

SB 1269

AN ACT

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, providing for waiver of adjustments; further providing for creditable nonstate service; providing for supplemental annuities for school employees; further providing for administrative duties of the Public School Employees' Retirement Board and for the annuity reserve account; providing for health insurance; further providing for contributions by the Commonwealth and other employers; providing for supplemental annuities for State annuitants; and further providing for administrative duties of the State Employees' Retirement Board and for the supplemental annuity account.

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

Section 1. Title 24 of the Pennsylvania Consolidated Statutes is amended by adding a section to read:

§ 8303.1. Waiver of adjustments.

(a) Allowance.--Upon appeal by an affected member, beneficiary or survivor annuitant, the board may waive an adjustment or any portion of an adjustment made under section 8534(b) (relating to fraud and adjustment of errors) if in the opinion of the board or the board's designated representative:

(1) the adjustment or portion of the adjustment will cause undue hardship to the member, beneficiary or survivor annuitant;

(2) the adjustment was not the result of erroneous information supplied by the member, beneficiary or survivor annuitant;

(3) the member had no knowledge or notice of the error before adjustment was made, and the member, beneficiary or survivor annuitant took action with respect to their benefits based on erroneous information provided by the system; and

(4) the member, beneficiary or survivor annuitant had no reasonable grounds to believe the erroneous information was incorrect before the adjustment was made.

(b) Time period.--In order to obtain consideration of a waiver under this section, the affected member, beneficiary or survivor annuitant must appeal to the board in writing within 30 days after receipt of notice that benefits have been adjusted or, if no notice was given, within 30 days after the adjustment was known or should have been known to the affected member, beneficiary or survivor annuitant. For any adjustments made prior to the effective date of this subsection for which the member, beneficiary or survivor annuitant appealed to the board and was denied, an appeal under this section must be filed within 90 days of the effective date of this subsection.

Section 2. Section 8304(b)(7) of Title 24 is amended to read:

§ 8304. Creditable nonschool service.

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(b) Limitations on nonschool service.--Creditable nonschool service credit shall be limited to:

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(7) (i) Service for the period of time spent on a maternity leave of absence required by the employer, which creditable service shall not exceed two years per leave and shall be applicable only to a maternity leave which was mandatory prior to May 17, 1975. The purchase of this service shall begin within one year of the employee's eligibility to purchase [this] the creditable service[.] under this subparagraph as originally enacted by the act of August 5, 1991 (P.L.183, No.23), entitled "An act amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, further providing for the Public School Employees' Retirement System and the State Employees' Retirement System; adding and amending certain definitions; further providing for membership in the systems, for creditable nonschool and nonstate service and the purchase of credit, for incentives for special early retirement, for contributions to the retirement funds, for annuities and the rights and duties of annuitants, for health insurance premium assistance, for board membership and for the re-amortization and management of the retirement funds."

(ii) Service for the period of time spent on a maternity leave of absence required by the employer, which creditable service shall not exceed two years per leave and shall be applicable only to a maternity leave that was mandatory and began after May 16, 1975, and prior to November 1, 1978. The purchase of this service shall begin within one year of the employee's eligibility to purchase the creditable service under this subparagraph.

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Section 3. Title 24 is amended by adding a section to read:
§ 8348.5. Supplemental annuities commencing 1998.

(a) Benefits.--Commencing with the first monthly annuity payment after July 1, 1998, any eligible benefit recipient shall be entitled to receive a further 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) and 8348.4 (relating to special supplemental postretirement adjustment).

(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, 1998, determined on the basis of the most recent effective date of retirement, as follows:

Most recent effective date of retirement	Percentage factor
July 1, 1996, through June 30, 1997	1.86%
July 1, 1995, through June 30, 1996	3.59%
July 1, 1994, through June 30, 1995	4.95%
July 1, 1993, through June 30, 1994	6.42%
July 1, 1992, through June 30, 1993	7.97%
July 1, 1979, through June 30, 1992	10%
July 1, 1969, through June 30, 1979	20%

(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, 1998.

(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, 1998.

