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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 2421 Session of  
2014

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INTRODUCED BY PETRI, GABLER, JAMES AND GRELL, JULY 29, 2014

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REFERRED TO COMMITTEE ON STATE GOVERNMENT, JULY 29, 2014

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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 member's options.

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

6 Section 1. Section 8345(a) of Title 24 of the Pennsylvania  
7 Consolidated Statutes is amended to read:

8 § 8345. Member's options.

9 (a) General rule.--Any Class T-C or Class T-D member who is  
10 a vestee with five or more eligibility points, any Class T-E or  
11 Class T-F member who is a vestee with ten or more eligibility  
12 points, or any other eligible member upon termination of school  
13 service who has not withdrawn his accumulated deductions as  
14 provided in section 8341 (relating to return of accumulated  
15 deductions) may apply for and elect to receive either a maximum  
16 single life annuity, as calculated in accordance with the  
17 provisions of section 8342 (relating to maximum single life  
18 annuity), or a reduced annuity certified by the actuary to be  
19 actuarially equivalent to the maximum single life annuity and in

1 accordance with one of the following options, except that no  
2 member shall elect an annuity payable to one or more survivor  
3 annuitants other than his spouse or alternate payee of such a  
4 magnitude that the present value of the annuity payable to him  
5 for life plus any lump sum payment he may have elected to  
6 receive is less than 50% of the present value of his maximum  
7 single life annuity. In no event shall a Class T-E or Class T-F  
8 member receive an annual benefit, calculated as of the effective  
9 date of retirement, greater than the member's final average  
10 salary.

11 (1) Option 1.--A life annuity to the member with a  
12 guaranteed total payment equal to the present value of the  
13 maximum single life annuity on the effective date of  
14 retirement with the provision that, if, at his death, he has  
15 received less than such present value, the unpaid balance  
16 shall be payable to his beneficiary.

17 (2) Option 2.--A joint and survivor annuity payable  
18 during the lifetime of the member with the full amount of  
19 such annuity payable thereafter to his survivor annuitant, if  
20 living at his death.

21 (3) Option 3.--A joint and fifty percent (50%) survivor  
22 annuity payable during the lifetime of the member with one-  
23 half of such annuity payable thereafter to his survivor  
24 annuitant, if living at his death.

25 (4) Option 4.--Some other benefit which shall be  
26 certified by the actuary to be actuarially equivalent to the  
27 maximum single life annuity, subject to the following  
28 restrictions:

29 (i) Any annuity shall be payable without reduction  
30 during the lifetime of the member.

1           (ii) The sum of all annuities payable to the  
2 designated survivor annuitants shall not be greater than  
3 one and one-half times the annuity payable to the member.

4           (iii) A portion of the benefit may be payable as a  
5 lump sum, except that such lump sum payment shall not  
6 exceed an amount equal to the accumulated deductions  
7 standing to the credit of the member. The balance of the  
8 present value of the maximum single life annuity adjusted  
9 in accordance with section 8342(b) shall be paid in the  
10 form of an annuity with a guaranteed total payment, a  
11 single life annuity, or a joint and survivor annuity or  
12 any combination thereof but subject to the restrictions  
13 of subparagraphs (i) and (ii) of this paragraph. This  
14 subparagraph shall not apply to a Class T-E or Class T-F  
15 member. For purposes of this subparagraph only, the term  
16 "actuarially equivalent," as applied to any lump sum  
17 withdrawal attributable to contributions credited to the  
18 member's savings account on or after July 1, 2015,  
19 together with all interest thereon, shall mean equal  
20 present values, computed on the basis of the interest  
21 rate and such mortality and other tables as adopted by  
22 the board pursuant to section 8328(b) (relating to  
23 actuarial cost method) in effect on the effective date of  
24 retirement of the member.

25 \* \* \*

26 Section 2. Section 5705(a) of Title 71 is amended and the  
27 section is amended by adding a subsection to read:

28 § 5705. Member's options.

