
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 7 Session of
2015

INTRODUCED BY FOLMER, VOGEL, EICHELBERGER, WARD, HUTCHINSON,
VULAKOVICH, BARTOLOTTA, BROWNE, GORDNER, ALLOWAY, AUMENT,
STEFANO, WHITE, SCARNATI AND RAFFERTY, FEBRUARY 23, 2015

REFERRED TO FINANCE, FEBRUARY 23, 2015

AN ACT

1 Amending Titles 24 (Education), 71 (State Government) and 72
2 (Taxation and Fiscal Affairs) of the Pennsylvania
3 Consolidated Statutes, in retirement for school employees as
4 to membership, contributions and benefits, further providing
5 for actuarial cost method; in administration and
6 miscellaneous provisions, further providing for
7 administrative duties of board; in retirement for State
8 employees and officers as to contributions, further providing
9 for actuarial cost method; in administration, funds,
10 accounts, general provisions, further providing for
11 administrative duties of board; providing for taxpayer
12 protection; and repealing certain provisions of the Fiscal
13 Code.

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

16 Section 1. Section 8328(e)(1) of Title 24 of the
17 Pennsylvania Consolidated Statutes is amended to read:

18 § 8328. Actuarial cost method.

19 * * *

20 (e) Experience adjustment factor.--

21 (1) For each year after the establishment of the accrued
22 liability contribution rate for the fiscal year beginning
23 July 1, 2011, any increase or decrease in the unfunded

1 accrued liability, excluding the gains or losses on the
2 assets of the health insurance account, due to actual
3 experience differing from assumed experience, changes in
4 actuarial assumptions, changes in contributions caused by the
5 final contribution rate being different from the actuarially
6 required contribution rate, active members making shared-risk
7 contributions or changes in the terms and conditions of the
8 benefits provided by the system by judicial, administrative
9 or other processes other than legislation, including, but not
10 limited to, reinterpretation of the provisions of this part,
11 and money distributed to the board by the State Treasurer
12 from the PSERS/SERS Unfunded Accrued Liability Fund, shall be
13 amortized as a level percentage of compensation over a period
14 of 24 years beginning with the July 1 second succeeding the
15 actuarial valuation determining said increases or decreases.

16 * * *

17 Section 2. Section 8502 of Title 24 is amended by adding a
18 subsection to read:

19 § 8502. Administrative duties of board.

20 * * *

21 (g) Distributions from PSERS/SERS Unfunded Accrued Liability
22 Fund.--The board is authorized to accept money provided by the
23 State Treasurer as a result of a distribution from the
24 PSERS/SERS Unfunded Accrued Liability Fund.

25 Section 3. Section 5508(f)(1) of Title 71 is amended to
26 read:

27 § 5508. Actuarial cost method.

28 * * *

29 (f) Experience adjustment factor.--

30 (1) For each year after the establishment of the accrued

1 liability contribution rate and the supplemental annuity
2 contribution rate for the fiscal year beginning July 1, 2010,
3 any increase or decrease in the unfunded accrued liability
4 and any increase or decrease in the liabilities and funding
5 for supplemental annuities, due to actual experience
6 differing from assumed experience (recognizing all realized
7 and unrealized investment gains and losses over a five-year
8 period), money provided to the board as a result of a
9 distribution by the State Treasurer from the PSERS/SERS
10 Unfunded Accrued Liability Fund, changes in contributions
11 caused by the final contribution rate being different from
12 the actuarially required contribution rate, State employees
13 making shared-risk member contributions, changes in actuarial
14 assumptions or changes in the terms and conditions of the
15 benefits provided by the system by judicial, administrative
16 or other processes other than legislation, including, but not
17 limited to, reinterpretation of the provisions of this part,
18 shall be amortized in equal dollar annual contributions over
19 a period of 30 years beginning with the July 1 succeeding the
20 actuarial valuation determining said increases or decreases.

21 * * *

22 Section 4. Section 5902 of Title 71 is amended by adding a
23 subsection to read:

24 § 5902. Administrative duties of the board.

25 * * *

26 (p) Distributions from the PSERS/SERS Unfunded Accrued
27 Liability Fund.--The board is authorized to accept money
28 provided to the board as a result of a distribution by the State
29 Treasurer from the PSERS/SERS Unfunded Accrued Liability Fund.

30 Section 5. Title 72 is amended by adding a chapter to read:

1 "Average percentage change in inflation." The average of the
2 percentage change for each of the three calendar years, from
3 October to October, immediately preceding the calendar year in
4 which a given executive budget is submitted by the Governor, in
5 the Consumer Price Index for All Urban Consumers (CPI-U), not
6 seasonally adjusted, All Items Indexes or its successor index,
7 as officially reported by the United States Department of Labor,
8 Bureau of Labor Statistics.

9 "Average percentage change in personal income." The average
10 of the percentage change in personal income estimates for this
11 Commonwealth, from second calendar quarter to second calendar
12 quarter, for each of the three calendar years immediately
13 preceding the calendar year in which a given executive budget is
14 submitted by the Governor, as reported by the United States
15 Department of Commerce, Bureau of Economic Analysis, S04
16 quarterly income summary for this Commonwealth or its successor
17 index or as determined by an act of the General Assembly.

18 "Average percentage change in State population." The average
19 of the percentage change in State population for each of the
20 three most recent years immediately preceding the calendar year
21 in which a given executive budget is submitted by the Governor,
22 as reported by the United States Census Bureau for July 1 of
23 each year.

24 "Mandated service." A program or service administered by a
25 political subdivision of the Commonwealth as a result of being
26 required to provide that program or service by State law.

