
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2065 Session of
2015

INTRODUCED BY MCGINNIS, MAY 11, 2016

REFERRED TO COMMITTEE ON STATE GOVERNMENT, MAY 11, 2016

AN ACT

1 Amending Titles 24 (Education) and 71 (State Government) of the
2 Pennsylvania Consolidated Statutes, in retirement for school
3 employees, further providing for actuarial cost method; and,
4 in retirement for State employees and officers, further
5 providing for actuarial cost method.

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

8 Section 1. Section 8328(c)(4), (d)(2), (e) and (g)(2) of
9 Title 24 of the Pennsylvania Consolidated Statutes are amended
10 to read:

11 § 8328. Actuarial cost method.

12 * * *

13 (c) Accrued liability contribution rate.--

14 * * *

15 (4) (i) For the fiscal year beginning July 1, 2011, the
16 accrued liability contribution rate shall be computed as
17 the rate of total compensation of all active members
18 which shall be certified by the actuary as sufficient to
19 fund as a level percentage of compensation over a period
20 of 24 years from July 1, 2011, the present value of the

1 liabilities for all prospective benefits calculated as of
2 June 30, 2010, including the supplemental benefits as
3 provided in sections 8348, 8348.1, 8348.2, 8348.3,
4 8348.4, 8348.5, 8348.6 and 8348.7, in excess of the
5 actuarially calculated assets in the fund (calculated
6 recognizing all realized and unrealized investment gains
7 and losses each year in level annual installments over a
8 ten-year period).

9 (ii) The balance of any recognized accrued liability
10 net of market value of assets as of June 30, 2015, shall
11 be funded in annual graduated contributions from July 1,
12 2016, until the balance equals zero. The first annual
13 payment shall be equal to 8% of the balance of the
14 recognized accrued liability net of market value of
15 assets as of June 30, 2015. Each subsequent annual
16 payment shall be equal to the previous annual payment
17 plus an amount equal to 3% of the previous annual
18 payment. In the event that remaining balance is less than
19 the previous annual payment, the final payment shall be
20 equal to the remaining balance plus an amount equal to
21 7.5% of the balance.

22 (iii) In the event that the accrued liability is
23 increased by legislation enacted subsequent to June 30,
24 2010, and before July 1, 2015, such additional liability
25 shall be funded as a level percentage of compensation
26 over a period of ten years from the July 1 second
27 succeeding the date such legislation is enacted.

28 (iv) In the event that the accrued liability is
29 changed by legislation enacted subsequent to June 30,
30 2015, such additional liability shall be funded in equal

1 dollar annual contributions over a period of 20 years
2 from the July 1 second succeeding the date such
3 legislation is enacted.

4 (d) Supplemental annuity contribution rate.--

5 * * *

6 (2) (i) For fiscal years beginning July 1, 2011,
7 contributions from the Commonwealth and other employers
8 whose employees are members of the system required to
9 provide for the payment of supplemental annuities as
10 provided in sections 8348, 8348.1, 8348.2, 8348.3,
11 8348.4, 8348.5, 8348.6 and 8348.7 shall be paid as part
12 of the accrued liability contribution rate as provided
13 for in subsection (c) (4), and there shall not be a
14 separate supplemental annuity contribution rate
15 attributable to those supplemental annuities.

16 (ii) In the event that supplemental annuities are
17 increased by legislation enacted subsequent to June 30,
18 2010, and before July 1, 2015, the additional liability
19 for the increase in benefits shall be funded as a level
20 percentage of compensation over a period of ten years
21 from the July 1 second succeeding the date such
22 legislation is enacted.

23 (iii) In the event that supplemental annuities are
24 increased by legislation enacted subsequent to June 30,
25 2015, the additional liability for the increase in
26 benefits shall be funded in equal dollar annual
27 contributions over a period of 20 years from the July 1
28 second succeeding the date such legislation is enacted.

29 (e) Experience adjustment factor.--

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

1 liability contribution rate for the fiscal year beginning
2 July 1, 2011, any increase or decrease in the unfunded
3 accrued liability, excluding the gains or losses on the
4 assets of the health insurance account, due to actual
5 experience differing from assumed experience, changes in
6 actuarial assumptions, changes in contributions caused by the
7 final contribution rate being different from the actuarially
8 required contribution rate, active members making shared-risk
9 contributions or changes in the terms and conditions of the
10 benefits provided by the system by judicial, administrative
11 or other processes other than legislation, including, but not
12 limited to, reinterpretation of the provisions of this part,
13 shall be amortized as a level percentage of compensation over
14 a period of 24 years beginning with the July 1 second
15 succeeding the actuarial valuation determining said increases
16 or decreases[.] when the actuarial valuation occurs on or
17 before June 30, 2014, and in equal dollar annual
18 contributions over a period of 20 years beginning with the
19 July 1 second succeeding the actuarial valuation determining
20 said increases or decreases when the actuarial valuation
21 occurs after June 30, 2015. When the actuarial valuation
22 occurs after June 30, 2015, the actuarial value of system
23 assets used to determine the experience adjustment factor
24 shall be the market value of assets as of the date of the
25 actuarial valuation.

