

No. 1984-95

AN ACT

HB 2114

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, further providing for additional supplemental annuities for special early retirement, and authorizing participation in limited partnerships and venture capital investments.

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

Section 1. Title 24 of the Pennsylvania Consolidated Statutes is amended by adding a section to read:

§ 8312. *Eligibility for special early retirement.*

Notwithstanding any provisions of this title to the contrary, for the period only of July 1, 1985 to June 30, 1986, the following special early retirement provisions shall be applicable to specified eligible members as follows:

(1) During the period of July 1, 1985 to June 30, 1986, any member who has attained the age of at least 53 years and has credit for at least 30 eligibility points shall be entitled, upon termination of service and filing of a proper application, to receive a maximum single life annuity calculated pursuant to section 8342 (relating to maximum single life annuity) without any reduction by virtue of an effective date of retirement which is under the superannuation age.

(2) During the period of July 1, 1985 to June 30, 1986, any member who has attained the age of at least 50 years but not greater than 53 years and has credit for at least 30 eligibility points shall be entitled, upon termination of service and filing of a proper application, to receive a maximum single life annuity calculated pursuant to section 8342 with a reduction by virtue of an effective date of retirement which is under the superannuation age of a percentage determined by multiplying the number of months, including a fraction of a month as a full month, by which the effective date of retirement precedes the attainment of age 53 by 0.25%.

Section 2. Section 8328(d) of Title 24 is amended to read:

§ 8328. Actuarial cost method.

* * *

(d) Supplemental annuity contribution rate.—Contributions from the Commonwealth and other employers required to provide for the payment of supplemental annuities to annuitants as provided in section 8348 (relating to supplemental annuities) shall be determined as a percentage of the total compensation of all active members during the period for which the amount is certified as sufficient to fund the liabilities of the supplemental retirement allowance account as a level percentage over a period of 30 years from July 1, 1967. In the event that annuities are increased by legislation enacted subsequent to July 1, 1974, the additional liability for the increase in benefits to

annuitants shall be funded similarly as a level percentage over a period of 20 years from the first day of July coincident with or next following the effective date of such legislation. Notwithstanding the foregoing, the additional liability on account of any increase in annuities which is effective July 1, 1979 shall be funded by level annual payments over a period of 20 years beginning July 1, 1980. *The additional liability on account of any increase in annuities which is effective July 1, 1984 shall be funded by level annual payments over a period of 20 years beginning July 1, 1984.*

Section 3. Title 24 is amended by adding a section to read:

§ 8348.1. Additional supplemental annuities.

(a) *Benefits.*—Commencing with the first monthly annuity payment after July 1, 1984, any eligible benefit recipient shall be entitled to receive an additional monthly supplemental annuity from the system.

(b) *Amount of additional supplemental annuity.*—The amount of the additional monthly supplemental annuity shall be the total of the following:

(1) *One dollar multiplied by the number of years of credited service.*

(2) *Two dollars multiplied by the number of years on retirement.*

(3) *Two percent of the monthly annuity being received on July 1, 1984, but not more than \$20.*

(c) *Payment.*—The additional monthly supplemental annuity provided for in this section shall be paid automatically unless the intended recipient files a written notice with the system requesting that the additional monthly supplemental annuity not be paid.

(d) *Conditions.*—The additional supplemental annuity provided for in this section shall be payable under the same terms and conditions as provided under the option plan in effect as of June 30, 1984.

(e) *Benefits paid to beneficiaries or survivors.*—No supplemental annuity enacted after the death of the member shall be payable to the beneficiary or survivor annuitant of the deceased member. However, when the effective date of the supplement predates the death of the member by virtue of retroactivity of the supplement, payments which were retroactively due the deceased annuitant shall be paid to the beneficiary or designated survivor, as the case may be.

(f) *Funding.*—The actuary shall annually certify the amount of Commonwealth appropriations for the next fiscal year needed to fund, over a period of 20 years from the effective date of this section, the additional monthly supplemental annuity provided for in this section. The board shall submit the actuary's certification to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1984, the amount certified is disapproved under section 610 of the act of April 9, 1929 (P.L. 177, No. 175), known as *The Administrative Code of 1929*, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated.

