

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2497 Session of
2010

INTRODUCED BY D. EVANS, BRIGGS, PARKER, WILLIAMS, GALLOWAY,
DePASQUALE, KORTZ AND W. KELLER, MAY 11, 2010

REFERRED TO COMMITTEE ON APPROPRIATIONS, MAY 11, 2010

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, in Title 24, further
3 providing for definitions, for contributions by the
4 Commonwealth, for payments by employers, for actuarial cost
5 method, for additional supplemental annuities, for further
6 additional supplemental annuities, for supplemental annuities
7 commencing 1994, for supplemental annuities commencing 1998,
8 for supplemental annuities commencing 2002, for supplemental
9 annuities commencing 2003, for administrative duties of board
10 and for payments to school entities by Commonwealth; in Title
11 71, providing for definitions; further providing for
12 contributions by the Commonwealth and other employers, for
13 actuarial cost method, for additional supplemental annuities,
14 for further additional supplemental annuities, for
15 supplemental annuities commencing 1994, for supplemental
16 annuities commencing 1998, for supplemental annuities
17 commencing 2002, for supplemental annuities commencing 2003,
18 for special supplemental postretirement adjustment of 2002,
19 for administrative duties of the board, for State
20 accumulation account and for supplemental annuity account;
21 and providing for recertification to the Secretary of the
22 Budget and for holding certain public officials harmless.

23 The General Assembly of the Commonwealth of Pennsylvania

24 hereby enacts as follows:

25 Section 1. The definition of "employer" in section 8102 of
26 Title 24 of the Pennsylvania Consolidated Statutes is amended to
27 read:

28 § 8102. Definitions.

1 The following words and phrases when used in this part shall
2 have, unless the context clearly indicates otherwise, the
3 meanings given to them in this section:

4 * * *

5 "Employer." Any governmental entity directly responsible for
6 the employment and payment of the school employee and charged
7 with the responsibility of providing public education within
8 this Commonwealth, including but not limited to: State-owned
9 colleges and universities, the Pennsylvania State University,
10 community colleges, area vocational-technical schools,
11 intermediate units, the State Board of Education, Scotland
12 School for Veterans' Children, Thaddeus Stevens State School of
13 Technology, and the [Pennsylvania State Oral] Western
14 Pennsylvania School for the Deaf.

15 * * *

16 Section 2. Sections 8326(a), 8327(a) and (c), 8328,
17 8348.1(f), 8348.2(f), 8348.3(f), 8348.5(f), 8348.6(f),
18 8348.7(f), 8502(k) and 8535(3) of Title 24 are amended to read:
19 § 8326. Contributions by the Commonwealth.

20 (a) Contributions on behalf of active members.--The
21 Commonwealth shall make contributions into the fund on behalf of
22 all active members, including members on activated military
23 service leave, in an amount equal to one-half the amount
24 certified by the board as necessary to provide, together with
25 the members' contributions, annuity reserves on account of
26 prospective annuities as provided in this part in accordance
27 with section 8328[(a), (b), (c) and (e)] (relating to actuarial
28 cost method). In case a school employee has elected membership
29 in a retirement program approved by the employer, the
30 Commonwealth shall contribute to such program on account of his

1 membership an amount no greater than the amount it would have
2 contributed had the employee been a member of the Public School
3 Employees' Retirement System.

4 * * *

5 § 8327. Payments by employers.

6 (a) General rule.--Each employer, including the Commonwealth
7 as employer of employees of the Department of Education, State-
8 owned colleges and universities, Thaddeus Stevens [State School]
9 College of Technology, [Pennsylvania State Oral] Western
10 Pennsylvania School for the Deaf, Scotland School for Veterans'
11 Children, and the Pennsylvania State University, shall make
12 payments to the fund each quarter in an amount equal to one-half
13 the sum of the percentages, as determined under section 8328
14 (relating to actuarial cost method), applied to the total
15 compensation during the pay periods in the preceding quarter of
16 all its employees who were members of the system during such
17 period, including members on activated military service leave.
18 In the event a member on activated military service leave does
19 not return to service for the necessary time or receives an
20 undesirable, bad conduct or dishonorable discharge or does not
21 elect to receive credit for activated military service under
22 section 8302(b.1)(3) (relating to credited school service), the
23 contributions made by the employer on behalf of such member
24 shall be returned with valuation interest upon application by
25 the employer.

26 * * *

27 (c) Payments by employers after June 30, 1995.--After June
28 30, 1995, each employer, including the Commonwealth as employer
29 of employees of the Department of Education, State-owned
30 colleges and universities, Thaddeus Stevens State School of

1 Technology, [Pennsylvania State Oral] Western Pennsylvania
2 School for the Deaf, Scotland School for Veterans' Children and
3 The Pennsylvania State University, shall make payments to the
4 fund each quarter in an amount computed in the following manner:

5 (1) For an employer that is a school entity, the amount
6 shall be the sum of the percentages as determined under
7 section 8328 applied to the total compensation during the pay
8 periods in the preceding quarter of all employees who were
9 active members of the system during such period, including
10 members on activated military service leave. In the event a
11 member on activated military service leave does not return to
12 service for the necessary time or receives an undesirable,
13 bad conduct or dishonorable discharge or does not elect to
14 receive credit for activated military service under section
15 8302(b.1)(3), the contribution made by the employer on behalf
16 of such member shall be returned with valuation interest upon
17 application by the employer.

18 (2) For an employer that is not a school entity, the
19 amount computed under subsection (a).

20 (3) For any employer, whether or not a school entity, in
21 computing the amount of payment due each quarter, there shall
22 be excluded from the total compensation referred to in this
23 subsection and subsection (a) any amount of compensation of a
24 noneligible member on the basis of which member contributions
25 have not been made by reason of the limitation under IRC §
26 401(a)(17). Any amount of contribution to the fund paid by
27 the employer on behalf of a noneligible member on the basis
28 of compensation which was subject to exclusion from total
29 compensation in accordance with the provisions of this
30 paragraph shall, upon the board's determination or upon

1 application by the employer, be returned to the employer with
2 valuation interest.

3 § 8328. Actuarial cost method.

4 (a) Employer contribution rate [on behalf of active
5 members].--The amount of the total employer contributions [on
6 behalf of all active members] shall be computed by the actuary
7 as a percentage of the total compensation of all active members
8 during the period for which the amount is determined and shall
9 be so certified by the board. The total employer contribution
10 rate shall be the sum of the final contribution rate as computed
11 in subsection (h) plus the premium assistance contribution rate
12 as computed in subsection (f). The [total] actuarially required
13 contribution rate [on behalf of all active members] shall
14 consist of the normal contribution rate as defined in subsection
15 (b), the accrued liability contribution rate as defined in
16 subsection (c) and the supplemental annuity contribution rate as
17 defined in subsection (d). Beginning July 1, 2004, the [total]
18 actuarially required contribution rate shall be modified by the
19 experience adjustment factors as calculated in subsection (e)
20 [but in no case shall it be less than 4% plus the premium
21 assistance contribution rate].