(f) **Funding.**--Notwithstanding section 8328 (relating to actuarial cost method), the additional liability for the increase in benefits provided in this section shall be funded in annual installments increasing by 5% each year over a period of 20 years beginning July 1, 1998. Notwithstanding the provisions of section 212 of the act of April 22, 1998 (P.L.1341, No.6A), known as the General Appropriation Act of 1998, regarding payment for cost-of-living increases for annuitants, payments for cost-of-living increases for annuitants shall be made under section 8535 (relating to payments to school entities by Commonwealth).

(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, 1998, and whose most recent effective date of retirement is prior to July 1, 1997, 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 4. Section 8502(a) of Title 24, amended April 2, 1998 (P.L.229, No.41), is amended to read:

§ 8502. Administrative duties of board.

(a) **Employees.**--[The secretary, clerical and other employees of the board and their successors whose positions on the effective date of this part are under the classified service provisions of the act of August 5, 1941 (P.L.752, No.286), known as the Civil Service Act, shall continue under such provisions.]

(1) **Effective 30 days after the effective date of this paragraph, the positions of secretary, assistant secretary and investment professional shall be placed under the unclassified service provisions of the act of August 5, 1941 (P.L.752, No.286), known as the Civil Service Act, as those positions are vacated. All other positions of the board shall be placed in either the classified or unclassified service according to the definition of the terms under the Civil Service Act.**

(2) **Notwithstanding any other provision of law, the compensation of investment professionals shall be established by the board. The compensation of all other officers and employees of the board who are not covered by a collective bargaining agreement shall be established by the board consistent with the standards of compensation established by the Executive Board of the Commonwealth.**

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Section 5. Title 24 is amended by adding a section to read:
§ 8502.1. **Health insurance.**

(a) **Authority.**--The board may sponsor a participant-funded group health insurance program for annuitants, spouses of

annuitants, survivor annuitants and their dependents. The board may promulgate regulations regarding the prudent and efficient operation of the program, including, but not limited to:

(1) Establishment of an annual budget and disbursements in accordance with the budget.

(2) Determination of the benefits structure.

(3) Determination of enrollment procedures.

(4) Establishment of premium rates sufficient to fully fund the program, including administrative expenses.

(5) Contracting for goods, equipment, services, consultants and other professional personnel as needed to operate the program.

(b) Separate account.--All funds related to the health insurance program shall be maintained and accounted for separately from the Public School Employees' Retirement Fund.

(c) Operation.--The board may establish and operate the program through a lawfully authorized entity.

(d) Additional requirements.--The assets of the fund shall not be liable or utilized for payment of any expenses or claims incurred by the health insurance program. The program shall be an approved health insurance program for purposes of section 8505(i) (relating to duties of board regarding applications and elections of members) and an approved insurance carrier for purposes of section 8509 (relating to health insurance premium assistance program). The program shall not be subject to the provisions of section 8531 (relating to State guarantee).

Section 6. 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) and 8348.2 (relating to further additional supplemental annuities), **8348.3 (relating to supplemental annuities commencing 1994)**, **8348.4 (relating to special supplemental postretirement adjustment)** and **8348.5 (relating to supplemental annuities commencing 1998)**. 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.

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Section 7. Section 5507(b) of Title 71 is amended to read: § 5507. Contributions by the Commonwealth and other employers.

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(b) Contributions on behalf of annuitants.--The Commonwealth shall make contributions on behalf of annuitants in such amounts as shall be certified by the board as necessary to fund the liabilities for supplemental annuities in accordance with the actuarial cost method provided in [section 5508(e)] **sections 5508(e) (relating to actuarial cost method)**, **5708.3(f) (relating to supplemental annuities commencing 1994)** and **5708.5(f) (relating to supplemental annuities commencing 1998)**.

Section 8. Title 71 is amended by adding a section to read: § 5708.5. **Supplemental annuities commencing 1998.**

(a) Benefits.--Commencing with the first monthly annuity payment after June 30, 1998, any eligible benefit recipient shall be entitled to receive a supplemental monthly annuity from the system. 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) and the special supplemental postretirement adjustment provided for in section 5708.4 (relating to special supplemental postretirement adjustment).

