

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1986 Session of  
1995

INTRODUCED BY M. N. WRIGHT, SEPTEMBER 19, 1995

REFERRED TO COMMITTEE ON STATE GOVERNMENT, SEPTEMBER 19, 1995

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, authorizing annuitants to  
3 redetermine the effect of frozen present value.

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

6 Section 1. Section 8346 of Title 24 of the Pennsylvania  
7 Consolidated Statutes is amended by adding a subsection to read:  
8 § 8346. Termination of annuities.

9 \* \* \*

10 (e) Elimination of the effect of frozen present value as  
11 applied to annuitants.--

12 (1) A member who was an annuitant on July 1, 1994, and  
13 who is not a member with multiple service credit and who had  
14 returned to school service and earned three eligibility  
15 points by performing credited school service between the  
16 termination of school service most recently before July 1,  
17 1994, and most recent commencement of an annuity before such  
18 termination of school service and the calculation of whose

1 annuity included a frozen present value calculation in  
2 accordance with subsections (a) and (b) shall have that  
3 annuitant's annuity adjusted as follows:

4 (i) The system shall calculate the maximum single  
5 life annuity that the member would have been entitled to  
6 receive on that member's effective date of retirement,  
7 calculated as if the member had been a vestee during all  
8 periods as an annuitant which resulted in the present  
9 value of that annuity being frozen in accordance with  
10 subsection (a). Such calculated maximum single life  
11 annuity shall then be modified by the optional  
12 modification of annuity actually selected by the  
13 annuitant and such actual postretirement adjustments to  
14 that annuity as the annuitant had been eligible to  
15 receive as of the effective date of this subsection.

16 (ii) The present value of the recalculated annuity  
17 as modified under subparagraph (i), as of the effective  
18 date of this subsection, shall be reduced by all amounts  
19 paid or payable to that annuitant during all previous  
20 periods as an annuitant during which the member is being  
21 treated as a vestee plus interest on these amounts until  
22 the effective date of this subsection. The interest for  
23 each year shall be calculated based upon the annual  
24 interest rate adopted for that fiscal year by the board  
25 for the calculation of the normal contribution rate  
26 pursuant to section 8328(b).

27 (iii) If the annuity produced by the resulting  
28 present value, modified for the optional benefit payment  
29 plan selected by the member, is greater than the annuity  
30 being received by the member on the effective date of

1       this subsection, then the member shall be entitled to  
2       receive the greater annuity beginning with the effective  
3       date of this subsection. If the annuity produced by the  
4       resulting present value, modified for the optional  
5       benefit payment plan selected by the member, is less than  
6       the annuity being received by the member on the effective  
7       date of this subsection, then the annuity being received  
8       by the member will remain unchanged.

9       (2) No payments shall be made for any period of time  
10      before the effective date of this subsection.

11      (3) A member who has the member's benefit adjusted  
12      pursuant to this subsection shall not be entitled to reelect  
13      an option unless otherwise permitted to do so pursuant to  
14      section 8507(j) (relating to rights and duties of school  
15      employees and members).

16      (4) This subsection shall not apply to the beneficiaries  
17      and survivor annuitants of any annuitant who died prior to  
18      the effective date of this subsection.

19      Section 2. Section 5706 of Title 71 is amended by adding a  
20      subsection to read:

21      § 5706. Termination of annuities.

22      \* \* \*

23      (d) Elimination of the effect of frozen present value as  
24      applied to annuitants.--

25      (1) A member who was an annuitant on July 1, 1994, and  
26      who is not a member with multiple service credit and who had  
27      returned to State service and earned three eligibility points  
28      by performing credited State service between the termination  
29      of State service most recently before July 1, 1994, and most  
30      recent commencement of an annuity before such termination of

1 State service and the calculation of whose annuity included a  
2 frozen present value calculation in accordance with  
3 subsections (a) and (b) shall have that annuitant's annuity  
4 adjusted as follows:

5 (i) The system shall calculate the maximum single  
6 life annuity that the member would have been entitled to  
7 receive on that member's effective date of retirement,  
8 calculated as if the member had been a vestee during all  
9 periods as an annuitant which resulted in the present  
10 value of that annuity being frozen in accordance with  
11 subsection (a). Such calculated maximum single life  
12 annuity shall then be modified by the optional  
13 modification of annuity actually selected by the  
14 annuitant and such actual postretirement adjustments to  
15 that annuity as the annuitant had been eligible to  
16 receive as of the effective date of this subsection.

17 (ii) The present value of the recalculated annuity  
18 as modified under subparagraph (i), as of the effective  
19 date of this subsection, shall be reduced by all amounts  
20 paid or payable to that annuitant during all previous  
21 periods as an annuitant during which the member is being  
22 treated as a vestee plus interest on these amounts until  
23 the effective date of this subsection. The interest for  
24 each year shall be calculated based upon the annual  
25 interest rate adopted for that fiscal year by the board  
26 for the calculation of the normal contribution rate  
27 pursuant to section 5508(b).

28 (iii) If the annuity produced by the resulting  
29 present value, modified for the optional benefit payment  
30 plan selected by the member, is greater than the annuity

1       being received by the member on the effective date of  
2       this subsection, then the member shall be entitled to  
3       receive the greater annuity beginning with the effective  
4       date of this subsection. If the annuity produced by the  
5       resulting present value, modified for the optional  
6       benefit payment plan selected by the member, is less than  
7       the annuity being received by the member on the effective  
8       date of this subsection, then the annuity being received  
9       by the member will remain unchanged.

10       (2) No payments shall be made for any period of time  
11       before the effective date of this subsection.

12       (3) A member who has the member's benefit adjusted  
13       pursuant to this subsection shall not be entitled to reelect  
14       an option unless otherwise permitted to do so pursuant to  
15       section 5907(j) (relating to rights and duties of State  
16       employees and members).

17       (4) This subsection shall not apply to the beneficiaries  
18       and survivor annuitants of any annuitant who died prior to  
19       the effective date of this subsection.

20       Section 3. This act shall be applicable on the July 1  
21       coincident with or following the effective date of this act.

22       Section 4. This act shall take effect immediately.