22 (b) Normal contribution rate.--The normal contribution rate
23 shall be determined after each actuarial valuation. [Until all
24 accrued liability contributions have been completed, the] The
25 normal contribution rate shall be determined, on the basis of an
26 annual interest rate and such mortality and other tables as
27 shall be adopted by the board in accordance with generally
28 accepted actuarial principles, as a level percentage of the
29 compensation of the average new active member, which percentage,
30 if contributed on the basis of his prospective compensation

1 through the entire period of active school service, would be
2 sufficient to fund the liability for any prospective benefit
3 payable to him, in excess of that portion funded by his
4 prospective member contributions[, except for the supplemental
5 benefits provided in sections 8348 (relating to supplemental
6 annuities), 8348.1 (relating to additional supplemental
7 annuities), 8348.2 (relating to further additional supplemental
8 annuities), 8348.3 (relating to supplemental annuities
9 commencing 1994), 8348.4 (relating to special supplemental
10 postretirement adjustment), 8348.5 (relating to supplemental
11 annuities commencing 1998), 8348.6 (relating to supplemental
12 annuities commencing 2002) and 8348.7 (relating to supplemental
13 annuities commencing 2003)].

14 (c) Accrued liability contribution rate.--

15 (1) For the fiscal [year] years beginning July 1, 2002,
16 and ending June 30, 2011, the accrued liability contribution
17 rate shall be computed as the rate of total compensation of
18 all active members which shall be certified by the actuary as
19 sufficient to fund over a period of ten years from July 1,
20 2002, the present value of the liabilities for all
21 prospective benefits of active members, except for the
22 supplemental benefits provided in sections 8348 (relating to
23 supplemental annuities), 8348.1 (relating to additional
24 supplemental annuities), 8348.2 (relating to further
25 additional supplemental annuities), 8348.3 (relating to
26 supplemental annuities commencing 1994), 8348.4 (relating to
27 special supplemental postretirement adjustment), 8348.5
28 (relating to supplemental annuities commencing 1998), 8348.6
29 (relating to supplemental annuities commencing 2002) and
30 8348.7 (relating to supplemental annuities commencing 2003),

1 in excess of the total assets in the fund (calculated by
2 recognizing the actuarially expected investment return
3 immediately and recognizing the difference between the actual
4 investment return and the actuarially expected investment
5 return over a five-year period), excluding the balance in the
6 annuity reserve account, and of the present value of normal
7 contributions and of member contributions payable with
8 respect to all active members on July 1, 2002, during the
9 remainder of their active service.

10 (2) [Thereafter] For the fiscal years beginning July 1,
11 2003, and ending June 30, 2011, the amount of each annual
12 accrued liability contribution shall be equal to the amount
13 of such contribution for the fiscal year, beginning July 1,
14 2002, except that, if the accrued liability is increased by
15 legislation enacted subsequent to June 30, 2002, but before
16 July 1, 2003, such additional liability shall be funded over
17 a period of ten years from the first day of July, coincident
18 with or next following the effective date of the increase.
19 The amount of each annual accrued liability contribution for
20 such additional legislative liabilities shall be equal to the
21 amount of such contribution for the first annual payment.

22 (3) Notwithstanding any other provision of law,
23 beginning July 1, 2004, and ending June 30, 2011, the
24 outstanding balance of the increase in accrued liability due
25 to the change in benefits enacted in 2001 and the outstanding
26 balance of the net actuarial loss incurred in fiscal year
27 2000-2001 shall be amortized in equal dollar annual
28 contributions over a period that ends 30 years after July 1,
29 2002, and the outstanding balance of the net actuarial loss
30 incurred in fiscal year 2001-2002 shall be amortized in equal

1 dollar annual contributions over a period that ends 30 years
2 after July 1, 2003. For fiscal years beginning on or after
3 July 1, 2004, if the accrued liability is increased by
4 legislation enacted subsequent to June 30, 2003, such
5 additional liability shall be funded in equal dollar annual
6 contributions over a period of ten years from the first day
7 of July coincident with or next following the effective date
8 of the increase.

9 (4) For the fiscal year beginning July 1, 2011, the
10 accrued liability contribution rate shall be computed as the
11 rate of total compensation of all active members which shall
12 be certified by the actuary as sufficient to fund as a level
13 percentage of compensation over a period of 30 years from
14 July 1, 2011, the present value of the liabilities for all
15 prospective benefits calculated as of June 30, 2010,
16 including the supplemental benefits as provided in sections
17 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
18 8348.7, in excess of the actuarially calculated assets in the
19 fund (calculated recognizing all realized and unrealized
20 investment gains and losses each year in level annual
21 installments over a ten-year period). In the event that the
22 accrued liability is increased by legislation enacted
23 subsequent to June 30, 2010, such additional liability shall
24 be funded as a level percentage of compensation over a period
25 of ten years from the July 1 second succeeding the date such
26 legislation is enacted.

27 (d) Supplemental annuity contribution rate.--[Contributions]

28 (1) For the period of July 1, 2002, to June 30, 2011,
29 contributions from the Commonwealth and other employers
30 required to provide for the payment of the supplemental

1 annuities provided for in sections 8348, 8348.1, 8348.2,
2 8348.4 and 8348.5 shall be paid over a period of ten years
3 from July 1, 2002. The funding for the supplemental annuities
4 commencing 2002 provided for in section 8348.6 shall be as
5 provided in section 8348.6(f). The funding for the
6 supplemental annuities commencing 2003 provided for in
7 section 8348.7 shall be as provided in section 8348.7(f). The
8 amount of each annual supplemental annuities contribution
9 shall be equal to the amount of such contribution for the
10 fiscal year beginning July 1, 2002. [In the event that
11 supplemental annuities are increased by legislation enacted
12 subsequent to June 30, 2002, the additional liability for the
13 increased benefits to be amortized shall be funded in equal
14 dollar annual installments over a period of ten years.]

15 (2) For fiscal years beginning July 1, 2011,
16 contributions from the Commonwealth and other employers whose
17 employees are members of the system required to provide for
18 the payment of supplemental annuities as provided in sections
19 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and
20 8348.7 shall be paid as part of the accrued liability
21 contribution rate as provided for in subsection (c)(4), and
22 there shall not be a separate supplemental annuity
23 contribution rate attributable to those supplemental
24 annuities. In the event that supplemental annuities are
25 increased by legislation enacted subsequent to June 30, 2010,
26 the additional liability for the increase in benefits shall
27 be funded as a level percentage of compensation over a period
28 of ten years from the July 1 second succeeding the date such
29 legislation is enacted.

30 (e) Experience adjustment factor.--

1 (1) For each year after the establishment of the accrued
2 liability contribution rate for the fiscal year beginning
3 July 1, [2002] 2011, any increase or decrease in the unfunded
4 accrued liability, excluding the gains or losses on the
5 assets of the health insurance account, due to actual
6 experience differing from assumed experience, changes in
7 actuarial assumptions[,] or changes in the terms and
8 conditions of the benefits provided by the system by
9 judicial, administrative or other processes other than
10 legislation, including, but not limited to, reinterpretation
11 of the provisions of this part, shall be amortized [in equal
12 dollar annual contributions] as a level percentage of
13 compensation over a period of [ten] 30 years beginning with
14 the July 1 second succeeding the actuarial valuation
15 determining said increases or decreases.

