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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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SENATE BILL

No. 931 Session of  
2019

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INTRODUCED BY KILLION, CORMAN, BLAKE, BROWNE AND K. WARD,  
OCTOBER 29, 2019

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REFERRED TO FINANCE, OCTOBER 29, 2019

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AN ACT

1 Amending Title 71 (State Government) of the Pennsylvania  
2 Consolidated Statutes, in membership, credited service,  
3 classes of service, and eligibility for benefits, further  
4 providing for credited State service; in contributions,  
5 further providing for shared-risk member contributions and  
6 shared-gain adjustments to regular member contributions, for  
7 contributions to the system by the Commonwealth and other  
8 employers and for actuarial cost method and providing for  
9 advance payment of accrued liability contributions; in  
10 administration, funds, accounts and general provisions,  
11 further providing for administrative duties of the board, for  
12 duties of heads of departments and for State accumulation  
13 account; and providing for obligations of the board, for  
14 exercise of legislative power and for liability.

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

17 Section 1. Sections 5302(b)(2) and 5501.1(b)(4), (7) and  
18 (8), (c)(4), (e)(4), (7) and (8) and (f)(4) of Title 71 of the  
19 Pennsylvania Consolidated Statutes are amended to read:

20 § 5302. Credited State service.

21 \* \* \*

22 (b) Creditable leaves of absence.--

23 \* \* \*

24 (2) An active member or active participant on paid leave

1 granted by an employer for purposes of serving as an elected  
2 full-time officer for a Statewide employee organization which  
3 is a collective bargaining representative under the act of  
4 June 24, 1968 (P.L.237, No.111), referred to as the Policemen  
5 and Firemen Collective Bargaining Act, or the act of July 23,  
6 1970 (P.L.563, No.195), known as the Public Employe Relations  
7 Act, and up to 14 full-time business agents appointed by an  
8 employee organization that represents correction officers  
9 employed at State correctional institutions: Provided, That  
10 for elected full-time officers such leave shall not be for  
11 more than three consecutive terms of the same office and for  
12 up to 14 full-time business agents appointed by an employee  
13 organization that represents correction officers employed at  
14 State correctional institutions no more than three  
15 consecutive terms of the same office; that the employer shall  
16 fully compensate the member or participant, including, but  
17 not limited to, salary, wages, pension and retirement  
18 contributions and benefits, other benefits and seniority, as  
19 if he were in full-time active service; and that the  
20 Statewide employee organization shall fully reimburse the  
21 employer for all expenses and costs of such paid leave,  
22 including, but not limited to, contributions and payment in  
23 accordance with sections 5501, 5501.1, 5505.1, 5507, 5804  
24 (relating to participant contributions), 5805 (relating to  
25 mandatory pickup participant contributions) and 5806  
26 (relating to employer defined contributions), if the employee  
27 organization either directly pays, or reimburses the  
28 Commonwealth or other employer for, contributions made in  
29 accordance with sections 5507, 5804, 5805 and 5806. The  
30 determination of the contributions that an employee

1 organization pays or reimburses the Commonwealth or other  
2 employer under this paragraph shall be made without regard to  
3 any setoff the Commonwealth or any employer receives for  
4 advance payment of accrued liability contributions under  
5 section 5507(h).

6 \* \* \*

7 § 5501.1. Shared-risk member contributions and shared-gain  
8 adjustments to regular member contributions.

9 \* \* \*

10 (b) Determination of shared-risk contribution rate for Class  
11 A-3 and Class A-4 service.--The shared-risk contribution for  
12 Class A-3 and Class A-4 service shall be determined as follows:

13 \* \* \*

14 (4) Notwithstanding paragraphs (2) and (3), the shared-  
15 risk contribution rate shall not be less than zero and shall  
16 not be more than the experience adjustment factor resulting  
17 from investment gains or losses during the determination  
18 period in effect on the first day when the new rate would be  
19 applied, determined without regard to any setoff the  
20 Commonwealth or any employer receives for advance payment of  
21 accrued liability contributions under section 5507(h)  
22 (relating to contributions to the system by the Commonwealth  
23 and other employers), and expressed as a percentage of member  
24 compensation, and shall not be more than 2%. For the  
25 determination of the shared-risk contribution rate to be  
26 effective July 1, 2017, the determination period shall be  
27 January 1, 2011, through December 31, 2016. For the  
28 determination of the shared-risk contribution rate to be  
29 effective July 1, 2020, the determination period shall be  
30 January 1, 2011, through December 31, 2019.

