

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1890

Session of
1984

INTRODUCED BY ITKIN, IRVIS, MANDERINO, SALVATORE, ARTY,
MANMILLER, WAMBACH, J. L. WRIGHT, DEAL, CALTAGIRONE, JACKSON,
MILLER, BOWSER, OLIVER, MAIALE, JAROLIN, CIVERA, COY, RYBAK,
SHOWERS, F. E. TAYLOR, GALLAGHER, STUBAN, SCHULER, BELFANTI,
HALUSKA, PRESTON, DALEY, DUFFY, BOYES, PISTELLA, McCALL,
WOGAN, D. R. WRIGHT, E. Z. TAYLOR, PHILLIPS, GRIECO, FATTAH,
LUCYK, KOSINSKI, PETRARCA, LASHINGER, HERMAN AND AFFLERBACH,
FEBRUARY 6, 1984

REFERRED TO COMMITTEE ON APPROPRIATIONS, FEBRUARY 6, 1984

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania
2 Consolidated Statutes, authorizing the board to establish the
3 valuation interests used in actuaries' annual valuations; and
4 further providing for a cost-of-living increase to
5 annuitants.

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

8 Section 1. The definition of "valuation interest" in section
9 5102 of Title 71 of the Pennsylvania Consolidated Statutes is
10 amended to read:

11 § 5102. Definitions.

12 The following words and phrases as used in this part, unless
13 a different meaning is plainly required by the context, shall
14 have the following meanings:

15 * * *

16 "Valuation interest." [Interest at 5 1/2% per annum

1 compounded annually and applied to all accounts other than the
2 members' savings account.] Interest at such percentage rate to
3 be compounded annually as adopted from time to time by the board
4 under the advise of the actuary taking into consideration the
5 actual interest earnings of the system for preceding years and
6 the probable earnings of the system in the future.

7 * * *

8 Section 2. Section 5508(b) and (e) of Title 71 are amended
9 to read:

10 § 5508. Actuarial cost method.

11 * * *

12 (b) Employer normal contribution rate.--The employer normal
13 contribution rate shall be determined after each actuarial
14 valuation on the basis of [an annual 5 1/2%] the valuation
15 interest rate and such mortality and other tables as shall be
16 adopted by the board. Until all accrued liability contributions
17 have been completed, the employer normal contribution rate shall
18 be determined as a level percentage of the compensation of the
19 average new active member, which percentage, if contributed on
20 the basis of his prospective compensation through his entire
21 period of active State service, would be sufficient to fund the
22 liability for any prospective benefit payable to him, except a
23 supplemental benefit as provided in section 5708 (relating to
24 supplemental annuities), in excess of that portion funded by his
25 prospective member contributions. After all accrued liability
26 contributions have been completed, the employer normal
27 contribution rate shall be determined by deducting from the
28 present value of the liabilities for all prospective benefits,
29 except supplemental benefits as provided in section 5708, the
30 sum of the total assets in the fund on the valuation date,

1 excluding the balance in the supplemental annuity account, and
2 the present value of prospective member contributions, and
3 dividing the remainder by the present value of the future
4 compensation of all active members.

5 * * *

6 (e) Supplemental annuity contribution rate.--Contributions
7 from the Commonwealth required to provide for the payment of
8 supplemental annuities as provided in section 5708 shall be
9 determined as a percentage of the total compensation of all
10 active members during the period for which the amount is
11 certified as sufficient to fund the liabilities of the
12 supplemental annuity account as of July 1, 1969, as a level
13 percentage over a period of 20 years from such date. In the
14 event that supplemental annuities are increased by legislation
15 enacted subsequent to July 1, 1969, the additional liability for
16 the increase in benefits shall be funded as a level percentage
17 over a period of 20 years from the July first, coincident with
18 or next following the effective date of such legislation and the
19 additional liability on account of any increase in annuities
20 which is effective July 1, 1983 shall be funded by level annual
21 payments over a period of 20 years beginning July 1, 1983.

22 Section 3. Title 71 is amended by adding a section to read:
23 § 5508.1. Additional supplemental annuities.

24 (a) General rule.--Every annuitant who has received a
25 superannuation, withdrawal or disability annuity shall continue
26 to receive the annuity and, beginning July 1, 1983, any
27 annuitant who retired on or prior to July 1, 1982 shall receive
28 a cost-of-living supplement determined as a percentage applied
29 to the retirement annuity as of December 31, 1982. The cost-of-
30 living supplement shall be payable under the same terms and

1 conditions as provided under the option plan in effect as of
2 December 31, 1982.

3 (b) Cost-of-living adjustment factors.--The percentage which
4 is to be applied in the determination of the cost-of-living
5 supplements shall be determined on the basis of the effective
6 date of retirement payable on the first \$15,000 of annuity
7 received per year. Included in the amount of the annuity for
8 this purpose shall be any other supplements previously
9 authorized. The applicable percentage factors are:

<u>Effective date of retirement</u>	<u>Percentage factor</u>
<u>After July 1, 1981 through July 1, 1982</u>	<u>3%</u>
<u>After July 1, 1980 through July 1, 1981</u>	<u>8%</u>
<u>After July 1, 1979 through July 1, 1980</u>	<u>15%</u>
<u>After July 1, 1978 through July 1, 1979</u>	<u>21%</u>
<u>On or prior to July 1, 1978</u>	<u>24%</u>

16 Section 4. This act shall take effect July 1, 1984.