16 (2) [Notwithstanding the provisions of paragraph (1),
17 for each year after the establishment of the accrued
18 liability contribution rate for the fiscal year beginning
19 July 1, 2003, any increase or decrease in the unfunded
20 accrued liability, excluding the gains or losses on the
21 assets of the health insurance account, due to actual
22 experience differing from assumed experience, changes in
23 actuarial assumptions, changes in the terms and conditions of
24 the benefits provided by the system by judicial,
25 administrative or other processes other than legislation,
26 including, but not limited to, reinterpretation of the
27 provisions of this part, shall be amortized in equal dollar
28 annual contributions over a period of 30 years beginning with
29 the July 1 second succeeding the actuarial valuation
30 determining said increases and decreases] (Reserved).

1 (f) Premium assistance contribution rate.--For each fiscal
2 year beginning with July 1, 1991, the total contribution rate as
3 calculated according to this section shall be increased annually
4 in the full amount certified by the board as necessary to fund
5 the premium assistance program in accordance with section 8509
6 (relating to health insurance premium assistance program),
7 notwithstanding any other provisions of this section.

8 (g) Temporary application of collared contribution rate.--

9 (1) The collared contribution rate for each year shall
10 be determined by comparing the actuarially required
11 contribution rate, calculated without regard for the costs
12 added by legislation, to the prior year's final contribution
13 rate.

14 (2) If, for any of the fiscal years beginning July 1,
15 2011, July 1, 2012, and on or after July 1, 2013, the
16 actuarially required contribution rate, calculated without
17 regard for the costs added by legislation, is more than 3%,
18 3.5% and 4.5%, respectively, of the total compensation of all
19 active members greater than the prior year's final
20 contribution rate, then the collared contribution rate shall
21 be applied and be equal to the prior year's final
22 contribution rate increased by 3%, 3.5% and 4.5%,
23 respectively, of total compensation of all active members.
24 Otherwise, and for all other fiscal years, the collared
25 contribution rate shall not be applicable. In no case shall
26 the collared contribution rate be less than 4% of the total
27 compensation of all active members.

28 (h) Final contribution rate.--

29 (1) For the fiscal year beginning July 1, 2010, the
30 final contribution rate shall be 5% of the total compensation

1 of all active members. For each subsequent fiscal year for
2 which the collared contribution rate is applicable, the final
3 contribution rate shall be the collared contribution rate as
4 calculated in subsection (g), plus the costs added by
5 legislation.

6 (2) For all other fiscal years, the final contribution
7 rate shall be the actuarially required contribution rate,
8 provided that the final contribution rate shall not be less
9 than the normal contribution rate as provided in subsection
10 (b).

11 (i) Definitions.--As used in this section, the following
12 words and phrases shall have the meanings given to them in this
13 subsection unless the context clearly indicates otherwise:

14 "Actuarially required contribution rate." The sum of the
15 following:

16 (1) the normal contribution rate as calculated in
17 subsection (b);

18 (2) the accrued liability contribution rate as
19 calculated in subsection (c);

20 (3) the supplemental annuity contribution rate as
21 calculated in subsection (d);

22 (4) the experience adjustment factor as calculated in
23 subsection (e); and

24 (5) any costs added by legislation enacted prior to the
25 last actuarial valuation.

26 "Costs added by legislation." The sum, if positive, of all
27 changes in the actuarially required contribution rate resulting
28 from legislation enacted in the year since the last actuarial
29 valuation and not included in the determination of the prior
30 year's final contribution rate, computed as the rate of total

1 compensation of all active members certified by the actuary as
2 sufficient to make the employer normal contributions and
3 sufficient to amortize legislatively created changes in the
4 unfunded actuarial liability as a level percentage of
5 compensation over a period of ten years from the July 1 second
6 succeeding the date of enactment.

7 § 8348.1. Additional supplemental annuities.

8 * * *

9 (f) Funding.--The actuary shall annually certify the amount
10 of Commonwealth appropriations for the next fiscal year needed
11 to fund, over a period of ten years from July 1, 2002, the
12 additional monthly supplemental annuity provided for in this
13 section[. The board shall submit the actuary's certification to
14 the Secretary of the Budget on or before November 1 of each
15 year. If, in any year after 1984, the amount certified is
16 disapproved under section 610 of the act of April 9, 1929
17 (P.L.177, No.175), known as The Administrative Code of 1929, as
18 insufficient to meet the funding requirements of this subsection
19 or is not appropriated on or before July 1, the additional
20 supplemental annuity provided for in this section shall be
21 suspended until such time as an amount certified and approved as
22 sufficient is appropriated], which amounts shall be paid during
23 the period beginning July 1, 2002, and ending June 30, 2011. For
24 fiscal years beginning on or after July 1, 2011, the additional
25 liability provided in this section shall be funded as part of
26 the actuarial accrued liability as provided in section 8328
27 (relating to actuarial cost method).

28 * * *

29 § 8348.2. Further additional supplemental annuities.

30 * * *

1 (f) Funding.--The actuary shall annually estimate the amount
2 of Commonwealth appropriations for the next fiscal year needed
3 to fund, over a period of ten years from July 1, 2002, the
4 additional monthly supplemental annuity provided for in this
5 section[. The board shall submit the actuary's estimation to the
6 Secretary of the Budget on or before November 1 of each year.
7 If, in any year after 1988, the amount estimated is disapproved
8 under section 610 of the act of April 9, 1929 (P.L.177, No.175),
9 known as The Administrative Code of 1929, as insufficient to
10 meet the funding requirements of this subsection or is not
11 appropriated on or before July 1, the additional supplemental
12 annuity provided for in this section shall be suspended until
13 such time as an amount certified and approved as sufficient is
14 appropriated], which amounts shall be paid during the period
15 beginning July 1, 2002, and ending June 30, 2011. For fiscal
16 years beginning on or after July 1, 2011, the additional
17 liability provided in this section shall be funded as part of
18 the actuarial accrued liability as provided in section 8328
19 (relating to actuarial cost method).

20 * * *

21 § 8348.3. Supplemental annuities commencing 1994.

22 * * *

23 (f) Funding.--[The]

24 (1) For the period beginning July 1, 2002, and ending
25 June 30, 2011, the additional liability for the increase in
26 benefits provided in this section shall be funded in equal
27 dollar annual installments over a period of ten years
28 beginning July 1, 2002.

29 (2) For fiscal years beginning on or after July 1, 2011,
30 the additional liability provided in this section shall be

1 funded as part of the actuarial accrued liability as provided
2 in section 8328 (relating to actuarial cost method).

3 * * *

4 § 8348.5. Supplemental annuities commencing 1998.

5 * * *

6 (f) Funding.--[The]

7 (1) For the period beginning July 1, 2002, and ending
8 June 30, 2011, the additional liability for the increase in
9 benefits provided in this section shall be funded in equal
10 dollar annual installments over a period of ten years
11 beginning July 1, 2002.