1 \* \* \*

2 (7) For any fiscal year in which the actual  
3 contributions, plus any annual setoff for that fiscal year  
4 resulting from advance payment of accrued liability  
5 contributions under section 5507(h), by the Commonwealth or  
6 an employer are lower than the actuarially required  
7 contributions, the prospective shared-risk contribution rate  
8 for those employees whose employers are not making the  
9 actuarially required contributions shall be zero and shall  
10 not subsequently be increased, except as otherwise provided  
11 in this section. For purposes of this paragraph, the  
12 actuarially required contribution shall be no less than the  
13 normal cost plus the cost to fully amortize the unfunded  
14 actuarial accrued liability calculated using actuarial  
15 methods and assumptions that are consistent with generally  
16 accepted actuarial standards and generally accepted  
17 accounting principles, including professional actuarial  
18 standards of practice.

19 (8) If the actuary certifies that the accrued liability  
20 contributions calculated in accordance with the actuarial  
21 cost method provided in section 5508(b) (relating to  
22 actuarial cost method) and without regard to any setoff the  
23 Commonwealth or any employer receives for advance payment of  
24 accrued liability contributions under section 5507(h), as  
25 adjusted by the experience adjustment factor, are zero or  
26 less, then the shared-risk contribution rate for the next  
27 fiscal year shall be zero and shall not subsequently be  
28 increased, except as otherwise provided in this section.

29 \* \* \*

30 (c) Determination of shared-gain adjustment to regular

1 member contributions for Class A-3 and Class A-4 service.--The  
2 regular member contributions for Class A-3 and Class A-4 service  
3 shall be determined as follows:

4 \* \* \*

5 (4) Notwithstanding paragraphs (2) and (3), the regular  
6 member contribution rate may not be greater than the product  
7 of the basic contribution rate and the class of service  
8 multiplier; and the amount of the adjustment to a lower  
9 regular member contribution rate may not be greater than the  
10 reduction in the actuarially required contribution rate by  
11 the experience adjustment factor resulting from investment  
12 gains or losses during the determination period in effect on  
13 the first day when the new rate would be applied, determined  
14 without regard to any setoff the Commonwealth or any employer  
15 receives for advance payment of accrued liability  
16 contributions under section 5507(h), and expressed as a  
17 percentage of member compensation. In no event may the  
18 adjustment to the regular member contribution rate be more  
19 than 2%. For the determination of the regular member  
20 contribution rate to be effective July 1, 2020, the  
21 determination period shall be January 1, 2011, through  
22 December 31, 2019.

23 \* \* \*

24 (e) Determination of shared-risk contribution rate for Class  
25 A-5 and Class A-6 service.--The shared-risk contribution for  
26 Class A-5 or Class A-6 service shall be determined as follows:

27 \* \* \*

28 (4) Notwithstanding paragraphs (2) and (3), the shared-  
29 risk contribution rate may not be less than zero and may not  
30 be more than the experience adjustment factor resulting from

1 investment gains or losses during the determination period in  
2 effect on the first day when the new rate would be applied,  
3 determined without regard to any setoff the Commonwealth or  
4 any employer receives for advance payment of accrued  
5 liability contributions under section 5507(h), and expressed  
6 as a percentage of member compensation, and shall not be more  
7 than 3%. For the determination of the shared-risk  
8 contribution rate to be effective July 1, 2026, the  
9 determination period shall be January 1, 2020, through  
10 December 31, 2025. For the determination of the shared-risk  
11 contribution rate to be effective July 1, 2029, the  
12 determination period shall be January 1, 2020, through  
13 December 31, 2028.