27 "PSERS." The Public School Employees' Retirement System.

28 "SERS." The State Employees' Retirement System.

29 "Total spending by the Commonwealth." All General Fund
30 appropriations made by the General Assembly and all

1 appropriations from a constitutionally or statutorily
2 established fund created after the effective date of this
3 section.

4 § 703. Spending limitations.

5 (a) General rule.--Total spending by the Commonwealth in a
6 fiscal year shall not exceed the spending appropriation limit as
7 set forth in this chapter.

8 (b) Mandated expenses for political subdivisions.--The
9 State's limit under subsection (a) shall be reduced by the
10 amount of the reduction in State appropriations to a political
11 subdivision for administration of a mandated service, without an
12 equal or greater reduction in State-mandated expenses for the
13 local government or a repeal of the mandate to provide a program
14 or service.

15 (c) Exceptions.--The appropriation limit of the Commonwealth
16 may be exceeded in a fiscal year for the following:

17 (1) To respond to a presidential or gubernatorial
18 declaration of emergency if the General Assembly approves by
19 two-thirds affirmative vote of the members elected to each
20 house of the General Assembly. In no case shall the excess
21 spending authorized by exceeding the appropriation limit in
22 this manner be included in the computation base of the
23 appropriation limit for any subsequent fiscal year.

24 (2) In other situations if the Governor so requests, in
25 writing, 30 days prior to the constitutional deadline for
26 adoption of a budget for the next fiscal year, and
27 simultaneously publishes that written notice in a newspaper
28 of general circulation in each county and senatorial and
29 representative district in which each newspaper shall be
30 published, and the General Assembly subsequently approves by

1 an affirmative vote of two-thirds of the members elected to
2 each house of the General Assembly.

3 § 704. Disposition of surplus funds.

4 (a) Transfer of surplus.--

5 (1) Except as provided under paragraph (2), for a fiscal
6 year in which the Governor certifies that a surplus exists,
7 25% of that surplus shall be deposited by the end of the next
8 succeeding quarter into the Budget Stabilization Reserve Fund
9 established in section 1701-A of the act of April 9, 1929
10 (P.L.343, No.176), known as The Fiscal Code, and 25% of that
11 surplus shall be deposited by the end of the next succeeding
12 quarter into the Taxpayer Protection Fund, which is hereby
13 established in the State Treasury, and 50% of that surplus
14 shall be deposited by the end of the next succeeding quarter
15 into the PSERS/SERS Unfunded Accrued Liability Fund, which is
16 hereby established in the State Treasury.

17 (2) For a fiscal year in which the State Treasurer
18 certifies that the balance in the Budget Stabilization
19 Reserve Fund equals or exceeds 5% of the total of all General
20 Fund appropriations, 25% of the surplus certified by the
21 Governor under paragraph (1) shall be deposited into the
22 Taxpayer Protection Fund and 75% of the surplus certified by
23 the Governor under paragraph (1) shall be deposited into the
24 PSERS/SERS Unfunded Accrued Liability Fund.

25 (b) Distribution.--

26 (1) Subject to the provisions of subsection (c), the
27 money in the Taxpayer Protection Fund shall be distributed to
28 taxpayers who have liability for the tax imposed under
29 Article III of the act of March 4, 1971 (P.L.6, No.2), known
30 as the Tax Reform Code of 1971, through a reduction in the

1 rate of the tax, which reduction shall be established by an
2 act of the General Assembly to be effective for January 1
3 through December 31 of the subsequent calendar year.

4 (2) The Secretary of the Budget, in conjunction with the
5 Secretary of Revenue, shall certify the rate reduction for
6 the tax imposed under Article III of the Tax Reform Code of
7 1971, for the upcoming calendar year no later than September
8 30. The new rate shall be published in the Pennsylvania
9 Bulletin, posted on the State's publicly accessible Internet
10 website and reported to the chairman and minority chairman of
11 the Appropriations Committee of the Senate and the chairman
12 and minority chairman of the Appropriations Committee of the
13 House of Representatives.

14 (3) Subject to the provisions of subsection (c):

15 (i) The money in the PSERS/SERS Unfunded Accrued
16 Liability Fund shall be distributed as follows when both
17 systems have an unfunded accrued liability as reflected
18 in the most recent actuarial report for each system:

19 (A) Two-thirds shall be distributed to PSERS.

20 (B) One-third shall be distributed to SERS.

21 (ii) If one system no longer has an unfunded accrued
22 liability, then all of the distribution shall be paid to
23 the system that continues to have an unfunded accrued
24 liability.

25 (c) Accumulation.--No money shall be distributed from the
26 Taxpayer Protection Fund pursuant to subsection (b) until the
27 Secretary of the Budget certifies that the money deposited is
28 sufficient to provide a reduction of at least 0.01% in the tax
29 rate of taxation for the tax imposed under Article III of the
30 Tax Reform Code of 1971.

1 (d) Appropriated funds.--The General Assembly may at any
2 time provide additional amounts from funds available to the
3 Commonwealth as an appropriation to the Budget Stabilization
4 Reserve Fund or to the PSERS/SERS Unfunded Accrued Liability
5 Fund.

6 Section 6. Repeals.

7 Repeals are as follows:

8 (1) The General Assembly declares that the repeal under
9 paragraph (2) is necessary to effectuate the provisions of
10 this act.

11 (2) Section 1702-A of the act of April 9, 1929 (P.L.343,
12 No.176), known as The Fiscal Code, is repealed.

13 Section 7. Effective date.

14 This act shall take effect immediately.