12 (2) For fiscal years beginning on or after July 1, 2011,
13 the additional liability provided in this section shall be
14 funded as part of the actuarial accrued liability as provided
15 in section 8328 (relating to actuarial cost method).

16 (3) Notwithstanding the provisions of section 212 of the
17 act of April 22, 1998 (P.L.1341, No.6A), known as the General
18 Appropriation Act of 1998, regarding payment for cost-of-
19 living increases for annuitants, payments for cost-of-living
20 increases for annuitants shall be made under section 8535
21 (relating to payments to school entities by Commonwealth).

22 * * *

23 § 8348.6. Supplemental annuities commencing 2002.

24 * * *

25 (f) Funding.--[The]

26 (1) For the period beginning July 1, 2002, and ending
27 June 30, 2011, the additional liability for the increase in
28 benefits provided in this section shall be funded in equal
29 dollar annual installments over a period of ten years
30 beginning July 1, 2003.

1 (2) For fiscal years beginning on or after July 1, 2011,
2 the additional liability provided in this section shall be
3 funded as part of the actuarial accrued liability as provided
4 in section 8328 (relating to actuarial cost method).

5 * * *

6 § 8348.7. Supplemental annuities commencing 2003.

7 * * *

8 (f) Funding.--[The]

9 (1) For the period beginning July 1, 2002, and ending
10 June 30, 2011, the additional liability for the increase in
11 benefits provided in this section shall be funded in equal
12 dollar annual installments over a period of ten years
13 beginning July 1, 2004.

14 (2) For fiscal years beginning on or after July 1, 2011,
15 the additional liability provided in this section shall be
16 funded as part of the actuarial accrued liability as provided
17 in section 8328 (relating to actuarial cost method).

18 * * *

19 § 8502. Administrative duties of board.

20 * * *

21 (k) Certification of employer contributions.--The board
22 shall, each year in addition to the itemized budget required
23 under section 8330 (relating to appropriations by the
24 Commonwealth), certify to the employers and the Commonwealth the
25 employer contribution rate expressed as a percentage of members'
26 payroll necessary for the funding of prospective annuities for
27 active members and the annuities of annuitants, and certify the
28 rates and amounts of the normal contributions as determined
29 pursuant to section 8328(b) (relating to actuarial cost method),
30 accrued liability contributions as determined pursuant to

1 section 8328(c), supplemental annuities contribution rate as
2 determined pursuant to section 8328(d) [and], the experience
3 adjustment factor as determined pursuant to section 8328(e)
4 [and], premium assistance contributions as determined pursuant
5 to section 8328(f), the costs added by legislation as determined
6 pursuant to section 8328(i), the actuarial required contribution
7 rate as determined pursuant to section 8328(i), the collared
8 contribution rate as determined pursuant to section 8328(g) and
9 the final contribution rate as determined pursuant to section
10 8328(h), which shall be paid to the fund and credited to the
11 appropriate accounts. These certifications shall be regarded as
12 final and not subject to modification by the [Budget Secretary]
13 Secretary of the Budget.

14 * * *

15 § 8535. Payments to school entities by Commonwealth.

16 For each school year beginning with the 1995-1996 school
17 year, each school entity shall be paid by the Commonwealth for
18 contributions based upon school service of active members of the
19 system after June 30, 1995, as follows:

20 * * *

21 (3) School entities shall have up to five days after
22 receipt of the Commonwealth's portion of the employer's
23 liability to make payment to the Public School Employees'
24 Retirement Fund. School entities are expected to make the
25 full payment to the Public School Employees' Retirement Fund
26 in accordance with section 8327 (relating to payments by
27 employers) in the event the receipt of the Commonwealth's
28 portion of the employer's liability is delayed because of
29 delinquent salary reporting or other conduct by the school
30 entities.

1 Section 3. Title 71 is amended by adding a section to read:

2 § 5501.1. Definitions.

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

6 "Actuarially required contribution rate." The employer
7 contribution rate as calculated pursuant to section 5508(a),
8 (b), (c), (e) and (f) (relating to actuarial cost method).

9 "Costs added by legislation." The sum, if positive, of all
10 changes in the actuarially required contribution rate resulting
11 from legislation enacted in the year since the last actuarial
12 valuation and not included in the determination of the prior
13 year's final contribution rate, computed as the rate of total
14 compensation of all active members certified by the actuary as
15 sufficient to make the employer normal contributions and
16 sufficient to amortize legislatively created changes in the
17 unfunded actuarial liability as a level percentage of
18 compensation over a period of ten years from the July 1
19 following the valuation date.

20 Section 4. Sections 5507, 5508, 5708.1(f), 5708.2(f),
21 5708.3(f), 5708.5(f), 5708.6(f), 5708.7(f), 5708.8(g), 5902(k),
22 5934 and 5938 of Title 71 are amended to read:

23 § 5507. Contributions by the Commonwealth and other employers.

24 (a) Contributions on behalf of active members.--The
25 Commonwealth and other employers whose employees are members of
26 the system shall make contributions to the fund on behalf of all
27 active members in such amounts as shall be certified by the
28 board as necessary to provide, together with the members' total
29 accumulated deductions, annuity reserves on account of
30 prospective annuities other than those provided in section 5708

1 (relating to supplemental annuities), 5708.1 (relating to
2 additional supplemental annuities), 5708.2 (relating to further
3 additional supplemental annuities), 5708.3 (relating to
4 supplemental annuities commencing 1994), 5708.4 (relating to
5 special supplemental postretirement adjustment), 5708.5
6 (relating to supplemental annuities commencing 1998), 5708.6
7 (relating to supplemental annuities commencing 2002), 5708.7
8 (relating to supplemental annuities commencing 2003) and 5708.8
9 (relating to special supplemental postretirement adjustment of
10 2002), in accordance with the actuarial cost method provided in
11 section 5508(a), (b), (c), (d) and (f) (relating to actuarial
12 cost method).

13 (b) Contributions on behalf of annuitants.--The Commonwealth
14 and other employers whose employees are members of the system
15 shall make contributions on behalf of annuitants in such amounts
16 as shall be certified by the board as necessary to fund the
17 liabilities for supplemental annuities in accordance with the
18 actuarial cost method provided in section 5508(e) (relating to
19 actuarial cost method).

20 (c) Contributions transferred by county retirement
21 systems.--

22 (1) Each county retirement system or pension plan which
23 is notified by certification from the board that a former
24 contributor who was transferred to State employment pursuant
25 to 42 Pa.C.S. § 1905 (relating to county-level court
26 administrators) has elected to convert county service to
27 State service in accordance with section 5303.1 (relating to
28 election to convert county service to State service) shall
29 transfer to the board an amount equal to the actuarial
30 liability for the additional benefits that result in the

1 system as a result of the conversion as certified by the
2 board. This amount shall be calculated in such a manner and
3 using such actuarial factors and assumptions as the board,
4 after obtaining the advice of its actuary, shall determine
5 and shall be calculated by determining the present value of
6 the future benefits for the former county contributors and
7 subtracting from that present value the present value of
8 future employee contributions and future employer normal cost
9 contributions.