14 \* \* \*

15 (7) For any fiscal year in which the actual  
16 contributions, plus any annual setoff for that fiscal year  
17 resulting from advance payment of accrued liability  
18 contributions under section 5507(h), by the Commonwealth or  
19 an employer are lower than the actuarially required  
20 contributions, the prospective shared-risk contribution rate  
21 for those employees whose employers are not making the  
22 actuarially required contributions shall be zero and shall  
23 not subsequently be increased, except as otherwise provided  
24 in this section. For purposes of this paragraph, the  
25 actuarially required contribution shall be no less than the  
26 normal cost plus the cost to fully amortize the unfunded  
27 actuarial accrued liability calculated using actuarial  
28 methods and assumptions that are consistent with generally  
29 accepted actuarial standards and generally accepted  
30 accounting principles, including professional actuarial

1 standards of practice.

2 (8) If the actuary certifies that the accrued liability  
3 contributions calculated in accordance with the actuarial  
4 cost method provided in section 5508(b) and without regard to  
5 any setoff the Commonwealth or any employer receives for  
6 advance payment of accrued liability contributions under  
7 section 5507(h), as adjusted by the experience adjustment  
8 factor, are zero or less, then the shared-risk contribution  
9 rate for the next fiscal year shall be zero and shall not  
10 subsequently be increased, except as otherwise provided in  
11 this section.

12 \* \* \*

13 (f) Determination of shared-gain adjustment to regular  
14 member contributions for Class A-5 or Class A-6 service.--The  
15 regular member contributions for Class A-5 or Class A-6 service  
16 shall be determined as follows:

17 \* \* \*

18 (4) Notwithstanding paragraphs (2) and (3), the regular  
19 member contribution rate may not be greater than the product  
20 of the basic contribution rate and the class of service  
21 multiplier; and the amount of the adjustment to a lower  
22 regular member contribution rate may not be greater than the  
23 reduction in the actuarially required contribution rate by  
24 the experience adjustment factor resulting from investment  
25 gains or losses during the determination period in effect on  
26 the first day when the new rate would be applied, determined  
27 without regard to any setoff the Commonwealth or any employer  
28 receives for advance payment of accrued liability  
29 contributions under section 5507(h), expressed as a  
30 percentage of member compensation. In no event may the

1 adjustment to the regular member contribution rate be more  
2 than 3%. For the determination of the regular member  
3 contribution rate to be effective July 1, 2026, the  
4 determination period shall be January 1, 2020, through  
5 December 31, 2025. For the determination of the regular  
6 member contribution rate to be effective July 1, 2029, the  
7 determination period shall be January 1, 2020, through  
8 December 31, 2028.

9 \* \* \*

10 Section 2. Section 5507(d) and (g) of Title 71 are amended,  
11 subsection (b.1) is amended by adding a paragraph and the  
12 section is amended by adding a subsection to read:

13 § 5507. Contributions to the system by the Commonwealth and  
14 other employers.

15 \* \* \*

16 (b.1) Payment of employer contributions to the system.--

17 \* \* \*

18 (3) The amount of employer contributions determined and  
19 payable as a percentage of compensation under this subsection  
20 may be offset by a dollar amount as established in an  
21 agreement between the board and the head of department as a  
22 result of advance payment of accrued liability contributions  
23 under subsection (h).

24 \* \* \*

25 (d) Payment of final contribution rate.--Notwithstanding the  
26 calculation of the actuarially required contribution rate and  
27 the provisions of subsections (a) and (b), the Commonwealth and  
28 other employers whose employees are members of the system or  
29 participants in the plan shall make contributions to the fund on  
30 behalf of all active members and annuitants in such amounts as

1 shall be certified by the board in accordance with section  
2 5508(i). The certified amount and actual contributions may  
3 include any setoff for advance payment of accrued liability  
4 contributions.

5 \* \* \*

6 (g) Payment of additional accrued liability contributions.--

7 In addition to all other contributions required or made under  
8 this section and [sections 5508 and] section 5508, 5508.1

9 (relating to advance payment of accrued liability contributions)

10 or 5941, the Commonwealth and other employers whose employees  
11 are members of the system or participants in the plan shall make  
12 contributions as certified by the board as a percentage of the  
13 compensation of each active member and each active participant  
14 as provided in this subsection, unless the actuary certifies  
15 that the accrued liability contribution rate determined under  
16 section 5508(c) is zero or less for that fiscal year. Additional  
17 accrued liability contributions received by the board as a  
18 result of this subsection shall be recognized as part of the  
19 experience adjustment factor under section 5508(f).

