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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1970 Session of  
2009

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INTRODUCED BY DALEY, GIBBONS, ADOLPH, BARBIN, BELFANTI,  
BENNINGHOFF, BRENNAN, BROWN, BUXTON, CARROLL, CASORIO,  
CLYMER, CONKLIN, CREIGHTON, CRUZ, DEASY, DERMODY, DIGIROLAMO,  
FABRIZIO, GEIST, GOODMAN, GRUCELA, HALUSKA, HANNA, HARHAI,  
HARKINS, HELM, HENNESSEY, HESS, JOSEPHS, KULA, LONGIETTI,  
MAJOR, MENSCH, METZGAR, MICOZZIE, PALLONE, PETRARCA,  
PHILLIPS, PICKETT, READSHAW, REED, SAINATO, SCAVELLO,  
SIPTROTH, STABACK, STERN, WHITE AND YOUNGBLOOD,  
SEPTEMBER 22, 2009

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REFERRED TO COMMITTEE ON FINANCE, SEPTEMBER 22, 2009

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AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the  
2 Pennsylvania Consolidated Statutes, further providing for  
3 actuarial cost method; providing for supplemental annuities  
4 commencing 2010 and for supplemental postretirement  
5 adjustment of 2010; and further providing for annuity reserve  
6 account and for supplemental annuity account.

7 The General Assembly of the Commonwealth of Pennsylvania  
8 hereby enacts as follows:

9 Section 1. Section 8328(b), (c)(1) and (d) of Title 24 of  
10 the Pennsylvania Consolidated Statutes are amended to read:

11 § 8328. Actuarial cost method.

12 \* \* \*

13 (b) Normal contribution rate.--The normal contribution rate  
14 shall be determined after each actuarial valuation. Until all  
15 accrued liability contributions have been completed, the normal  
16 contribution rate shall be determined, on the basis of an annual

1 interest rate and such mortality and other tables as shall be  
2 adopted by the board in accordance with generally accepted  
3 actuarial principles, as a level percentage of the compensation  
4 of the average new active member, which percentage, if  
5 contributed on the basis of his prospective compensation through  
6 the entire period of active school service, would be sufficient  
7 to fund the liability for any prospective benefit payable to  
8 him, in excess of that portion funded by his prospective member  
9 contributions, except for the supplemental benefits provided in  
10 sections 8348 (relating to supplemental annuities), 8348.1  
11 (relating to additional supplemental annuities), 8348.2  
12 (relating to further additional supplemental annuities), 8348.3  
13 (relating to supplemental annuities commencing 1994), 8348.4  
14 (relating to special supplemental postretirement adjustment),  
15 8348.5 (relating to supplemental annuities commencing 1998),  
16 8348.6 (relating to supplemental annuities commencing 2002)  
17 [and], 8348.7 (relating to supplemental annuities commencing  
18 2003) and 8348.8 (relating to supplemental annuities commencing  
19 2010).

20 (c) Accrued liability contribution rate.--

21 (1) For the fiscal year beginning July 1, 2002, the  
22 accrued liability contribution rate shall be computed as the  
23 rate of total compensation of all active members which shall  
24 be certified by the actuary as sufficient to fund over a  
25 period of ten years from July 1, 2002, the present value of  
26 the liabilities for all prospective benefits of active  
27 members, except for the supplemental benefits provided in  
28 sections 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6  
29 [and], 8348.7 and 8348.8, in excess of the total assets in  
30 the fund (calculated by recognizing the actuarially expected

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

8 \* \* \*

9 (d) Supplemental annuity contribution rate.--Contributions  
10 from the Commonwealth and other employers required to provide  
11 for the payment of the supplemental annuities provided for in  
12 sections 8348, 8348.1, 8348.2, 8348.4 and 8348.5 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 8348.6 shall be as provided in section 8348.6(f). The  
16 funding for the supplemental annuities commencing 2003 provided  
17 for in section 8348.7 shall be as provided in section 8348.7(f).  
18 The funding for the supplemental annuities commencing 2010  
19 provided for in section 8348.8 shall be as provided in section  
20 8348.8(f). The amount of each annual supplemental annuities  
21 contribution shall be equal to the amount of such contribution  
22 for the fiscal year beginning July 1, 2002. In the event that  
23 supplemental annuities are increased by legislation enacted  
24 subsequent to June 30, 2002, the additional liability for the  
25 increased benefits to be amortized shall be funded in equal  
26 dollar annual installments over a period of [ten] twenty years.