10 (2) The transfer shall occur no later than 180 days
11 after the certification by the board of the actuarial
12 liability for the additional benefits or 30 days following
13 the date of termination of service if the member terminates
14 State service after making the election to convert service,
15 whichever occurs first.

16 (3) If any county retirement system or pension plan
17 fails to transfer, within the required time, the money
18 certified by the board under this subsection, then the
19 service of such members for the period of converted service
20 shall be credited, and the board shall notify the county
21 which employed the employee who is converting the county
22 service and the State Treasurer of the amount due. The State
23 Treasurer shall withhold out of any grants, subsidies or
24 other payments from the State General Fund appropriation or
25 appropriations next due such county an amount equal to the
26 amount which the county retirement system or pension plan
27 failed to pay and shall pay the amount so withheld to the
28 board for the payment of the amount due from that county's
29 retirement system or pension plan for the converted service.

30 (d) Payment of final contribution rate.--Notwithstanding the

1 calculation of the actuarially required contribution rate and
2 the provisions of subsections (a) and (b), the Commonwealth and
3 other employers whose employees are members of the system shall
4 make contributions to the fund on behalf of all active members
5 and annuitants in such amounts as shall be certified by the
6 board in accordance with section 5508(i).

7 (e) Benefits completion plan contributions.--In addition to
8 all other contributions required under this section and section
9 5508, the Commonwealth and other employers shall make
10 contributions as certified by the board pursuant to section 5941
11 (relating to benefits completion plan).

12 § 5508. Actuarial cost method.

13 (a) Employer contribution rate on behalf of active
14 members.--The amount of the Commonwealth and other employer
15 contributions on behalf of all active members shall be computed
16 by the actuary as a percentage of the total compensation of all
17 active members during the period for which the amount is
18 determined and shall be so certified by the board. The [total
19 employer] actuarially required contribution rate on behalf of
20 all active members shall consist of the employer normal
21 contribution rate, as defined in subsection (b), and the accrued
22 liability contribution rate as defined in subsection (c). The
23 [total employer] actuarially required contribution rate on
24 behalf of all active members shall be modified by the experience
25 adjustment factor as calculated in subsection (f) [but in no
26 case shall it be less than zero. The total employer contribution
27 rate shall be modified by the experience adjustment factor as
28 calculated in subsection (f), but in no case shall it be less
29 than:

30 (1) 2% for the fiscal year beginning July 1, 2004;

1 (2) 3% for the fiscal year beginning July 1, 2005; and
2 (3) 4% for the fiscal year beginning July 1, 2006, and
3 thereafter].

4 (b) Employer normal contribution rate.--The employer normal
5 contribution rate shall be determined after each actuarial
6 valuation on the basis of an annual interest rate and such
7 mortality and other tables as shall be adopted by the board in
8 accordance with generally accepted actuarial principles. The
9 employer normal contribution rate shall be determined as a level
10 percentage of the compensation of the average new active member,
11 which percentage, if contributed on the basis of his prospective
12 compensation through his entire period of active State service,
13 would be sufficient to fund the liability for any prospective
14 benefit payable to him[, except for the supplemental benefits
15 provided for in sections 5708 (relating to supplemental
16 annuities), 5708.1 (relating to additional supplemental
17 annuities), 5708.2 (relating to further additional supplemental
18 annuities), 5708.3 (relating to supplemental annuities
19 commencing 1994), 5708.4 (relating to special supplemental
20 postretirement adjustment), 5708.5 (relating to supplemental
21 annuities commencing 1998), 5708.6 (relating to supplemental
22 annuities commencing 2002), 5708.7 (relating to supplemental
23 annuities commencing 2003) and 5708.8 (relating to special
24 supplemental postretirement adjustment of 2002),] in excess of
25 that portion funded by his prospective member contributions.

26 (c) Accrued liability contribution rate.--

27 (1) For the fiscal [year] years beginning July 1, 2002,
28 and July 1, 2003, the accrued liability contribution rate
29 shall be computed as the rate of total compensation of all
30 active members which shall be certified by the actuary as

1 sufficient to fund over a period of ten years from July 1,
2 2002, the present value of the liabilities for all
3 prospective benefits, except for the supplemental benefits as
4 provided in sections 5708 (relating to supplemental
5 annuities), 5708.1 (relating to additional supplemental
6 annuities), 5708.2 (relating to further additional
7 supplemental annuities), 5708.3 (relating to supplemental
8 annuities commencing 1994), 5708.4 (relating to special
9 supplemental postretirement adjustment), 5708.5 (relating to
10 supplemental annuities commencing 1998), 5708.6 (relating to
11 supplemental annuities commencing 2002), 5708.7 (relating to
12 supplemental annuities commencing 2003) and 5708.8 (relating
13 to special supplemental postretirement adjustment of 2002),
14 in excess of the total assets in the fund (calculated
15 recognizing all investment gains and losses over a five-year
16 period), excluding the balance in the supplemental annuity
17 account, and the present value of employer normal
18 contributions and of member contributions payable with
19 respect to all active members on December 31, 2001, and
20 excluding contributions to be transferred by county
21 retirement systems or pension plans pursuant to section
22 5507(c) (relating to contributions by the Commonwealth and
23 other employers). The amount of each annual accrued liability
24 contribution shall be equal to the amount of such
25 contribution for the fiscal year beginning July 1, 2002,
26 except that, if the accrued liability is increased by
27 legislation enacted subsequent to June 30, 2002, but before
28 July 1, 2003, such additional liability shall be funded over
29 a period of ten years from the first day of July, coincident
30 with or next following the effective date of the increase.

1 The amount of each annual accrued liability contribution for
2 such additional legislative liabilities shall be equal to the
3 amount of such contribution for the first annual payment.

4 (2) Notwithstanding any other provision of law,
5 beginning July 1, 2004, and ending June 30, 2010, the
6 outstanding balance of the increase in accrued liability due
7 to the change in benefits enacted in 2001 shall be amortized
8 in equal dollar annual contributions over a period that ends
9 30 years after July 1, 2002, and the outstanding balance of
10 the net actuarial loss incurred in calendar year 2002 shall
11 be amortized in equal dollar annual contributions over a
12 period that ends 30 years after July 1, 2003. For fiscal
13 years beginning on or after July 1, 2004, and ending June 30,
14 2010, if the accrued liability is increased by legislation
15 enacted subsequent to June 30, 2003, but before January 1,
16 2009, such additional liability shall be funded in equal
17 dollar annual contributions over a period of ten years from
18 the first day of July coincident with or next following the
19 effective date of the increase.

20 (3) For the fiscal year beginning July 1, 2010, the
21 accrued liability contribution rate shall be computed as the
22 rate of total compensation of all active members which shall
23 be certified by the actuary as sufficient to fund as a level
24 percentage of compensation over a period of 30 years from
25 July 1, 2010, the present value of the liabilities for all
26 prospective benefits calculated as of the immediately prior
27 valuation date, including the supplemental benefits as
28 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,
29 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits
30 payable from the retirement benefit plan established pursuant

1 to section 5941 (relating to benefits completion plan), in
2 excess of the actuarially calculated assets in the fund
3 (calculated recognizing all realized and unrealized
4 investment gains and losses each year in level annual
5 installments over five years), including the balance in the
6 supplemental annuity account, and the present value of
7 employer normal contributions and of member contributions
8 payable with respect to all active members, inactive members
9 on leave without pay, vestees and special vestees on December
10 31, 2009. If the accrued liability is changed by legislation
11 enacted subsequent to December 31, 2009, such change in
12 liability shall be funded as a level percentage of
13 compensation over a period of ten years from the first day of
14 July following the valuation date coincident with or next
15 following the date such legislation is enacted.