20	Fiscal year	Additional accrued liability
21	beginning date	contribution rate
22	July 1, 2018	0.00%
23	July 1, 2019	0.71%
24	July 1, 2020	0.66%
25	July 1, 2021	0.62%
26	July 1, 2022	0.00%
27	July 1, 2023	0.00%
28	July 1, 2024	0.00%
29	July 1, 2025	0.00%
30	July 1, 2026	0.00%

1	July 1, 2027	0.00%
2	July 1, 2028	0.00%
3	July 1, 2029	0.00%
4	July 1, 2030	0.00%
5	July 1, 2031	0.00%
6	July 1, 2032	0.10%
7	July 1, 2033	0.22%
8	July 1, 2034	0.33%
9	July 1, 2035	0.43%
10	July 1, 2036	0.53%
11	July 1, 2037	0.62%
12	July 1, 2038	0.71%
13	July 1, 2039	0.79%
14	July 1, 2040	0.86%
15	July 1, 2041	0.93%

16 (h) Advance payment of accrued liability contributions.--In  
17 addition to all other contributions required under this section  
18 and sections 5508 and 5941, the Commonwealth and other employers  
19 whose employees are members of the system may make, and the  
20 board may accept, advance payment of accrued liability  
21 contributions in a lump sum as agreed by the board and the head  
22 of department as provided under section 5508.1. Advance payment  
23 of accrued liability contributions received by the board as a  
24 result of this subsection shall be recognized as a setoff  
25 against future accrued liability contributions as provided under  
26 section 5508.1.

27 Section 3. Section 5508(c)(3) and (4) and (f)(1) of Title 71  
28 are amended to read:

29 § 5508. Actuarial cost method.

30 \* \* \*

1 (c) Accrued liability contribution rate.--

2 \* \* \*

3 (3) For the fiscal year beginning July 1, 2010, the  
4 accrued liability contribution rate shall be computed as the  
5 rate of total compensation of all active members which shall  
6 be certified by the actuary as sufficient to fund in equal  
7 dollar installments over a period of 30 years from July 1,  
8 2010, the present value of the liabilities for all  
9 prospective benefits calculated as of the immediately prior  
10 valuation date, including the supplemental benefits as  
11 provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4,  
12 5708.5, 5708.6, 5708.7 and 5708.8, but excluding the benefits  
13 payable from the retirement benefit plan established pursuant  
14 to section 5941 (relating to benefits completion plan), in  
15 excess of the actuarially calculated assets in the fund  
16 (calculated recognizing all realized and unrealized  
17 investment gains and losses each year in level annual  
18 installments over five years), including the balance in the  
19 supplemental annuity account, and the present value of  
20 employer normal contributions determined without regard to  
21 any setoff the Commonwealth or any employer will receive for  
22 advance payment of accrued liability contributions under  
23 section 5507(h), and of member contributions payable with  
24 respect to all active members, inactive members on leave  
25 without pay, vestees and special vestees on December 31,  
26 2009. If the accrued liability is changed by legislation  
27 enacted subsequent to December 31, 2009, such change in  
28 liability shall be funded in equal dollar installments over a  
29 period of ten years from the first day of July following the  
30 valuation date coincident with or next following the date

1 such legislation is enacted.

2 (4) For fiscal years beginning on or after July 1, 2018,  
3 the accrued liability contribution rate shall be computed as  
4 provided for under this section, except that the rate shall  
5 be computed as a rate of total compensation of all active  
6 members and active participants for the applicable period[.]  
7 and the accrued liability shall be determined and the rate  
8 shall be computed without regard to the portion of any  
9 advance payment of accrued liability contributions made by  
10 the Commonwealth or any employer under section 5507(h) for  
11 which an annual setoff has not been credited or recognized in  
12 a prior fiscal year. If the accrued liability is changed by  
13 legislation enacted subsequent to December 31, 2016, such  
14 change in liability shall be funded in equal dollar  
15 installments as a percentage of compensation of all active  
16 members and active participants over a period of ten years  
17 from the first day of July following the valuation date  
18 coincident with or next following the date such legislation  
19 is enacted. In addition to any employer defined contributions  
20 made to the trust, the Commonwealth and other employers of  
21 participants shall make the accrued liability contributions  
22 to the fund certified by the board.

