

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 733 Session of  
2007

INTRODUCED BY GODSHALL, SCAVELLO, BAKER, BELFANTI, BENNINGHOFF,  
BOYD, CUTLER, DALEY, J. EVANS, EVERETT, FREEMAN, GEORGE,  
GIBBONS, HARHAI, HENNESSEY, HERSHEY, JAMES, KOTIK, MACKERETH,  
MANDERINO, McILHATTAN, MOYER, MYERS, NICKOL, O'NEILL,  
PICKETT, REICHLEY, ROAE, ROHRER, RUBLEY, SONNEY, STABACK,  
SWANGER, DeLUCA, SIPTROTH AND SCHRODER, MARCH 19, 2007

REFERRED TO COMMITTEE ON FINANCE, MARCH 19, 2007

AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania  
2 Consolidated Statutes, further providing for member's  
3 options; and providing for Option 5 annual supplemental  
4 annuities commencing 2008.

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

7 Section 1. Section 5705(a) of Title 71 of the Pennsylvania  
8 Consolidated Statutes is amended by adding a paragraph to read:

9 § 5705. Member's options.

10 (a) General rule.--Any special vestee who has attained  
11 superannuation age, any vestee having five or more eligibility  
12 points, any member with Class G, Class H, Class I, Class J,  
13 Class K, Class L, Class M or Class N service having five or more  
14 eligibility points or any other eligible member upon termination  
15 of State service who has not withdrawn his total accumulated  
16 deductions as provided in section 5701 (relating to return of  
17 total accumulated deductions) may apply for and elect to receive

1 either a maximum single life annuity, as calculated in  
2 accordance with the provisions of section 5702 (relating to  
3 maximum single life annuity), or a reduced annuity certified by  
4 the actuary to be actuarially equivalent to the maximum single  
5 life annuity and in accordance with one of the following  
6 options; except that no member shall elect an annuity payable to  
7 one or more survivor annuitants other than his spouse or  
8 alternate payee of such a magnitude that the present value of  
9 the annuity payable to him for life plus any lump sum payment he  
10 may have elected to receive is less than 50% of the present  
11 value of his maximum single life annuity:

12 \* \* \*

13 (5) Option 5.--A benefit which shall be certified by the  
14 actuary to be actuarially equivalent to the maximum single  
15 life annuity, subject to the following restrictions:

16 (i) any annuity shall be payable without reduction  
17 during the lifetime of the member;

18 (ii) the sum of all annuities payable to the  
19 designated survivor annuitants shall not be greater than  
20 one and one-half times the annuity payable to the member;  
21 and

22 (iii) a portion of the benefit shall be payable as  
23 annual supplemental annuities under section 5708.9  
24 (relating to Option 5 annual supplemental annuities  
25 commencing 2008) if the member elects to have the total  
26 accumulated deductions standing to the member's credit  
27 retained by the fund and transferred from the member's  
28 savings account to the annuity reserve account in  
29 accordance with section 5933(b) (relating to members'  
30 savings account). The balance of the present value of the

1        maximum single life annuity adjusted in accordance with  
2        section 5702(b) shall be paid in the form of an annuity  
3        with a guaranteed total payment, a single life annuity,  
4        or a joint and survivor annuity, or any combination  
5        thereof, but subject to the restrictions of subparagraphs  
6        (i) and (ii) under this option.

7        \* \* \*

8        Section 2. Title 71 is amended by adding a section to read:

9        § 5708.9. Option 5 annual supplemental annuities commencing  
10       2008.

11       (a) Benefits.--Commencing with the first monthly annuity  
12       payment after July 1, 2008, and annually thereafter, any Option  
13       5 benefit recipient shall be entitled to receive monthly  
14       supplemental annuities from the system.

15       (b) Amounts of supplemental annuities.--Beginning July 1,  
16       2008, and annually thereafter, the amounts of the supplemental  
17       annuities payable pursuant to this section shall be calculated  
18       by applying the lesser of 3% or the percentage change in the  
19       Consumer Price Index for All Urban Consumers (CPI-U) for the  
20       Pennsylvania, New Jersey, Delaware and Maryland area, for the  
21       most recent 12-month period for which figures have been  
22       officially reported by the United States Department of Labor,  
23       Bureau of Labor Statistics, immediately prior to the date the  
24       adjustment is due to take effect, to the then-current annuity  
25       amount.

26       (c) Payment.--The monthly supplemental annuities provided  
27       under this section shall be paid automatically unless the  
28       intended recipient files a written notice with the system  
29       requesting that the additional monthly supplemental annuities  
30       not be paid.

1     (d) Benefits paid to beneficiaries or survivors.--No  
2     supplemental annuity effective after the death of a member shall  
3     be payable to the beneficiary or survivor annuitant of the  
4     deceased member.

5     (e) Limitation.--No supplemental annuity shall be payable  
6     under this section to an Option 5 benefit recipient prior to the  
7     first day of July coincident with or following the recipient's  
8     attainment of superannuation age.

9     (f) Definition.--As used in this section, the term "Option 5  
10    benefit recipient" means a member who is receiving a benefit  
11    under section 5705(a)(5) (relating to member's options) and  
12    whose most recent effective date of retirement is prior to July  
13    1 of the calendar year immediately preceding the year in which  
14    the supplemental annuity is paid.

15     Section 3. This act shall take effect in 120 days.