16 (d) Special provisions on calculating contributions.--In
17 calculating the contributions required by subsections (a), (b)
18 and (c), the active members of Class C shall be considered to be
19 members of Class A. In addition, the actuary shall determine the
20 Commonwealth or other employer contributions required for active
21 members of Class C and officers of the Pennsylvania State Police
22 and enforcement officers and investigators of the Pennsylvania
23 Liquor Control Board who are members of Class A to finance their
24 benefits in excess of those to which other members of Class A
25 are entitled. Such additional contributions shall be determined
26 separately for officers and employees of the Pennsylvania State
27 Police and for enforcement officers and investigators of the
28 Pennsylvania Liquor Control Board. Such contributions payable on
29 behalf of officers and employees of the Pennsylvania State
30 Police shall include the amounts received by the system under

1 the provisions of the act of May 12, 1943 (P.L.259, No.120),
2 referred to as the Foreign Casualty Insurance Premium Tax
3 Allocation Law, and on behalf of enforcement officers or
4 investigators of the Pennsylvania Liquor Control Board, the
5 amounts received by the system under the provisions of the act
6 of April 12, 1951 (P.L.90, No.21), known as the Liquor Code.

7 (e) Supplemental annuity contribution rate.--[Contributions]

8 (1) For the period July 1, 2002, to June 30, 2010,
9 contributions from the Commonwealth and other employers whose
10 employees are members of the system required to provide for
11 the payment of supplemental annuities as provided in sections
12 5708, 5708.1, 5708.2, 5708.3, 5708.4 and 5708.5 shall be paid
13 over a period of ten years from July 1, 2002. The funding for
14 the supplemental annuities commencing 2002 provided for in
15 section 5708.6 shall be as provided in section 5708.6(f). The
16 funding for the supplemental annuities commencing 2003
17 provided for in section 5708.7 shall be as provided in
18 section 5708.7(f). The funding for the special supplemental
19 postretirement adjustment of 2002 under section 5708.8 shall
20 be as provided in section 5708.8(g). The amount of each
21 annual supplemental annuities contribution shall be equal to
22 the amount of such contribution for the fiscal year beginning
23 July 1, 2002. [In the event that supplemental annuities are
24 increased by legislation enacted subsequent to June 30, 2002,
25 the additional liability for the increase in benefits shall
26 be funded in equal dollar annual installments over a period
27 of ten years from the July first, coincident with or next
28 following the effective date of such legislation.]

29 (2) For fiscal years beginning on or after July 1, 2010,
30 contributions from the Commonwealth and other employers whose

1 employees are members of the system required to provide for
2 the payment of supplemental annuities as provided in sections
3 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
4 and 5708.8 shall be paid as part of the accrued liability
5 contribution rate as provided for in subsection (c)(3) and
6 there shall not be a separate supplemental annuity
7 contribution rate attributable to those supplemental
8 annuities. In the event that supplemental annuities are
9 increased by legislation enacted subsequent to December 31,
10 2009, the additional liability for the increase in benefits
11 shall be funded as a level percentage of compensation over a
12 period of ten years from the first day of July following the
13 valuation date coincident with or next following the date
14 such legislation is enacted.

15 (f) Experience adjustment factor.--

16 (1) For each year after the establishment of the accrued
17 liability contribution rate and the supplemental annuity
18 contribution rate for the fiscal year beginning July 1,
19 [2002] 2010, any increase or decrease in the unfunded accrued
20 liability[, including liability] and any increase or decrease
21 in the liabilities and funding for supplemental annuities,
22 due to actual experience differing from assumed experience[,]
23 (recognizing all realized and unrealized investment gains and
24 losses over a five-year period), changes in contributions
25 caused by the final contribution rate being different from
26 the actuarially required contribution rate, changes in
27 actuarial assumptions[,] or changes in the terms and
28 conditions of the benefits provided by the system by
29 judicial, administrative or other processes other than
30 legislation, including, but not limited to, reinterpretation

1 of the provisions of this part, shall be amortized [in equal
2 dollar annual contributions] as a level percentage of
3 compensation over a period of [ten] 30 years beginning with
4 the July 1 succeeding the actuarial valuation determining
5 said increases or decreases.

6 (2) [Notwithstanding the provisions of paragraph (1),
7 for each year after the establishment of the accrued
8 liability contribution rate for the fiscal year beginning
9 July 1, 2003, any increase or decrease in the unfunded
10 accrued liability due to actual experience differing from
11 assumed experience, changes in actuarial assumptions, changes
12 in the terms and conditions of the benefits provided by the
13 system by judicial, administrative or other processes other
14 than legislation, including, but not limited to,
15 reinterpretation of the provisions of this part, shall be
16 amortized in equal dollar annual contributions over a period
17 of 30 years beginning with the July 1 succeeding the
18 actuarial valuation determining said increases and decreases]

19 The actuarially required contribution rate shall be the sum
20 of the normal contribution rate, the accrued liability
21 contribution rate and the supplemental annuity contribution
22 rate, modified by the experience adjustment factor as
23 calculated in paragraph (1).

24 (g) Determination of liability for special vestee.--

25 Notwithstanding any other provision of this part or other law,
26 the total additional accrued actuarial liability resulting from
27 eligibility of special vestees for benefits upon the attainment
28 of superannuation age shall be determined by the actuary as part
29 of the first annual valuation made after June 30, 1997. The
30 resulting additional accrued actuarial liability shall be paid

1 by The Pennsylvania State University to the board in one lump
2 sum payment within 90 days of the board's certification of the
3 amount to The Pennsylvania State University.

4 (h) Temporary application of collared contribution rate.--

5 The collared contribution rate for each year shall be determined
6 by comparing the actuarially required contribution rate
7 calculated without regard for costs added by legislation to the
8 prior year's final contribution rate. If for any of the fiscal
9 years beginning July 1, 2011, July 1, 2012 and on or after July
10 1, 2013, the actuarially required contribution rate calculated
11 without regard for costs added by legislation is more than 3%,
12 3.5% and 4.5%, respectively, of the total compensation of all
13 active members greater than the prior year's final contribution
14 rate, then the collared contribution rate shall be applied and
15 be equal to the prior year's final contribution rate increased
16 by the respective percentage above of total compensation of all
17 active members. Otherwise, and for all subsequent fiscal years,
18 the collared contribution rate shall not be applicable. In no
19 case shall the collared contribution rate be less than 4% of
20 total compensation of all active members.