23 \* \* \*

24 (f) Experience adjustment factor.--

25 (1) For each fiscal year after the establishment of the  
26 accrued liability contribution rate and the supplemental  
27 annuity contribution rate for the fiscal year beginning July  
28 1, 2010, any increase or decrease in the unfunded accrued  
29 liability and any increase or decrease in the liabilities and  
30 funding for supplemental annuities, due to actual experience

1 differing from assumed experience (recognizing all realized  
2 and unrealized investment gains and losses over a five-year  
3 period), changes in contributions caused by the final  
4 contribution rate being different from the actuarially  
5 required contribution rate, State employees making shared-  
6 risk member contributions or having shared-gain adjustments  
7 to their regular member contributions, payment of additional  
8 accrued liability contributions under section 5507(g),  
9 changes in actuarial assumptions or changes in the terms and  
10 conditions of the benefits provided by the system by  
11 judicial, administrative or other processes other than  
12 legislation, including, but not limited to, reinterpretation  
13 of the provisions of this part, shall be amortized in equal  
14 dollar annual contributions as a percentage of compensation  
15 of all active members and active participants over a period  
16 of 30 years beginning with the July 1 succeeding the  
17 actuarial valuation determining said increases or decreases.  
18 The experience adjustment factor calculated under this  
19 paragraph shall be determined without regard to any advance  
20 payment of accrued liability contributions made by the  
21 Commonwealth or any employer under section 5507(h).

22 \* \* \*

23 Section 4. Title 71 is amended by adding a section to read:  
24 § 5508.1. Advance payment of accrued liability contributions.

25 (a) Authorization.--The board and the head of department of  
26 an employer of members of the system may enter into an agreement  
27 by which the employing unit, agency or department agrees to make  
28 one lump sum payment of all or a part of the employer's portion  
29 of the present value of future accrued liability contributions  
30 determined under section 5508(c)(4) (relating to actuarial cost

1 method) as modified by the cumulative experience adjustment  
2 factors calculated under section 5508(f) (1). The amount shall be  
3 calculated by the actuary in a manner and using actuarial  
4 factors and assumptions as the board, after obtaining the advice  
5 of the board's actuary, shall determine, and shall be certified  
6 by the board.

7 (b) Terms of lump sum payment.--The terms of an advance  
8 payment of accrued liability contributions shall be set forth in  
9 the agreement between the board and the head of department and  
10 subject to the following restrictions:

11 (1) Each employing unit, agency or department may make  
12 only one lump sum advance payment of accrued liability  
13 contributions.

14 (2) The lump sum may be based on not less than 75% and  
15 not more than 100% of the portion of the unfunded actuarial  
16 accrued liability of the system allocated to the employing  
17 unit, agency or department.

18 (3) The calculation of the unfunded actuarial accrued  
19 liability of the system and the portion allocated to the  
20 employing unit, agency or department shall be made by the  
21 actuary and approved by the board.

22 (4) The allocation of the unfunded actuarial accrued  
23 liability to the employing unit, agency or department must be  
24 made using a methodology, and the setoff schedule and other  
25 terms and conditions of the agreement must be such that if  
26 all employing units, agencies and departments that employ  
27 members of the system simultaneously enter into agreements to  
28 make 100% advance payments of accrued liability contributions  
29 using the same date to calculate and allocate the unfunded  
30 actuarial accrued liability contributions and the same date

1 to make lump sum payments, the total of the lump sum payments  
2 would equal the unfunded actuarial accrued liability on the  
3 calculation date.

4 (5) The agreement must establish a schedule of dollar-  
5 denominated annual setoffs against the future contributions  
6 of the employing unit, agency or department to amortize the  
7 lump sum advance payment of actuarial accrued liability  
8 contributions.

9 (6) The following shall apply:

10 (i) The agreement must provide a schedule of annual  
11 setoffs to provide for not less than 75% and not more  
12 than 100% of the anticipated future accrued liability  
13 contributions of the employing unit, agency or department  
14 as determined by the actuary and approved by the board as  
15 of the determination date. The schedule of setoffs of  
16 anticipated future accrued liability contributions:

17 (A) must be in dollar amounts that are  
18 consistent with the system's amortization bases that  
19 exist as of the determination date; and

20 (B) cannot be for a time period longer than the  
21 longest remaining amortization period for any initial  
22 actuarial accrued liability or experience adjustment  
23 factor included in the calculation of the advance  
24 payment of accrued liability contributions.