26 (2) (Reserved).

27 * * *

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

29 * * *

30 (2) If, for any of the fiscal years beginning July 1,

1 2011, July 1, 2012, [and on or after] July 1, 2013, July 1,
2 2014, and July 1, 2015, the actuarially required contribution
3 rate, calculated without regard for the costs added by
4 legislation, is more than 3%, 3.5%, 4.5%, 4.5% and 4.5%,
5 respectively, of the total compensation of all active members
6 greater than the prior year's final contribution rate, then
7 the collared contribution rate shall be applied and be equal
8 to the prior year's final contribution rate increased by 3%,
9 3.5%, 4.5%, 4.5% and 4.5%, respectively, of total
10 compensation of all active members. Otherwise, and for all
11 other fiscal years, the collared contribution rate shall not
12 be applicable. In no case shall the collared contribution
13 rate be less than 4% of the total compensation of all active
14 members.

15 * * *

16 Section 2. Section 5508(c)(3), (e)(2), (f)(1) and (h) of
17 Title 71 are amended to read:

18 § 5508. Actuarial cost method.

19 * * *

20 (c) Accrued liability contribution rate.--

21 * * *

22 (3) (i) For the fiscal year beginning July 1, 2010, the
23 accrued liability contribution rate shall be computed as
24 the rate of total compensation of all active members
25 which shall be certified by the actuary as sufficient to
26 fund in equal dollar installments over a period of 30
27 years from July 1, 2010, the present value of the
28 liabilities for all prospective benefits calculated as of
29 the immediately prior valuation date, including the
30 supplemental benefits as provided in sections 5708,

1 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7
2 and 5708.8, but excluding the benefits payable from the
3 retirement benefit plan established pursuant to section
4 5941 (relating to benefits completion plan), in excess of
5 the actuarially calculated assets in the fund (calculated
6 recognizing all realized and unrealized investment gains
7 and losses each year in level annual installments over
8 five years), including the balance in the supplemental
9 annuity account, and the present value of employer normal
10 contributions and of member contributions payable with
11 respect to all active members, inactive members on leave
12 without pay, vestees and special vestees on December 31,
13 2009.

14 (ii) The balance of any recognized accrued liability
15 net of market value of assets as of December 31, 2015,
16 shall be funded in annual graduated contributions from
17 July 1, 2016, until the balance equals zero. The first
18 annual payment shall be equal to 8% of the balance of the
19 recognized accrued liability net of market value of
20 assets as of December 31, 2015. Each subsequent annual
21 payment shall be equal to the previous annual payment
22 plus an amount equal to 3% of the previous annual
23 payment. In the event that remaining balance is less than
24 the previous annual payment, the final payment shall be
25 equal to the remaining balance plus an amount equal to
26 7.5% of the balance.

27 (iii) If the accrued liability is changed by
28 legislation enacted subsequent to December 31, 2009, and
29 before January 1, 2016, such change in liability shall be
30 funded in equal dollar installments over a period of ten

1 years from the first day of July following the valuation
2 date coincident with or next following the date such
3 legislation is enacted.

4 (iv) If the accrued liability is changed by
5 legislation enacted subsequent to December 31, 2015, such
6 change in liability shall be funded in equal dollar
7 annual contributions over a period of 20 years from the
8 first day of July following the valuation date coincident
9 with or next following the date such legislation is
10 enacted.

11 * * *

12 (e) Supplemental annuity contribution rate.--

13 * * *

14 (2) (i) For fiscal years beginning on or after July 1,
15 2010, contributions from the Commonwealth and other
16 employers whose employees are members of the system
17 required to provide for the payment of supplemental
18 annuities as provided in sections 5708, 5708.1, 5708.2,
19 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8 shall
20 be paid as part of the accrued liability contribution
21 rate as provided for in subsection (c)(3), and there
22 shall not be a separate supplemental annuity contribution
23 rate attributable to those supplemental annuities.

24 (ii) In the event that supplemental annuities are
25 increased by legislation enacted subsequent to December
26 31, 2009, and before January 1, 2016, the additional
27 liability for the increase in benefits shall be funded in
28 equal dollar installments over a period of ten years from
29 the first day of July following the valuation date
30 coincident with or next following the date such

1 legislation is enacted.