(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, 1998, determined on the basis of the most recent effective date of retirement, as follows:

Most recent effective date of retirement	Percentage factor
July 1, 1996, through June 30, 1997	1.86%
July 1, 1995, through June 30, 1996	3.59%
July 1, 1994, through June 30, 1995	4.95%
July 1, 1993, through June 30, 1994	6.42%
July 1, 1992, through June 30, 1993	7.97%
July 1, 1979, through June 30, 1992	10%
July 1, 1969, through June 30, 1979	20%
On or prior to June 30, 1969	25%

(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, 1998.

(e) Benefits paid 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, 1998.

(f) Funding.--Notwithstanding section 5508(e) (relating to actuarial cost method), the additional liability for the increase in benefits provided in this section shall be funded in annual installments increasing by 5% each year over a period of 20 years beginning July 1, 1998.

(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, 1998, and whose most recent effective date of retirement is prior to July 1, 1997, 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 9. Section 5902(a) of Title 71, amended April 2, 1998 (P.L.229, No.41), is amended and relettered in part to read:

§ 5902. Administrative duties of the board.

(a) Employees.--[The secretary, clerical, and other employees of the board and their successors whose positions on the effective date of this part are under the classified service

provisions of the act of August 5, 1941 (P.L.752, No.286), known as the Civil Service Act, shall continue under such provisions.]

(1) Effective 30 days after the effective date of this paragraph, the positions of secretary, assistant secretary and investment professional shall be placed under the unclassified service provisions of the act of August 5, 1941 (P.L.752, No.286), known as the Civil Service Act, as those positions are vacated. All other positions of the board shall be placed in either the classified or unclassified service according to the definition of the terms under the Civil Service Act.

(2) Notwithstanding any other provisions of law, the compensation of investment professionals shall be established by the board. The compensation of all other officers and employees of the board who are not covered by a collective bargaining agreement shall be established by the board consistent with the standards of compensation established by the Executive Board of the Commonwealth.

(a.1) Secretary.--The secretary shall act as chief administrative officer for the board. In addition to other powers and duties conferred upon and delegated to the secretary by the board, the secretary shall:

(1) Serve as the administrative agent of the board.

(2) Serve as liaison between the board and applicable legislative committees, the Treasury Department, the Department of the Auditor General, and between the board and the investment counsel and the mortgage supervisor in arranging for investments to secure maximum returns to the fund.

(3) Review and analyze proposed legislation and legislative developments affecting the system and present findings to the board, legislative committees, and other interested groups or individuals.

(4) Direct the maintenance of files and records and preparation of periodic reports required for actuarial evaluation studies.

(5) Receive inquiries and requests for information concerning the system from the press, Commonwealth officials, State employees, the general public, research organizations, and officials and organizations from other states, and provide information as authorized by the board.

(6) Supervise a staff of administrative, technical, and clerical employees engaged in record-keeping and clerical processing activities in maintaining files of members, accounting for contributions, processing payments to annuitants, preparing required reports, and retirement counseling.

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Section 10. Section 5938 of Title 71 is amended to read:
§ 5938. Supplemental annuity account.

The supplemental annuity account shall be the ledger account to which shall be credited all contributions from the Commonwealth in accordance with [section] **sections 5507(b)** (relating to contributions by the Commonwealth and other employers), **5708.3(f) (relating to funding for supplemental annuities commencing 1994)** and **5708.5(f) (relating to funding for supplemental annuities commencing 1998)** for the payment of the supplemental annuities provided in sections 5708 (relating to supplemental annuities), 5708.1 (relating to additional supplemental annuities) [and], 5708.2 (relating to further additional supplemental annuities), **5708.3 and 5708.5.** The

supplemental annuity account shall be credited with valuation interest. The reserves necessary for the payment of such supplemental annuities shall be transferred from the supplemental annuity account to the annuity reserve account as provided in section 5935 (relating to annuity reserve account).
Section 11. This act shall take effect immediately.

APPROVED--The 18th day of June, A. D. 1998.

THOMAS J. RIDGE