25 (ii) A good faith determination, calculation and  
26 payment of the lump sum that produces an annual setoff  
27 that is less than 75% or more than 100% of the  
28 anticipated future accrued liability contribution by a de  
29 minimis amount shall not be a violation of this  
30 subsection.

1           (7) The agreement shall provide a mechanism or method of  
2 recognizing or crediting the setoff against the actual  
3 contributions of the employing unit, agency or department,  
4 which may include recognizing or crediting the setoff in  
5 monthly, semi-monthly, biweekly or other periodic or  
6 reconciling increments to correspond to the schedule by which  
7 the employing unit, agency or department makes employer  
8 contributions to and to account for and reflect changes in  
9 the schedule of compensation payments to the members.

10           (8) After the lump sum payment is made, the annual  
11 setoff schedule and amounts established in the agreement  
12 cannot be changed except that:

13                 (i) in no fiscal year can the recognized setoff be  
14 larger than the contributions by the employer that are  
15 eligible for the setoff. If in any fiscal year the  
16 available setoff amount is larger than the actual  
17 contributions by the employer that are eligible to be  
18 setoff, the excess setoff for that fiscal year shall be  
19 added to the next fiscal year's setoff amount as provided  
20 under subsection (c); and

21                 (ii) if the General Assembly changes the actuarial  
22 cost method under section 5508, the board may change the  
23 schedule or amount of annual setoffs to conform to the  
24 amended actuarial cost method, as determined actuarially  
25 by the board, with the agreement of the head of the  
26 department.

27           (9) The board may not be involved in the issuance,  
28 service or administration of any bonds or financial  
29 instruments or any obligations of an employing unit, agency  
30 or department, the proceeds of which are used in total or in

1 part to make any part of the lump sum advance payment of  
2 accrued liability contributions. The board may not provide  
3 financial advice or in any way act as a broker, banker,  
4 financial advisor, investment manager or in a similar  
5 capacity to the employing unit, agency or department. Any  
6 money received as a result of a lump sum payment of advance  
7 payment of accrued liability contributions shall be part of  
8 the general assets of the funds and may not be segregated or  
9 invested separately for the account of or benefit of the  
10 employing unit, agency or department that made the payment.

11 (10) An amount paid into the fund as an advance payment  
12 of accrued liability contributions may not be refunded or  
13 repaid to any employing unit, agency or department except as  
14 a setoff against future employer contributions.

15 (11) Advance payment of accrued liability contributions  
16 made prior to the execution of an agreement that, in the sole  
17 determination of the board or in the determination of the  
18 commissioner, could result in the system failing to satisfy  
19 the requirements necessary to be a qualified pension plan  
20 under IRC § 401(a) and other applicable provisions of the  
21 IRC, shall not be permitted.

22 (c) Effect of payment.--The effect of a payment shall be as  
23 follows:

24 (1) Any employing unit, agency or department that makes  
25 a lump sum payment of advance accrued liability contributions  
26 shall receive an annual setoff on a fiscal year basis against  
27 the payment of future accrued liability contributions in an  
28 amount and for the time period provided in the agreement. If  
29 the amount of the annual setoff exceeds the accrued liability  
30 contributions of the employing unit, agency or department for

1 that fiscal year, the remaining setoff amount shall be  
2 applied against any supplemental annuity contributions  
3 determined under section 5508(e)(2). If no supplemental  
4 annuity contributions are due, or if the remaining annual  
5 setoff exceeds the amount of the supplemental annuity  
6 contributions, any remaining annual setoff shall be applied  
7 against the employer normal contributions of the employing  
8 unit, agency or department. Any annual setoff amount in  
9 excess of the actual accrued liability contributions,  
10 supplemental annuity contributions and employer normal  
11 contributions for that fiscal year shall be deferred without  
12 interest and made part of the scheduled annual setoff amount  
13 of the employing unit, agency or department for the next  
14 subsequent year as determined by the actuary and certified by  
15 the board. In no event shall a setoff for advance payments  
16 reduce or be used to pay additional accrued liability  
17 contributions under section 5507(g) (relating to  
18 contributions to the system by the Commonwealth and other  
19 employers), benefits completion plan contributions under  
20 section 5507(e), employer defined contributions paid into the  
21 trust on account of a participant's State service, or any  
22 member or participant contributions to the system or the  
23 plan. A lump sum amount or annual excess setoff of advance  
24 accrued liability contributions may not be paid from the fund  
25 by the board to the employer.