2 (iii) In the event that supplemental annuities are
3 increased by legislation enacted subsequent to December
4 31, 2015, the additional liability for the increase in
5 benefits shall be funded in equal dollar annual
6 contributions over a period of 20 years from the first
7 day of July following the valuation date coincident with
8 or next following the date such legislation is enacted.

9 (f) Experience adjustment factor.--

10 (1) (i) For each year after the establishment of
11 the accrued liability contribution rate and the
12 supplemental annuity contribution rate for the fiscal
13 year beginning July 1, 2010, any increase or decrease in
14 the unfunded accrued liability and any increase or
15 decrease in the liabilities and funding for supplemental
16 annuities, due to actual experience differing from
17 assumed experience (recognizing all realized and
18 unrealized investment gains and losses over a five-year
19 period), changes in contributions caused by the final
20 contribution rate being different from the actuarially
21 required contribution rate, State employees making
22 shared-risk member contributions, changes in actuarial
23 assumptions or changes in the terms and conditions of the
24 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
28 dollar annual contributions over a period of 30 years
29 beginning with the July 1 succeeding the actuarial
30 valuation determining said increases or decreases[.] when

1 the actuarial valuation occurs on or before December 31,
2 2014.

3 (ii) For each year after the establishment of the
4 accrued liability contribution rate and the supplemental
5 annuity contribution rate for the fiscal year beginning
6 July 1, 2016, any increase or decrease in the unfunded
7 accrued liability and any increase or decrease in the
8 liabilities and funding for supplemental annuities, due
9 to actual experience differing from assumed experience,
10 changes in contributions caused by the final contribution
11 rate being different from the actuarially required
12 contribution rate, State employees making shared-risk
13 member contributions, changes in actuarial assumptions or
14 changes in the terms and conditions of the benefits
15 provided by the system by judicial, administrative or
16 other processes other than legislation, including, but
17 not limited to, reinterpretation of the provisions of
18 this part, shall be amortized in equal dollar annual
19 contributions over a period of 20 years beginning with
20 the July 1 succeeding the actuarial valuation determining
21 said increases or decreases when the actuarial valuation
22 occurs after December 31, 2015, and the actuarial value
23 of system assets used to determine the experience
24 adjustment factor shall be the market value of assets as
25 of the date of the actuarial valuation.

26 * * *

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

28 The collared contribution rate for each year shall be determined
29 by comparing the actuarially required contribution rate
30 calculated without regard for costs added by legislation to the

1 prior year's final contribution rate. If, for any of the fiscal
2 years beginning July 1, 2011, July 1, 2012, [and on or after]
3 July 1, 2013, July 1, 2014, and July 1, 2015, the actuarially
4 required contribution rate calculated without regard for costs
5 added by legislation is more than 3%, 3.5%, 4.5%, 4.5% and 4.5%,
6 respectively, of the total compensation of all active members
7 greater than the prior year's final contribution rate, then the
8 collared contribution rate shall be applied and be equal to the
9 prior year's final contribution rate increased by the respective
10 percentage above of total compensation of all active members.
11 Otherwise, and for all subsequent fiscal years, the collared
12 contribution rate shall not be applicable. In no case shall the
13 collared contribution rate be less than 4% of total compensation
14 of all active members.

15 * * *

16 Section 3. The Public School Employees' Retirement Board
17 shall, notwithstanding any other provision of law, recertify to
18 the Secretary of the Budget the contributions, rates, factors
19 and amounts under 24 Pa.C.S. § 8502(k). The board's
20 recertification shall reflect all changes in the contributions,
21 rates, factors and amounts previously certified by the board for
22 the fiscal year beginning July 1, 2016, which are required to
23 comply with 24 Pa.C.S. § 8328. The recertification shall occur
24 within 15 days of the effective date of this section and shall
25 supersede the prior certification.

26 Section 4. The State Employees' Retirement Board shall,
27 notwithstanding any other provision of law, recertify to the
28 Secretary of the Budget the contributions, rates, factors and
29 amounts under 71 Pa.C.S. § 5902(k). The board's recertification
30 shall reflect all changes in the contributions, rates, factors

1 and amounts previously certified by the board prior to the
2 effective date of this section for the fiscal year beginning
3 July 1, 2016, which are required to comply with 71 Pa.C.S. §
4 5508. The recertification shall occur within 15 days of the
5 effective date of this section and shall supersede the prior
6 certification.

7 Section 5. This act shall take effect immediately.