27 \* \* \*

28 Section 2. Title 24 is amended by adding a section to read:  
29 § 8348.8. Supplemental annuities commencing 2010.

30 (a) Benefits.--Commencing with the first monthly annuity

1 payment after January 1, 2010, any eligible benefit recipient  
2 shall be entitled to receive an additional monthly supplemental  
3 annuity from the system. This shall be in addition to the  
4 supplemental annuities provided for in sections 8348 (relating  
5 to supplemental annuities), 8348.1 (relating to additional  
6 supplemental annuities), 8348.2 (relating to further additional  
7 supplemental annuities), 8348.3 (relating to supplemental  
8 annuities commencing 1994), 8348.4 (relating to special  
9 supplemental postretirement adjustment), 8348.5 (relating to  
10 supplemental annuities commencing 1998), 8348.6 (relating to  
11 supplemental annuities commencing 2002) and 8348.7 (relating to  
12 supplemental annuities commencing 2003).

13 (b) Amount of supplemental annuity.--The amount of the  
14 supplemental annuity payable pursuant to this section shall be a  
15 percentage of the amount of the monthly annuity payment on  
16 January 1, 2010, determined on the basis of the most recent  
17 effective date of retirement, as follows:

<u>Most recent effective date</u> <u>of retirement</u>	<u>Percentage factor</u>
<u>July 2, 2006, through July 1, 2007</u>	<u>2.67%</u>
<u>July 2, 2005, through July 1, 2006</u>	<u>4.01%</u>
<u>July 2, 2004, through July 1, 2005</u>	<u>5.85%</u>
<u>July 2, 2003, through July 1, 2004</u>	<u>7.67%</u>
<u>July 2, 2002, through July 1, 2003</u>	<u>8.75%</u>
<u>July 1, 2001, through July 1, 2002</u>	<u>9.15%</u>
<u>July 2, 1997, through June 30, 2001</u>	<u>10.00%</u>
<u>July 2, 1990, through July 1, 1997</u>	<u>15.00%</u>
<u>Prior to July 2, 1990</u>	<u>25.00%</u>

29 (c) Payment.--The supplemental annuity provided under this  
30 section shall be paid automatically unless the annuitant files a

1 written notice with the board requesting that the additional  
2 monthly supplemental annuity not be paid.

3 (d) Conditions.--The supplemental annuity provided under  
4 this section shall be payable under the same terms and  
5 conditions as provided under the option plan in effect as of  
6 January 1, 2010.

7 (e) Benefits to beneficiaries or survivors.--No supplemental  
8 annuity provided under this section shall be payable to the  
9 beneficiary or survivor annuitant of a member who dies before  
10 January 1, 2010.

11 (f) Funding.--The additional liability for the increase  
12 under benefits provided in this section shall be funded in equal  
13 dollar annual installments over a period of 20 years beginning  
14 July 1, 2010.

15 (g) Eligible benefit recipient.--As used in this section,  
16 the term "eligible benefit recipient" means a person who is  
17 receiving a superannuation, withdrawal or disability annuity on  
18 July 1, 2010; whose most recent effective date of retirement is  
19 prior to July 2, 2007, but the supplemental annuities provided  
20 under this section shall not be payable to an annuitant  
21 receiving a withdrawal annuity prior to the first day of July  
22 coincident with or following the annuitant's attainment of  
23 superannuation age.

24 Section 3. Section 8525(a) of Title 24 is amended to read:  
25 § 8525. Annuity reserve account.

26 (a) Credits and charges to account.--The annuity reserve  
27 account shall be the ledger account to which shall be credited  
28 the reserves held for the payment of annuities and death  
29 benefits on account of all annuitants and the contributions from  
30 the Commonwealth and other employers as determined in accordance

1 with section 8328 (relating to actuarial cost method) for the  
2 payment of the supplemental annuities provided in sections 8348  
3 (relating to supplemental annuities), 8348.1 (relating to  
4 additional supplemental annuities), 8348.2 (relating to further  
5 additional supplemental annuities), 8348.3 (relating to  
6 supplemental annuities commencing 1994), 8348.4 (relating to  
7 special supplemental postretirement adjustment), 8348.5  
8 (relating to supplemental annuities commencing 1998), 8348.6  
9 (relating to supplemental annuities commencing 2002) [and],  
10 8348.7 (relating to supplemental annuities commencing 2003) and  
11 8348.8 (relating to supplemental annuities commencing 2010). The  
12 annuity reserve account shall be credited with valuation  
13 interest. After the transfers provided in sections 8523  
14 (relating to members' savings account) and 8524 (relating to  
15 State accumulation account), all annuity and death benefit  
16 payments shall be charged to the annuity reserve account and  
17 paid from the fund.