26 (2) Advance payment of accrued liability contributions  
27 results only in a dollar amount setoff against actual future  
28 contributions as set forth in the agreement between the board  
29 and employing unit, agency or department and determined by  
30 the actuary and certified by the board. An employing unit,

1 agency or department shall be subject to all changes in  
2 employer contributions rates and actual contribution amounts  
3 caused by any reason, including actual recognition of  
4 investment returns, changes in economic or demographic  
5 actuarial assumptions, including the assumed rate of  
6 investment return, actual experience being different from the  
7 economic or demographic assumptions, including the number of  
8 State employees who are members of the system and their  
9 compensation, changes in benefits and changes in the  
10 actuarial cost method.

11 (d) Payment of costs and fees.--

12 (1) The costs incurred by the board after the effective  
13 date of this section, including any fees charged by the  
14 actuary, to estimate, determine, calculate or administer the  
15 amount of any lump sum payment and annual setoff potentially  
16 or actually resulting from advance payment of accrued  
17 liability contributions shall be paid by the employing unit,  
18 agency or department on whose behalf the costs were incurred,  
19 in amounts certified by the board. Notwithstanding this  
20 paragraph, costs may not be paid by the employing unit,  
21 agency or department until the board provides a written  
22 estimate of the costs to the employing unit, agency or  
23 department and receives written approval from the employing  
24 unit, agency or department to incur the costs on the  
25 employing unit's, agency's or department's behalf.

26 (2) Payment of fees and costs incurred by the board at  
27 the request of the head of a department shall be paid by the  
28 corresponding employer without regard to whether an agreement  
29 is entered into between the board and the head of department  
30 of an employer under subsection (a) and without regard to

1 whether the costs and fees are incurred before or after an  
2 agreement is entered into under subsection (a).

3 (3) The board may require advance payment of costs and  
4 fees before performing any estimate, determination,  
5 calculation or administrative work under this section.

6 (4) The board may setoff the payment of costs and fees  
7 against either the lump sum payment or annual setoffs.

8 (5) Notwithstanding this subsection, the board may waive  
9 all or part of the reimbursement due by an employer if the  
10 board in its sole discretion determines that it is in the  
11 best interests of the fund and the members of the system to  
12 do so.

13 (e) Limitation of time.--

14 (1) A lump sum payment for advance payment of accrued  
15 liability contributions made on or after July 1 and on or  
16 before the following May 1 will be recognized by annual  
17 setoffs beginning the next fiscal year. A lump sum payment  
18 for advance payment of accrued liability contributions made  
19 on or after May 2 and before July 1 will be recognized by  
20 annual setoffs beginning the second following fiscal year.

21 (2) Any agreement under this section must be entered  
22 into by December 31, 2024. Any lump sum payment under this  
23 section must be made by May 1, 2025.

24 Section 5. Section 5902(k) of Title 71 is amended to read:

25 § 5902. Administrative duties of the board.

26 \* \* \*

27 (k) Certification of employer contributions to fund.--The  
28 board shall, each year in addition to the itemized budget  
29 required under section 5509 (relating to appropriations and  
30 assessments by the Commonwealth), certify, as a percentage of

