12 (ii) comply with any other instrument or agreement
13 pertaining to bonds.

14 (2) Alter or limit the security interest granted in
15 section 505.

16 (3) Impair the rights and remedies of the bondholders
17 until all bonds, at any time issued, together with the
18 interest thereon, are fully met and discharged.

19 Section 510. No personal liability.

20 The members, directors, officers and employees of the system
21 and the authority are not personally liable as a result of good
22 faith exercise of the rights and responsibilities granted under
23 this chapter.

24 Section 511. Expiration of authority to issue bonds.

25 Except for the refinancing and refunding of bonds under
26 sections 503 and 505, the authorization to issue bonds under
27 this chapter shall expire December 31, 2016.

28 Section 512. Account.

29 (a) Establishment and dedication.--

30 (1) The Public School Employees' Retirement Debt Service

1 and Sinking Account is established in the General Fund as a
2 restricted account.

3 (2) Money in the account, including interest earned on
4 the money deposited in the account, is dedicated and pledged
5 under section 505(c) to the payment of bond obligations and
6 bond administrative expenses for bonds issued under this
7 chapter. The money in the account, including money not
8 necessary to pay bond obligations or bond administrative
9 expenses shall be invested by the State Treasurer in
10 securities as are provided by law for the investment of the
11 sinking funds of the Commonwealth.

12 (b) Transfers into account by Liquor Control Board.--
13 Beginning in fiscal Year 2017-2018 and every fiscal year
14 thereafter, the Pennsylvania Liquor Control Board shall transfer
15 when directed by the Secretary of the Budget the total amount of
16 \$185,000,000 from profits deposited in The State Stores Fund to
17 the restricted account established under subsection (a) until
18 the bond obligations and bond administration expenses and other
19 obligations, fees and expenses of bonds issued under this act
20 have been fully paid or provisions have been made for the
21 payments, whichever is later.

22 Section 513. Certification of amounts payable from the account.

23 (a) Computation.--When the authority directs, the Office of
24 the Budget shall compute the amount needed to pay the bond
25 obligations, bond administrative expenses and the other expenses
26 in connection with the bonds, including, but not limited to,
27 replenishment of bond reserves, and shall submit the computation
28 to the authority.

29 (b) Certification.--After examining the balance of moneys
30 available in the restricted account established under section

1 512, if the Secretary of the Budget finds that the balance in
2 the restricted account is not sufficient to pay the bond
3 obligations and bond administrative expenses next due on the
4 bonds, the Secretary of the Budget shall certify to the
5 Department of Revenue the additional amount of moneys that must
6 be transferred from the General Fund to the restricted account
7 established under section 512 to pay the bond obligations and
8 bond administrative expenses. If the Secretary of the Budget
9 makes the certification, the Department of Revenue shall
10 transfer the amount certified by the Secretary of the Budget to
11 the restricted account established under section 512 from moneys
12 received in the General Fund from the tax imposed under section
13 202 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
14 Reform Code of 1971.

15 CHAPTER 7

16 SCHOOL DISTRICT ASSISTANCE FOR FISCAL YEAR 2016-2017

17 Section 701. School district assistance for fiscal year 2016-
18 2017.

19 (a) Transfer.--In fiscal year 2016-2017, the Pennsylvania
20 Liquor Control Board shall transfer when directed by the
21 Secretary of the Budget the total amount of \$80,000,000 from
22 profits deposited in The State Stores Fund to the restricted
23 account established under section 301.

24 (b) Appropriation.--Upon being transferred to the account,
25 the moneys are appropriated to the Department of Education for
26 fiscal year 2016-2017 for payment to the same entities to which
27 the department makes payment of the Commonwealth's required
28 contribution for public school employees' retirement due under
29 24 Pa.C.S. Pt. IV (relating to retirement for school employees).