21 (i) Final contribution rate.--For the fiscal year beginning
22 July 1, 2010, the final contribution rate shall be 5% of total
23 compensation of all active members. For each subsequent fiscal
24 year for which the collared contribution rate is applicable, the
25 final contribution rate shall be the collared contribution rate
26 plus the costs added by legislation. For all other fiscal years,
27 the final contribution rate shall be the actuarially required
28 contribution rate, provided that the final contribution rate
29 shall not be less than the employer normal contribution rate, as
30 defined in subsection (b).

1 § 5708.1. Additional supplemental annuities.

2 * * *

3 (f) Funding.--The actuary shall annually certify the amount
4 of appropriations for the next fiscal year needed to fund, over
5 a period of ten years from July 1, 2002, the additional monthly
6 supplemental annuity provided for in this section[. The board
7 shall submit the actuary's certification to the Secretary of the
8 Budget on or before November 1 of each year. If, in any year
9 after 1984, the amount certified is disapproved under section
10 610 of the act of April 9, 1929 (P.L.177, No.175), known as The
11 Administrative Code of 1929, as insufficient to meet the funding
12 requirements of this subsection or is not appropriated on or
13 before July 1, the additional supplemental annuity provided for
14 in this section shall be suspended until such time as an amount
15 certified and approved as sufficient is appropriated], which
16 amounts shall be paid during the period beginning July 1, 2002,
17 and ending June 30, 2010. For fiscal years beginning on or after
18 July 1, 2010, the additional liability provided in this section
19 shall be funded as part of the actuarial accrued liability as
20 provided in section 5508 (relating to actuarial cost method).

21 * * *

22 § 5708.2. Further additional supplemental annuities.

23 * * *

24 (f) Funding.--The actuary shall annually estimate the amount
25 of Commonwealth appropriations for the next fiscal year needed
26 to fund, over a period of ten years from July 1, 2002, the
27 additional monthly supplemental annuity provided for in this
28 section[. The board shall submit the actuary's estimation to the
29 Secretary of the Budget on or before November 1 of each year.
30 If, in any year after 1988, the amount estimated is disapproved

1 under section 610 of the act of April 9, 1929 (P.L.177, No.175),
2 known as The Administrative Code of 1929, as insufficient to
3 meet the funding requirements of this subsection or is not
4 appropriated on or before July 1, the additional supplemental
5 annuity provided for in this section shall be suspended until
6 such time as an amount certified and approved as sufficient is
7 appropriated], which amounts shall be paid during the period
8 beginning July 1, 2002, and ending June 30, 2010. For fiscal
9 years beginning on or after July 1, 2010, the additional
10 liability provided in this section shall be funded as part of
11 the actuarial accrued liability as provided in section 5508
12 (relating to actuarial cost method).

13 * * *

14 § 5708.3. Supplemental annuities commencing 1994.

15 * * *

16 (f) Funding.--[The] For the period beginning July 1, 2002,
17 and ending June 30, 2010, the additional liability for the
18 increase in benefits provided in this section shall be funded in
19 equal dollar annual installments over a period of ten years
20 beginning July 1, 2002. For fiscal years beginning on or after
21 July 1, 2010, the additional liability for the increase in
22 benefits provided in this section shall be funded as part of the
23 actuarial accrued liability as provided in section 5508
24 (relating to actuarial cost method).

25 * * *

26 § 5708.5. Supplemental annuities commencing 1998.

27 * * *

28 (f) Funding.--[The] For the period beginning July 1, 2002,
29 and ending June 30, 2010, the additional liability for the
30 increase in benefits provided in this section shall be funded in

1 equal dollar annual installments over a period of ten years
2 beginning July 1, 2002. For fiscal years beginning on or after
3 July 1, 2010, the additional liability for the increase in
4 benefits provided in this section shall be funded as part of the
5 actuarial accrued liability as provided in section 5508
6 (relating to actuarial cost method).

7 * * *

8 § 5708.6. Supplemental annuities commencing 2002.

9 * * *

10 (f) Funding.--[The] For the period beginning July 1, 2003,
11 and ending June 30, 2010, the additional liability for the
12 increase in benefits provided in this section shall be funded in
13 equal dollar annual installments over a period of ten years
14 beginning July 1, 2003. For fiscal years beginning on or after
15 July 1, 2010, the additional liability for the increase in
16 benefits provided in this section shall be funded as part of the
17 actuarial accrued liability as provided in section 5508
18 (relating to actuarial cost method).

19 * * *

20 § 5708.7. Supplemental annuities commencing 2003.

21 * * *

22 (f) Funding.--[The] For the period beginning July 1, 2004,
23 and ending June 30, 2010, the additional liability for the
24 increase in benefits provided in this section shall be funded in
25 equal dollar annual installments over a period of ten years
26 beginning July 1, 2004. For fiscal years beginning on or after
27 July 1, 2010, the additional liability for the increase in
28 benefits provided in this section shall be funded as part of the
29 actuarial accrued liability as provided in section 5508
30 (relating to actuarial cost method).

1 * * *

2 § 5708.8. Special supplemental postretirement adjustment of
3 2002.

4 * * *

5 (g) Funding.--[The] For the period beginning July 1, 2003,
6 and ending June 30, 2010, the additional liability for the
7 increase in benefits provided in this section shall be funded in
8 equal dollar annual installments over a period of ten years
9 beginning July 1, 2003. For fiscal years beginning on or after
10 July 1, 2010, the additional liability for the increase in
11 benefits provided in this section shall be funded as part of the
12 actuarial accrued liability as provided in section 5508
13 (relating to actuarial cost method).

14 * * *

15 § 5902. Administrative duties of the board.

16 * * *

17 (k) Certification of employer contributions.--The board
18 shall, each year in addition to the itemized budget required
19 under section 5509 (relating to appropriations and assessments
20 by the Commonwealth), certify, as a percentage of the members'
21 payroll, the employers' contributions as determined pursuant to
22 section 5508 (relating to actuarial cost method) necessary for
23 the funding of prospective annuities for active members and the
24 annuities of annuitants and certify the rates and amounts of the
25 employers' normal contributions as determined pursuant to
26 section 5508(b), accrued liability contributions as determined
27 pursuant to section 5508(c), supplemental annuities contribution
28 rate as determined pursuant to section 5508(e) [and], the
29 experience adjustment factor as determined pursuant to section
30 5508(f), the collared contribution rate pursuant to section

1 5508(h) and the final contribution rate pursuant to section
2 5508(i), which shall be paid to the fund and credited to the
3 appropriate accounts. The board may allocate the final
4 contribution rate and certify various employer contribution
5 rates based upon the different benefit eligibility, class of
6 service multiplier, superannuation age and other benefit
7 differences resulting from State service credited for individual
8 members even though such allocated employer contribution rate on
9 behalf of any given member may be more or less than 5% of the
10 member's compensation for the period from July 1, 2010, to June
11 30, 2011, or may differ from the prior year's contribution for
12 that member by more or less than the percentages used to
13 calculate the collared contribution rate for that year and may
14 be below any minimum contribution rate established for the
15 collared contribution rate or final contribution rate. These
16 certifications shall be regarded as final and not subject to
17 modification by the [Budget Secretary] Secretary of the Budget.

18 * * *

19 § 5934. State accumulation account.