29 (a) General rule.--Any special vestee who has attained  
30 superannuation age, any vestee who does not have Class A-3 or

1 Class A-4 service credit having five or more eligibility points  
2 for service other than Class T-E or Class T-F service in the  
3 Public School Employees' Retirement System, or vestee who has  
4 Class A-3 or Class A-4 service credit having ten or more  
5 eligibility points, any member with Class G, Class H, Class I,  
6 Class J, Class K, Class L, Class M or Class N service having  
7 five or more eligibility points or any other eligible member  
8 upon termination of State service who has not withdrawn his  
9 total accumulated deductions as provided in section 5701  
10 (relating to return of total accumulated deductions) may apply  
11 for and elect to receive either a maximum single life annuity,  
12 as calculated in accordance with the provisions of section 5702  
13 (relating to maximum single life annuity), or a reduced annuity  
14 certified by the actuary to be actuarially equivalent to the  
15 maximum single life annuity payable after reduction under  
16 subsection (a.1) and in accordance with one of the following  
17 options; except that no member shall elect an annuity payable to  
18 one or more survivor annuitants other than his spouse or  
19 alternate payee of such a magnitude that the present value of  
20 the annuity payable to him for life plus any lump sum payment  
21 under this subsection and subsection (a.1) he may have elected  
22 to receive is less than 50% of the present value of his maximum  
23 single life annuity before reduction under subsection (a.1):

24 (1) Option 1.--A life annuity to the member with a  
25 guaranteed total payment equal to the present value of the  
26 maximum single life annuity on the effective date of  
27 retirement with the provision that, if, at his death, he has  
28 received less than such present value, the unpaid balance  
29 shall be payable to his beneficiary.

30 (2) Option 2.--A joint and survivor annuity payable

1 during the lifetime of the member with the full amount of  
2 such annuity payable thereafter to his survivor annuitant, if  
3 living at his death.

4 (3) Option 3.--A joint and fifty percent (50%) survivor  
5 annuity payable during the lifetime of the member with one-  
6 half of such annuity payable thereafter to his survivor  
7 annuitant, if living at his death.

8 (4) Option 4.--Some other benefit which shall be  
9 certified by the actuary to be actuarially equivalent to the  
10 maximum single life annuity, subject to the following  
11 restrictions:

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

14 (ii) the sum of all annuities payable to the  
15 designated survivor annuitants shall not be greater than  
16 one and one-half times the annuity payable to the member;  
17 and

18 (iii) a portion of the benefit may be payable as a  
19 lump sum, except that such lump sum payment shall not  
20 exceed an amount equal to the total accumulated  
21 deductions standing to the credit of the member that are  
22 not the result of contributions and statutory interest  
23 made or credited as a result of Class A-3 or Class A-4  
24 service. The balance of the present value of the maximum  
25 single life annuity adjusted in accordance with section  
26 5702(b) shall be paid in the form of an annuity with a  
27 guaranteed total payment, a single life annuity, or a  
28 joint and survivor annuity or any combination thereof but  
29 subject to the restrictions of subparagraphs (i) and (ii)  
30 under this option. If a member's effective date of

1 retirement is on or after January 1, 2015, then the  
2 portion of the benefit payable under this subparagraph  
3 shall be further limited to the total accumulated  
4 deductions standing to the credit of the member on  
5 December 31, 2014, that are not the result of  
6 contributions and statutory interest made or credited as  
7 a result of Class A-3 or Class A-4 service, plus any  
8 statutory interest credited on those accumulated  
9 deductions before the effective date of retirement.

10 (a.1) Additional lump sum withdrawal.--The following shall  
11 apply:

12 (1) On or after January 1, 2015, if a member has elected  
13 to have the full amount allowed under subsection (a)(4)(iii)  
14 paid in a lump sum, then the member may elect to receive an  
15 additional amount payable in a lump sum at the same time as  
16 the payment elected under subsection (a)(4)(iii).

17 (2) The additional amount payable in a lump sum may not  
18 exceed the amount equal to the excess of the total  
19 accumulated deductions standing to the credit of the member  
20 on the effective date of retirement that are not the result  
21 of contributions and statutory interest made or credited as a  
22 result of Class A-3 or Class A-4 service over the amount  
23 payable under subsection (a)(4)(iii).

24 (3) If a member elects to be paid an additional lump sum  
25 amount under this subsection, then the maximum single life  
26 annuity calculated under section 5702 and payable under  
27 subsection (a) shall be reduced by the additional amount  
28 withdrawn divided by the cost of a dollar annuity on the  
29 effective date of retirement computed on the basis of the  
30 annual interest rate adopted for that fiscal year by the

1 board for the calculation of the accrued liability  
2 contribution rate and the mortality tables adopted by the  
3 board for the determination of actuarially equivalent  
4 benefits under this part. The reduction in the maximum single  
5 life annuity under this subsection shall apply before the  
6 election and calculation of any reduced annuities payable  
7 under subsection (a).

8 \* \* \*

9 Section 3. This act shall take effect immediately.