18 \* \* \*

19 Section 4. Section 5508(b), (c)(1) and (e) of Title 71 are  
20 amended to read:

21 § 5508. Actuarial cost method.

22 \* \* \*

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

1 compensation through his entire period of active State service,  
2 would be sufficient to fund the liability for any prospective  
3 benefit payable to him, except for the supplemental benefits  
4 provided for in sections 5708 (relating to supplemental  
5 annuities), 5708.1 (relating to additional supplemental  
6 annuities), 5708.2 (relating to further additional supplemental  
7 annuities), 5708.3 (relating to supplemental annuities  
8 commencing 1994), 5708.4 (relating to special supplemental  
9 postretirement adjustment), 5708.5 (relating to supplemental  
10 annuities commencing 1998), 5708.6 (relating to supplemental  
11 annuities commencing 2002), 5708.7 (relating to supplemental  
12 annuities commencing 2003) [and] 5708.8 (relating to special  
13 supplemental postretirement adjustment of 2002) and 5708.9  
14 (relating to supplemental postretirement adjustment of 2010), in  
15 excess of that portion funded by his prospective member  
16 contributions.

17 (c) Accrued liability contribution rate.--

18 (1) For the fiscal year beginning July 1, 2002, the  
19 accrued liability contribution rate shall be computed as the  
20 rate of total compensation of all active members which shall  
21 be certified by the actuary as sufficient to fund over a  
22 period of ten years from July 1, 2002, the present value of  
23 the liabilities for all prospective benefits, except for the  
24 supplemental benefits as provided in sections 5708, 5708.1,  
25 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 [and] 5708.8  
26 and 5708.9, in excess of the total assets in the fund  
27 (calculated recognizing all investment gains and losses over  
28 a five-year period), excluding the balance in the  
29 supplemental annuity account, and the present value of  
30 employer normal contributions and of member contributions

1 payable with respect to all active members on December 31,  
2 2001, and excluding contributions to be transferred by county  
3 retirement systems or pension plans pursuant to section  
4 5507(c) (relating to contributions by the Commonwealth and  
5 other employers). The amount of each annual accrued liability  
6 contribution shall be equal to the amount of such  
7 contribution for the fiscal year beginning July 1, 2002,  
8 except that, if the accrued liability is increased by  
9 legislation enacted subsequent to June 30, 2002, but before  
10 July 1, 2003, such additional liability shall be funded over  
11 a period of ten years from the first day of July, coincident  
12 with or next following the effective date of the increase.  
13 The amount of each annual accrued liability contribution for  
14 such additional legislative liabilities shall be equal to the  
15 amount of such contribution for the first annual payment.

16 \* \* \*

17 (e) Supplemental annuity contribution rate.--Contributions  
18 from the Commonwealth required to provide for the payment of  
19 supplemental annuities as provided in sections 5708, 5708.1,  
20 5708.2, 5708.3, 5708.4 and 5708.5 shall be paid over a period of  
21 ten years from July 1, 2002. The funding for the supplemental  
22 annuities commencing 2002 provided for in section 5708.6 shall  
23 be as provided in section 5708.6(f). The funding for the  
24 supplemental annuities commencing 2003 provided for in section  
25 5708.7 shall be as provided in section 5708.7(f). The funding  
26 for the special supplemental postretirement adjustment of 2002  
27 under section 5708.8 shall be as provided in section 5708.8(g).  
28 The funding for the supplemental postretirement adjustment of  
29 2010 under section 5708.9 shall be as provided in section  
30 5708.9(f). The amount of each annual supplemental annuities

1 contribution shall be equal to the amount of such contribution  
2 for the fiscal year beginning July 1, 2002. In the event that  
3 supplemental annuities are increased by legislation enacted  
4 subsequent to June 30, 2002, the additional liability for the  
5 increase in benefits shall be funded in equal dollar annual  
6 installments over a period of [ten] twenty years from the July  
7 first, coincident with or next following the effective date of  
8 such legislation.

9 \* \* \*

10 Section 5. Title 71 is amended by adding a section to read:  
11 § 5708.9 Supplemental postretirement adjustment of 2010.

