

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 113 Session of 2015

INTRODUCED BY BLAKE, TEPLITZ, FONTANA, WOZNIAK, TARTAGLIONE,
BREWSTER, COSTA AND HAYWOOD, MAY 14, 2015

REFERRED TO FINANCE, MAY 14, 2015

AN ACT

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

26 CHAPTER 3

1 PAYMENT OF THE COMMONWEALTH'S PUBLIC

2 SCHOOL EMPLOYEES' RETIREMENT CODE CONTRIBUTIONS

3 Section 301. Establishment and dedication of restricted
4 account.

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

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

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

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

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

27 (2) The board shall submit a detailed update of its
28 estimate to the Governor and the Secretary of the Budget by
29 each December 1, and at other times as the Governor and the
30 secretary may request.

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

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

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

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

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

28 (1) Thirty percent or other percentage determined by the
29 Secretary of Budget and the Pennsylvania Public School
30 Employees' Retirement System shall be transferred in equal

installments from the General Fund to the restricted account established under section 301 not later than September 5 of each year.

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

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

Section 303. Payments from restricted account.

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

CHAPTER 5

ISSUANCE OF BONDS

Section 501. Findings and declarations.

The General Assembly finds and declares as follows:

(1) Financing the prepayment of all or a portion of the Commonwealth's share of the system's unfunded accrued actuarial liability, including interest and the costs of issuance by means of the sale of bonds by and through the authority is in the best interest of the Commonwealth,

Pennsylvania's school districts and the citizens of this Commonwealth.

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

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

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

Section 502. Definitions.

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

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

"Authority." The Pennsylvania Economic Development Financing Authority.

"Bond." Any type of revenue obligation, including a bond or series of bonds, note, certificate or other instrument issued by the Pennsylvania Economic Development Financing Authority for the benefit of the Pennsylvania Public School Employees' Retirement System under this act.

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

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

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

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

15 "System." The Pennsylvania Public School Employees'
16 Retirement System.

17 Section 503. Bond issuance.

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

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

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

28 (3) The authority may issue bonds under the financing
29 law, consistent with this act, to finance the prepayment of
30 all or a portion of the system's unfunded accrued actuarial

1 liability or the refunding or redeeming of prior bonds.

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

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

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

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

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

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

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

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

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

28 (d) Prohibition.--The first bond obligation payment or bond
29 administrative expense payment or both may not be made before
30 fiscal year 2016-2017.

1 Section 504. Criteria for bond issuance.

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

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

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

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

18 Section 505. Issuance of bond and security.

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

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

28 (c) Security.--The bond obligations and bond administrative
29 expenses are secured, for the benefit of the holders of the
30 bonds and the obligees under agreements in subsection (b), by

1 pledge of, security interest in and first lien on, money
2 deposited in the account, including the investment income on the
3 money. The security provided in this subsection does not apply
4 to money in any fund or other account related to arbitrage
5 rebate obligations.

6 Section 506. Sale of bonds.

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

9 Section 507. Use of bond proceeds.

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

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

13 (2) Fund bond reserves.

14 (3) Refund outstanding bonds.

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

17 (5) Pay capitalized interest, if any.

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

24 Section 508. Payment of bond-related obligations.

25 Money in the account that is needed to pay bond obligations
26 and bond administrative expenses or to replenish bond reserves
27 shall be transferred to the authority to ensure timely payment
28 of bond obligations and bond administrative expenses and timely
29 replenishment of bond reserves under an instrument or agreement
30 related to the bonds.

1 Section 509. Commonwealth not to impair bond-related
2 obligations.

3 The Commonwealth pledges that it shall not do any of the
4 following:

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

8 (i) pay bond obligations and bond administrative
9 expenses; and

10 (ii) comply with any other instrument or agreement
11 pertaining to bonds.

12 (2) Alter or limit the security interest granted in
13 section 505.