20 The State accumulation account shall be the ledger account to
21 which shall be credited all contributions of the Commonwealth or
22 other employers whose employees are members of the system and
23 made in accordance with the provisions of section 5507(a) or (d)
24 (relating to contributions by the Commonwealth and other
25 employers) except that the amounts received under the provisions
26 of the act of May 12, 1943 (P.L.259, No.120), and the amounts
27 received under the provisions of the Liquor Code, act of April
28 12, 1951 (P.L.90, No.21), shall be credited to the State Police
29 benefit account or the enforcement officers' benefit account as
30 the case may be. All amounts transferred to the fund by county

1 retirement systems or pension plans in accordance with the
2 provisions of section 5507(c) also shall be credited to the
3 State accumulation account. All amounts transferred to the fund
4 by the Public School Employees' Retirement System in accordance
5 with section 5303.2(e) (relating to election to convert school
6 service to State service), except amounts credited to the
7 members' savings account, and all amounts paid by the Department
8 of Corrections in accordance with section 5303.2(f) also shall
9 be credited to the State accumulation account. The State
10 accumulation account shall be credited with valuation interest.
11 The reserves necessary for the payment of annuities and death
12 benefits as approved by the board and as provided in Chapter 57
13 (relating to benefits) shall be transferred from the State
14 accumulation account to the annuity reserve account provided for
15 in section 5935 (relating to annuity reserve account), except
16 that the reserves necessary on account of a member who is an
17 officer of the Pennsylvania State Police or an enforcement
18 officer shall be transferred from the State accumulation account
19 to the State Police benefit account provided for in section 5936
20 (relating to State Police benefit account) or to the enforcement
21 officers' benefit account as provided for in section 5937
22 (relating to enforcement officers' benefit account) as the case
23 may be. The reserves necessary for the payment of supplemental
24 annuities in excess of those reserves credited to the
25 supplemental annuity account on June 30, 2010, shall be
26 transferred from the State accumulation account to the
27 supplemental annuity account. In the event that supplemental
28 annuities are increased by legislation enacted subsequent to
29 December 31, 2009, the necessary reserves shall be transferred
30 from the State accumulation account to the supplemental annuity

1 account.

2 § 5938. Supplemental annuity account.

3 The supplemental annuity account shall be the ledger account
4 to which shall be credited all contributions from the
5 Commonwealth and other employers in accordance with section
6 5507(b) (relating to contributions by the Commonwealth and other
7 employers) for the payment of the supplemental annuities
8 provided in sections 5708 (relating to supplemental annuities),
9 5708.1 (relating to additional supplemental annuities), 5708.2
10 (relating to further additional supplemental annuities), 5708.3
11 (relating to supplemental annuities commencing 1994), 5708.4
12 (relating to special supplemental postretirement adjustment),
13 5708.5 (relating to supplemental annuities commencing 1998),
14 5708.6 (relating to supplemental annuities commencing 2002),
15 5708.7 (relating to supplemental annuities commencing 2003) and
16 5708.8 (relating to special supplemental postretirement
17 adjustment of 2002) made before July 1, 2010, the amount
18 transferred from the State accumulation account to provide all
19 additional reserves necessary as of June 30, 2010, to pay such
20 supplemental annuities and adjustments, and the amounts
21 transferred from the State accumulation account to provide all
22 additional reserves necessary as a result of supplemental
23 annuities enacted after December 31, 2009. The supplemental
24 annuity account shall be credited with valuation interest. The
25 reserves necessary for the payment of such supplemental
26 annuities shall be transferred from the supplemental annuity
27 account to the annuity reserve account as provided in section
28 5935 (relating to annuity reserve account).

29 Section 5. Contribution rates shall remain in effect until
30 June 30, 2010, as follows:

1 (1) Notwithstanding the provisions of this act, the
2 employer contribution rates certified by the Public School
3 Employees' Retirement Board for fiscal year 2009-2010 shall
4 remain in effect until June 30, 2010.

5 (2) Notwithstanding the provisions of this act, the
6 employer contribution rates certified by the State Employees'
7 Retirement Board for fiscal year 2009-2010 shall remain in
8 effect until June 30, 2010.

9 Section 6. Recertification to the Secretary of the Budget
10 shall be as follows:

11 (1) Notwithstanding any other provisions of law to the
12 contrary, the Public School Employees' Retirement Board
13 shall, effective for the fiscal year beginning July 1, 2010,
14 recertify to the Secretary of the Budget, within 15 days of
15 the effective date of this act, employer contributions,
16 rates, factors and amounts set forth in 24 Pa.C.S. § 8502(k),
17 as amended by this act. The recertification shall supersede
18 the prior certification for all purposes.

19 (2) Notwithstanding any other provision of law to the
20 contrary, the State Employees' Retirement Board shall,
21 effective for the fiscal year beginning July 1, 2010,
22 recertify to the Secretary of the Budget, within 15 days of
23 the effective date of this act, the contributions, rates,
24 factors and amounts set forth in 71 Pa.C.S. § 5902(k), as
25 amended by this act. The recertification shall supersede the
26 prior certification for all purposes.

27 Section 7. Certain public officials shall be held harmless,
28 as follows:

29 (1) Notwithstanding any other provision of law,
30 fiduciary requirement, actuarial standard of practice or

1 other requirement to the contrary, the members of the Public
2 School Employees' Retirement Board, the actuary and other
3 employees and officials of the Public School Employees'
4 Retirement System shall not be held liable or in breach or
5 violation of any law or standard either as individuals or in
6 their official capacity or as a governmental or corporate
7 entity for any action or calculation related to calculating
8 and certifying a final contribution rate as provided for in
9 this act that is different from the actuarially required
10 contribution rate as otherwise appropriately calculated under
11 the provisions of the Public School Employees' Retirement
12 Code.

13 (2) Notwithstanding any other provision of law,
14 fiduciary requirement, actuarial standard of practice or
15 other requirement to the contrary, the members of the State
16 Employees' Retirement Board, the actuary and other employees
17 and officials of the State Employees' Retirement System shall
18 not be held liable or in breach or violation of any law or
19 standard either as individuals or in their official capacity
20 or as a governmental or corporate entity for any action or
21 calculation related to calculating and certifying a final
22 contribution rate as provided for in this act that is
23 different from the actuarially required contribution rate as
24 otherwise appropriately calculated under the provisions of
25 the State Employees' Retirement Code.

26 Section 8. Construction of a calculation or actuarial method
27 shall be as follows:

28 (1) Nothing in this act shall be construed or deemed to
29 imply that any calculation or actuarial method used by the
30 Public School Employees' Retirement Board, its actuaries or

1 the Public School Employees' Retirement System was not in
2 accordance with the provisions of the Public School
3 Employees' Retirement Code or other applicable law prior to
4 the enactment of this act.

5 (2) Nothing in this act shall be construed or deemed to
6 imply that any calculation or actuarial method used by the
7 State Employees' Retirement Board, its actuaries or the State
8 Employees' Retirement System was not in accordance with the
9 provisions of the State Employees' Retirement Code or other
10 applicable law prior to the enactment of this act.

11 Section 9. This act shall take effect immediately.