(g) *Definitions.*—As used in this section the following words and phrases shall have the meanings given to them in this subsection:

“Eligible benefit recipient.” *A person who is receiving a superannuation, withdrawal or disability annuity and who commenced receipt of that annuity on or prior to July 1, 1982, but the supplemental annuities shall not be payable to an annuitant receiving a withdrawal annuity prior to the first day of July coincident with or following the annuitant’s attainment of superannuation age.*

“Years of credited service.” *The number of full years of service as a member to the credit of each benefit recipient, which years of service need not have been continuous.*

“Years on retirement.” *The number of full years as of July 1, 1983 which have elapsed since the eligible benefit recipient commenced the receipt of an annuity and during which the eligible benefit recipient received an annuity.*

Section 4. Section 8521 of Title 24 is amended by adding subsections to read:

§ 8521. Management of fund and accounts.

* * *

(n) Limited partnerships and separate accounts.—*The board may invest in any investments authorized in this section by becoming a limited partner in partnerships that will hold such investments or by participating in separate accounts of any insurance company authorized to do business in this Commonwealth, in either case the liability of the fund shall be limited to the amount of the investment.*

(o) Venture capital.—*The provisions of subsection (l) notwithstanding, venture capital investments made through limited partnerships and through separate accounts shall be limited to not more than 1% of the book value of the total assets of the fund. A venture capital investment shall be made only if such investment will enhance the general welfare of this Commonwealth and its citizens through economic development and meets the standard of prudence set forth in subsection (l). An investment shall be deemed a venture capital investment if it results in the acquisition of equity interests or a combination of debt and equity interests in a business which is expected to grow substantially in the future and in which the expected return on investment is to come predominantly from an increase in value of the equity interest and that are not held through or secured by stock that is an authorized investment under the authority of subsection (h) and are not interests in or secured by real estate.*

Section 5. Title 71 is amended by adding a section to read:

§ 5308.1. Eligibility for special early retirement.

Notwithstanding any provisions of this title to the contrary, for the period only of July 1, 1985 to June 30, 1986, the following special early retirement provisions shall be applicable to specified eligible members as follows:

(1) *During the period of July 1, 1985 to June 30, 1986, any active member who has attained the age of at least 53 years and has credit for at least 30 years of credited State or school service shall be entitled, upon termination of State service and compliance with section 5907(f) (relating to rights and duties of State employees and members), to receive a maximum*

single life annuity calculated pursuant to section 5702 (relating to maximum single life annuity) without any reduction by virtue of an effective date of retirement which is under the superannuation age.

(2) During the period of July 1, 1985 to June 30, 1986, any active member who has attained the age of at least 50 years but not greater than 53 years and has credit for at least 30 years of credited State or school service shall be entitled, upon termination of State service and compliance with section 5907(f), to receive a maximum single life annuity calculated pursuant to section 5702 with a reduction by virtue of an effective date of retirement which is under the superannuation age of a percentage factor which shall be determined by multiplying the number of months, including a fraction of a month as a full month, by which the effective date of retirement precedes the attainment of age 53 by 0.25%.

Section 6. Section 5508(e) of Title 71 is amended to read:

§ 5508. Actuarial cost method.

* * *

*(e) Supplemental annuity contribution rate.—Contributions from the Commonwealth required to provide for the payment of supplemental annuities as provided in section 5708 shall be determined as a percentage of the total compensation of all active members during the period for which the amount is certified as sufficient to fund the liabilities of the supplemental annuity account as of July 1, 1969, as a level percentage over a period of 20 years from such date. In the event that supplemental annuities are increased by legislation enacted subsequent to July 1, 1969, the additional liability for the increase in benefits shall be funded as a level percentage over a period of 20 years from the July first, coincident with or next following the effective date of such legislation. *The additional liability for the increase in benefits which is effective July 1, 1984 shall be funded as a level annual payment over a period of 20 years beginning July 1, 1984.**

Section 7. Title 71 is amended by adding a section to read:

§ 5708.1. *Additional supplemental annuities.*

(a) Benefits.—Commencing with the first monthly annuity payment after July 1, 1984 any eligible benefit recipient shall be entitled to receive an additional monthly supplemental annuity from the State Employees' Retirement System.

(b) Amount of additional supplemental annuity.—The amount of the additional monthly supplemental annuity shall be the total of the following:

(1) One dollar multiplied by the number of years of credited service.

(2) Two dollars multiplied by the number of years on retirement.

(3) Two percent of the monthly annuity being received on July 1, 1984, but not more than \$20.