12 (a) Benefits.--Commencing with the first monthly annuity  
13 payment after January 1, 2010, any eligible benefit recipient  
14 shall be entitled to receive an additional monthly supplemental  
15 annuity from the system. This shall be in addition to the  
16 supplemental annuities provided for in sections 5708 (relating  
17 to supplemental annuities), 5708.1 (relating to additional  
18 supplemental annuities), 5708.2 (relating to further additional  
19 supplemental annuities), 5708.3 (relating to supplemental  
20 annuities commencing 1994), 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 the special supplemental  
24 postretirement adjustment provided for in sections 5708.4  
25 (relating to special supplemental postretirement adjustment) and  
26 5708.8 (relating to special supplemental postretirement  
27 adjustment of 2002).

28 (b) Amount of supplemental annuity.--The amount of the  
29 supplemental annuity payable under this section shall be a  
30 percentage of the amount of the monthly annuity payment on

1 January 1, 2010, determined on the basis of the most recent  
2 effective date of retirement, as follows:

3	<u>Most recent effective date</u>	<u>Percentage factor</u>
4	<u>of retirement</u>	
5	<u>July 2, 2006, through July 1, 2007</u>	<u>2.67%</u>
6	<u>July 2, 2005, through July 1, 2006</u>	<u>4.01%</u>
7	<u>July 2, 2004, through July 1, 2005</u>	<u>5.85%</u>
8	<u>July 2, 2003, through July 1, 2004</u>	<u>7.67%</u>
9	<u>July 2, 2002, through July 1, 2003</u>	<u>8.75%</u>
10	<u>July 1, 2001, through July 1, 2002</u>	<u>9.15%</u>
11	<u>July 2, 1997, through June 30, 2001</u>	<u>10.00%</u>
12	<u>July 2, 1990, through July 1, 1997</u>	<u>15.00%</u>
13	<u>Prior to July 2, 1990</u>	<u>25.00%</u>

14 (c) Payment.--The supplemental annuity provided under this  
15 section shall be paid automatically unless the annuitant files a  
16 written notice with the board requesting that the additional  
17 monthly supplemental annuity not be paid.

18 (d) Conditions.--The supplemental annuity provided under  
19 this section shall be payable under the same terms and  
20 conditions as provided under the option plan in effect as of  
21 January 1, 2010.

22 (e) Benefits to beneficiaries or survivors.--No supplemental  
23 annuity provided under this section shall be payable to the  
24 beneficiary or survivor annuitant of a member who dies before  
25 January 1, 2010.

26 (f) Funding.--The additional liability for the increase in  
27 benefits provided under this section shall be funded in equal  
28 dollar annual installments over a period of 20 years beginning  
29 January 1, 2010.

30 (g) Eligible benefit recipient.--As used in this section,

1 the term "eligible benefit recipient" means a person who is  
2 receiving a superannuation, withdrawal or disability annuity on  
3 January 1, 2010, and whose most recent effective date of  
4 retirement is prior to July 2, 2007. Notwithstanding the above,  
5 the supplemental annuities provided under this section shall not  
6 be payable to an annuitant receiving a superannuation or  
7 withdrawal annuity prior to the first day of July coincident  
8 with or following the annuitant's attainment of superannuation  
9 age.

10 Section 6. Section 5938 of Title 71 is amended to read:

11 § 5938. Supplemental annuity account.

12 The supplemental annuity account shall be the ledger account  
13 to which shall be credited all contributions from the  
14 Commonwealth in accordance with section 5507(b) (relating to  
15 contributions by the Commonwealth and other employers) for the  
16 payment of the supplemental annuities provided in sections 5708  
17 (relating to supplemental annuities), 5708.1 (relating to  
18 additional supplemental annuities), 5708.2 (relating to further  
19 additional supplemental annuities), 5708.3 (relating to  
20 supplemental annuities commencing 1994), 5708.4 (relating to  
21 special supplemental postretirement adjustment), 5708.5  
22 (relating to supplemental annuities commencing 1998), 5708.6  
23 (relating to supplemental annuities commencing 2002), 5708.7  
24 (relating to supplemental annuities commencing 2003) [and],  
25 5708.8 (relating to special supplemental postretirement  
26 adjustment of 2002) and 5708.9 (relating to supplemental  
27 postretirement adjustment of 2010). The supplemental annuity  
28 account shall be credited with valuation interest. The reserves  
29 necessary for the payment of such supplemental annuities shall  
30 be transferred from the supplemental annuity account to the

1 annuity reserve account as provided in section 5935 (relating to  
2 annuity reserve account).

3 Section 7. This act shall take effect immediately.