30 (c) Formula.--The department shall use the same formula to

1 compute the amount payable to each entity as provided under 24
2 Pa.C.S. § 8535 (relating to payments to school entities by
3 Commonwealth).

4 (d) Payments.--The payments made by the department under
5 this section are in addition to the Commonwealth's required
6 contribution for public school employees' retirement due under
7 24 Pa.C.S. Pt. IV.

8 (e) Requirement.--An entity that receives a payment under
9 this section shall use the moneys received to fund the entity's
10 required contribution for public school employees' retirement
11 due under 24 Pa.C.S. Pt. IV.

12 CHAPTER 9

13 MISCELLANEOUS PROVISIONS

14 Section 901. Repeal.

15 (a) Declaration.--The General Assembly declares that the
16 repeal under subsection (b) is necessary to effectuate this act:

17 (b) Repeal.--Section 13(1)(i) of the act of November 23,
18 2010 (P.L.1269, No.120), entitled "An act amending Titles 24
19 (Education) and 71 (State Government) of the Pennsylvania
20 Consolidated Statutes, in Title 24, further providing for
21 definitions, for mandatory and optional membership, for
22 contributions by the Commonwealth, for payments by employers,
23 for actuarial cost method, for additional supplemental
24 annuities, for further additional supplemental annuities, for
25 supplemental annuities commencing 1994, for supplemental
26 annuities commencing 1998, for supplemental annuities commencing
27 2002, for supplemental annuities commencing 2003, for
28 administrative duties of board, for payments to school entities
29 by Commonwealth, for eligibility points for retention and
30 reinstatement of service credits and for creditable nonschool

1 service; providing for election to become a Class T-F member;
2 further providing for classes of service, for eligibility for
3 annuities, for eligibility for vesting, for regular member
4 contributions, for member contributions for creditable school
5 service, for contributions for purchase of credit for creditable
6 nonschool service, for maximum single life annuity, for
7 disability annuities, for member's options, for duties of board
8 regarding applications and elections of members and for rights
9 and duties of school employees and members; providing for
10 Independent Fiscal Office study; in Title 71, establishing an
11 independent fiscal office and making a related repeal; further
12 providing for definitions, for credited State service, for
13 retention and reinstatement of service credits, for creditable
14 nonstate service and for classes of service; providing for
15 election to become a Class A-4 member; further providing for
16 eligibility for annuities and for eligibility for vesting;
17 providing for shared-risk member contributions for Class A-3 and
18 Class A-4 service; further providing for waiver of regular
19 member contributions and Social Security integration member
20 contributions, for member contributions for purchase of credit
21 for previous State service or to become a full coverage member,
22 for contributions for the purchase of credit for creditable
23 nonstate service, for contributions by the Commonwealth and
24 other employers, for actuarial cost method, for maximum single
25 life annuity, for disability annuities and for member's options;
26 providing for payment of accumulated deductions resulting from
27 Class A-3 service; further providing for additional supplemental
28 annuities, for further additional supplemental annuities, for
29 supplemental annuities commencing 1994, for supplemental
30 annuities commencing 1998, for supplemental annuities commencing

1 2002, for supplemental annuities commencing 2003, for special
2 supplemental postretirement adjustment of 2002, for
3 administrative duties of the board, for duties of board to
4 advise and report to heads of departments and members, for
5 duties of board regarding applications and elections of members,
6 for installment payments of accumulated deductions, for rights
7 and duties of State employees and members, for members' savings
8 account, for State accumulation account, for State Police
9 Benefit Account, for Enforcement Officers' Benefit Account, for
10 supplemental annuity account and for construction of part; and
11 providing for Independent Fiscal Office study, for retirement
12 eligibility of Pennsylvania State Police officers or members,
13 for a prohibition on the issuance of pension obligation bonds,
14 for holding certain public officials harmless, for construction
15 of calculation or actuarial method, for applicability and for
16 certain operational provisions," is repealed.

17 Section 902. Effective date.

18 This act shall take effect immediately.