(c) Payment.—The additional monthly supplemental annuity provided for in this section shall be paid automatically unless the intended recipient files a written notice with the system requesting that the additional monthly supplemental annuity not be paid.

(d) Conditions.—The additional supplemental annuity provided for in this section shall be payable under the same terms and conditions as provided under the option plan in effect as of June 30, 1984.

(e) *Benefits paid to beneficiaries or survivors.*—No supplemental annuity enacted after the death of the member shall be payable to the beneficiary or survivor annuitant of the deceased former State employee. However, when the effective date of the supplement predates the death of the member by virtue of retroactivity of the supplement, payments which were retroactively due the deceased annuitant shall be paid to the beneficiary or designated survivor, as the case may be.

(f) *Funding.*—The actuary shall annually certify the amount of appropriations for the next fiscal year needed to fund, over a period of 20 years from the effective date of this section, the additional monthly supplemental annuity provided for in this section. The board shall submit the actuary's certification to the Secretary of the Budget on or before November 1 of each year. If, in any year after 1984, the amount certified is disapproved under section 610 of the act of April 9, 1929 (P.L.177, No.175), known as The Administrative Code of 1929, as insufficient to meet the funding requirements of this subsection or is not appropriated on or before July 1, the additional supplemental annuity provided for in this section shall be suspended until such time as an amount certified and approved as sufficient is appropriated.

(g) *Definitions.*—As used in this section the following words and phrases shall have the meanings given to them in this subsection:

“Eligible benefit recipient.” A person who is receiving a superannuation, withdrawal or disability annuity and who commenced receipt of that annuity on or prior to July 1, 1982, but the supplemental annuities shall not be payable to an annuitant receiving a withdrawal annuity prior to the first day of July coincident with or following the annuitant's attainment of superannuation age.

“Years of credited service.” The number of full years of service credited as a member for each benefit recipient, which years of service need not have been continuous.

“Years on retirement.” The number of full years as of July 1, 1983 which have elapsed since the eligible benefit recipient most recently commenced the receipt of an annuity and during which the eligible benefit recipient received an annuity.

Section 8. Section 5931 of Title 71 is amended by adding subsections to read:

§ 5931. Management of fund and accounts.

* * *

(o) *Limited partnerships and separate accounts.*—The board may invest in any investments authorized by this section by becoming a limited partner in partnerships that will hold such investments or by participating in separate accounts of any insurance company authorized to do business in this Commonwealth, in either case the liability of the fund shall be limited to the amount of the investment.

(p) *Venture capital.*—The provisions of subsection (m) notwithstanding, venture capital investments made through limited partnerships and through separate accounts shall be limited to not more than 1% of the book value of

the total assets of the fund. A venture capital investment shall be made only if such investment will enhance the general welfare of this Commonwealth and its citizens through economic development and meets the standard of prudence set forth in subsection (m). An investment shall be deemed a venture capital investment if it results in the acquisition of equity interests or a combination of debt and equity interests in a business which is expected to grow substantially in the future and in which the expected return on investment is to come predominantly from an increase in value of the equity interest and that are not held through or secured by stock that is an authorized investment under the authority of subsection (h) and are not interests in or secured by real estate.

Section 9. Provisions relating to Title 24 amendments.

(a) Early retirement.—It is the intent of the General Assembly by adding 24 Pa.C.S. § 8312 (relating to eligibility for special early retirement) during this period of a reduced student population in the public school system and of fiscal restraint to assist school districts by providing cost-saving opportunities to school districts and reduce the need for school districts to furlough public school employees by granting eligible public school employees with a one-time option for early retirement.

(b) Report on resulting actuarial cost and salary savings.—On or before January 2, 1987, the Secretary of Education, with the cooperation of the Executive Director of the Public School Employees' Retirement System, shall prepare and transmit to the Governor and to the General Assembly a report on the number of persons utilizing the special early retirement option and the actuarial cost and the salary savings resulting from this special early retirement option. The report shall summarize, on the basis of each participating employing unit, the additional actuarial cost attributable to this legislation on the part of any Public School Employees' Retirement System members who were employed by the employing unit as of June 1, 1985 who retired during the period July 1, 1985 through June 30, 1986 and to whom the provisions of this act are applicable. The additional actuarial cost for each applicable annuitant shall be provided by the Executive Director of Public School Employees' Retirement System and shall be the difference between the present value of the maximum single life annuity actually payable to the applicable annuitant as of the date of retirement and the present value of the maximum single life annuity which would have been payable to the applicable annuitant as of the date of retirement pursuant to law without reference to this act. The report shall also summarize, on the basis of each participating employing unit, the salary savings attributable to retirement pursuant to this legislation. The salary and fringe benefits savings information for each participating employing unit shall be the difference between the most current annual salaries for those Public School Employees' Retirement System members who were employed by the employing unit as of June 1, 1985 who retired during the period July 1, 1985 through June 30, 1986 and to whom the provisions of this act are applicable, and the current annual salaries of those persons, if any, who were newly employed by that employing unit in the same or substantially similar employment positions or