1 the members' payroll, the shared-risk contribution rate, the  
2 shared-gain adjustment to the regular member contribution rate,  
3 the employers' contributions as determined pursuant to section  
4 5508 (relating to actuarial cost method) necessary for the  
5 funding of prospective annuities for active members and the  
6 annuities of annuitants and certify the rates and amounts of the  
7 employers' normal contributions as determined pursuant to  
8 section 5508(b), accrued liability contributions as determined  
9 pursuant to section 5508(c), supplemental annuities contribution  
10 rate as determined pursuant to section 5508(e), the experience  
11 adjustment factor as determined pursuant to section 5508(f), the  
12 collared contribution rate pursuant to section 5508(h) and the  
13 final contribution rate pursuant to section 5508(i), which shall  
14 be paid to the fund and credited to the appropriate accounts.  
15 The board shall certify the dollar amount of the annual  
16 contribution setoff for each employing unit, agency or  
17 department that has made advance payment of accrued liability  
18 contributions under section 5507(h) (relating to contributions  
19 to the system by the Commonwealth and other employers). The  
20 board may allocate the final contribution rate and certify  
21 various employer contribution rates and amounts based upon  
22 advance payment of accrued liability contributions and the  
23 different benefit eligibility, class of service multiplier,  
24 superannuation age, final average salary calculation,  
25 compensation limits and other benefit differences resulting from  
26 State service credited for individual members even though such  
27 allocated employer contribution rate on behalf of any given  
28 member may be more or less than 5% of the member's compensation  
29 for the period from July 1, 2010, to June 30, 2011, or may  
30 differ from the prior year's contribution for that member by

1 more or less than the percentages used to calculate the collared  
2 contribution rate for that year and may be below any minimum  
3 contribution rate established for the collared contribution rate  
4 or final contribution rate. These certifications shall be  
5 regarded as final and not subject to modification by the  
6 Secretary of the Budget.

7 \* \* \*

8 Section 6. Section 5906 of Title 71 is amended by adding a  
9 subsection to read:

10 § 5906. Duties of heads of departments.

11 \* \* \*

12 (o) Advance payment of accrued liability contributions.--The  
13 head of department may enter into an agreement with the board to  
14 make advance payment of accrued liability contributions of the  
15 employing unit, agency or department as provided in this part.  
16 After entering into such an agreement, the head of department  
17 may make, or direct and have made, advance payment as provided  
18 under this part and the agreement.

19 Section 7. Section 5934 of Title 71 is amended to read:

20 § 5934. State accumulation account.

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

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

1 supplemental annuities are increased by legislation enacted  
2 after December 31, 2009, the necessary reserves shall be  
3 transferred from the State accumulation account to the  
4 supplemental annuity account.

5 Section 8. The following shall apply:

6 (1) The board is not obligated to enter into any  
7 agreement with the head of department of any employing unit,  
8 agency or department.

9 (2) The General Assembly reserves to itself the further  
10 exercise of its legislative power to amend, supplement or  
11 repeal the provisions of this act, or 71 Pa.C.S. Pt. XXV,  
12 including the actuarial cost method under 71 Pa.C.S. § 5508,  
13 without regard to whether the head of department of an  
14 employing unit, agency or department has entered into an  
15 agreement with the board under this act, except that if any  
16 employing unit, agency or department has made an advance  
17 payment of accrued liability contributions, that employing  
18 unit, agency or department shall receive setoffs of future  
19 employer contributions as determined by the State Employees'  
20 Retirement Board's actuary and certified by the State  
21 Employees' Retirement Board.

22 (3) Notwithstanding any other provision of law,  
23 fiduciary requirement, actuarial standard of practice or  
24 other requirement to the contrary, the members of the State  
25 Employees' Retirement Board, the actuary and other employees  
26 and officials of the State Employees' Retirement System:

27 (i) May not be held liable or in breach or violation  
28 of any law or standard either as individuals or in their  
29 official capacity or as a governmental or corporate  
30 entity for any action or calculation related to

1 calculating and certifying:

2 (A) An employer normal contribution rate.

3 (B) A supplemental contribution rate.

4 (C) An accrued liability contribution rate or  
5 final contribution rate or actual employer  
6 contribution rate.

7 (D) An allocation of the unfunded actuarial  
8 accrued liability to an employing unit, agency or  
9 department.

10 (E) A lump sum amount of advance payment of  
11 accrued liability contributions.

12 (F) A setoff against employer contributions.

13 (G) The actual employer contributions as  
14 provided in this act.

15 (ii) Do not warrant, guarantee or promise that any  
16 actuarial, economic or demographic assumptions,  
17 projections or estimates used for calculations under  
18 subparagraph (i) will in fact occur, or that future  
19 increases of accrued liability contributions will not  
20 occur or be assessed against any employing unit, agency  
21 or department that makes an advanced payment of accrued  
22 liability contributions under this act.

23 Section 9. This act shall take effect immediately.