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

17 Section 510. No personal liability.

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

22 Section 511. Expiration of authority to issue bonds.

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

26 Section 512. Account.

27 (a) Establishment and dedication.--

28 (1) The Public School Employees' Retirement Debt Service
29 and Sinking Account is established in the General Fund as a
30 restricted account.

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

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

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

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

27 (b) Certification.--After examining the balance of money
28 available in the restricted account established under section
29 512, if the Secretary of the Budget finds that the balance in
30 the restricted account is not sufficient to pay the bond

1 obligations and bond administrative expenses next due on the
2 bonds, the Secretary of the Budget shall certify to the
3 Department of Revenue the additional amount of money that must
4 be transferred from the General Fund to the restricted account
5 established under section 512 to pay the bond obligations and
6 bond administrative expenses. If the Secretary of the Budget
7 makes the certification, the Department of Revenue shall
8 transfer the amount certified by the Secretary of the Budget to
9 the restricted account established under section 512 from money
10 received in the General Fund from the tax imposed under section
11 202 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax
12 Reform Code of 1971.

13 CHAPTER 7

14 SCHOOL DISTRICT ASSISTANCE FOR FISCAL YEAR 2016-2017

15 Section 701. School district assistance for fiscal year 2016-
16 2017.

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

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

28 (c) Formula.--The department shall use the same formula to
29 compute the amount payable to each entity as provided under 24
30 Pa.C.S. § 8535 (relating to payments to school entities by

1 Commonwealth).

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

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

10 CHAPTER 9

11 MISCELLANEOUS PROVISIONS

12 Section 901. Repeal.

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

15 (b) Repeal.--Section 13(1)(i) of the act of November 23,
16 2010 (P.L.1269, No.120), entitled "An act amending Titles 24
17 (Education) and 71 (State Government) of the Pennsylvania
18 Consolidated Statutes, in Title 24, further providing for
19 definitions, for mandatory and optional membership, for
20 contributions by the Commonwealth, for payments by employers,
21 for actuarial cost method, for additional supplemental
22 annuities, for further additional supplemental annuities, for
23 supplemental annuities commencing 1994, for supplemental
24 annuities commencing 1998, for supplemental annuities commencing
25 2002, for supplemental annuities commencing 2003, for
26 administrative duties of board, for payments to school entities
27 by Commonwealth, for eligibility points for retention and
28 reinstatement of service credits and for creditable nonschool
29 service; providing for election to become a Class T-F member;
30 further providing for classes of service, for eligibility for

1 annuities, for eligibility for vesting, for regular member
2 contributions, for member contributions for creditable school
3 service, for contributions for purchase of credit for creditable
4 nonschool service, for maximum single life annuity, for
5 disability annuities, for member's options, for duties of board
6 regarding applications and elections of members and for rights
7 and duties of school employees and members; providing for
8 Independent Fiscal Office study; in Title 71, establishing an
9 independent fiscal office and making a related repeal; further
10 providing for definitions, for credited State service, for
11 retention and reinstatement of service credits, for creditable
12 nonstate service and for classes of service; providing for
13 election to become a Class A-4 member; further providing for
14 eligibility for annuities and for eligibility for vesting;
15 providing for shared-risk member contributions for Class A-3 and
16 Class A-4 service; further providing for waiver of regular
17 member contributions and Social Security integration member
18 contributions, for member contributions for purchase of credit
19 for previous State service or to become a full coverage member,
20 for contributions for the purchase of credit for creditable
21 nonstate service, for contributions by the Commonwealth and
22 other employers, for actuarial cost method, for maximum single
23 life annuity, for disability annuities and for member's options;
24 providing for payment of accumulated deductions resulting from
25 Class A-3 service; further providing for additional supplemental
26 annuities, for further additional supplemental annuities, for
27 supplemental annuities commencing 1994, for supplemental
28 annuities commencing 1998, for supplemental annuities commencing
29 2002, for supplemental annuities commencing 2003, for special
30 supplemental postretirement adjustment of 2002, for

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

15 Section 902. Effective date.

16 This act shall take effect immediately.