classifications as the applicable retiring employees during the period September 1, 1985 through October 31, 1986 and whose employment was not a result of an increase in applicable complement levels. Employing units shall provide information on the number of positions left vacant and the amount of salary and fringe benefits savings attributable to retirement pursuant to this legislation. Savings in potential unemployment compensation payments shall also be calculated.

(c) Nonseverability.—It is the intent of the General Assembly that it would not have enacted any of the provisions of 24 Pa.C.S. § 8312 and this section without all other provisions of 24 Pa.C.S. § 8312 and that all of the provisions are essentially and inseparably connected with each other. Accordingly, the provisions of 24 Pa.C.S. § 8312 and this section shall be nonseverable.

Section 10. Provisions relating to Title 71 amendments.

(a) Early retirement.—It is the intent of the General Assembly by adding 71 Pa.C.S. § 5308.1 (relating to eligibility for special early retirement) during this period of changing governmental services and of fiscal restraint to avail the Commonwealth of cost-saving opportunities and to reduce the need for the Commonwealth to furlough State employees by granting eligible State employees with a one-time option for early retirement.

(b) Report on resulting actuarial cost and salary savings.—On or before January 2, 1987, the Secretary of Administration, with the cooperation of the Secretary of the State Employees' Retirement System, shall prepare and transmit to the Governor and to the General Assembly a report on the numbers of persons utilizing the special early retirement option and the actuarial cost and the salary savings resulting from this special early retirement option. The report shall summarize, on the basis of each participating employing unit, the additional actuarial cost attributable to this legislation on the part of any State Employees' Retirement System members who were employed by the employing unit, agency or department as of June 30, 1985 who retired during the period July 1, 1985 to June 30, 1986 and to whom the provisions of this act are applicable. The additional actuarial cost for each applicable annuitant shall be provided by the Secretary of the State Employees' Retirement Board and shall be the difference between the present value of the maximum single life annuity actually payable to the applicable annuitant as of the date of retirement and the present value of the maximum single life annuity which would have been payable to the applicable annuitant as of the date of retirement pursuant to law without reference to this act. The report shall also summarize, on the basis of each participating employing unit, agency or department, the salary savings attributable to retirement pursuant to this legislation. The salary and fringe benefits savings information for each participating employing unit, agency or department shall be reported by each unit, agency or department and shall be the difference between the most current annual salaries for those State Employees' Retirement System members who were employed by the employing unit as of June 30, 1985 who retired during the period July 1, 1985 through June 30, 1986 and to whom the provisions of this act are applicable, and the current

annual salaries of those persons, if any, who were newly employed by that employing unit, agency or department in the same or substantially similar employment positions or classifications as the applicable retiring employees during the period July 1, 1985 through August 31, 1986 and whose employment was not a result of an increase in applicable complement levels. Additionally, the report shall provide summarized information on the number of positions left vacant and the amount of salary and fringe benefits savings attributable to retirement pursuant to this legislation. Savings in potential unemployment compensation payments shall also be calculated.

(c) *Nonseverability.*—It is the intent of the General Assembly that it would not have enacted any of the provisions of 71 Pa.C.S. § 5308.1 and this section without all other provisions of 71 Pa.C.S. § 5308.1 and this section and that all of the provisions are essentially and inseparably connected with each other. Accordingly, the provisions of 71 Pa.C.S. § 5308.1 and this section shall be nonseverable.

Section 11. Applicability of other law.

The provisions of section 7 of the act of July 9, 1981 (P.L.208, No.66), known as the Public Employee Retirement Study Commission Act, shall not apply to this act.

Section 12. Effective date.

This act shall take effect immediately.

APPROVED—The 29th day of June, A. D. 1984.

DICK THORNBURGH