

No. 2003-40

## AN ACT

## HB 85

Amending Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes, further providing for actuarial cost method and for the class of service for bail commissioners.

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

Section 1. Section 8328(a), (c) and (e) of Title 24 of the Pennsylvania Consolidated Statutes are amended to read:

§ 8328. Actuarial cost method.

(a) Employer contribution rate on behalf of active members.—The amount of the total employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the board. The total contribution rate on behalf of all active members shall consist of the normal contribution rate as defined in subsection (b), the accrued liability contribution rate as defined in subsection (c) and the supplemental annuity contribution rate as defined in subsection (d). [The] *Beginning July 1, 2004, the* total contribution rate shall be modified by the experience adjustment factors as calculated in subsection (e) but in no case shall it be less than [1%] *4%* plus the premium assistance contribution rate.

\* \* \*

(c) Accrued liability contribution rate.—

(1) For the fiscal year beginning July 1, 2002, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of ten years from July 1, 2002, the present value of the liabilities for all prospective benefits of active members, except for the supplemental benefits provided in sections 8348, 8348.1, 8348.2, 8348.3, 8348.4, 8348.5, 8348.6 and 8348.7, in excess of the total assets in the fund (calculated by recognizing the actuarially expected investment return immediately and recognizing the difference between the actual investment return and the actuarially expected investment return over a five-year period), excluding the balance in the annuity reserve account, and of the present value of normal contributions and of member contributions payable with respect to all active members on July 1, 2002, during the remainder of their active service.

(2) Thereafter, the amount of each annual accrued liability contribution shall be equal to the amount of such contribution for the fiscal year, beginning July 1, 2002, except that, if the accrued liability is

increased by legislation enacted subsequent to June 30, 2002, *but before July 1, 2003*, such additional liability shall be funded over a period of ten years from the first day of July, coincident with or next following the effective date of the increase. The amount of each annual accrued liability contribution for such additional legislative liabilities shall be equal to the amount of such contribution for the first annual payment.

*(3) Notwithstanding any other provision of law, beginning July 1, 2004, the outstanding balance of the increase in accrued liability due to the change in benefits enacted in 2001 and the outstanding balance of the net actuarial loss incurred in fiscal year 2000-2001 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2002, and the outstanding balance of the net actuarial loss incurred in fiscal year 2001-2002 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2003. For fiscal years beginning on or after July 1, 2004, if the accrued liability is increased by legislation enacted subsequent to June 30, 2003, such additional liability shall be funded in equal dollar annual contributions over a period of ten years from the first day of July coincident with or next following the effective date of the increase.*

\* \* \*

(e) Experience adjustment factor.—

*(1) For each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2002, any increase or decrease in the unfunded accrued liability, excluding the gains or losses on the assets of the health insurance account, due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual [installments] contributions over a period of ten years beginning with the July 1 second succeeding the actuarial valuation.*

*(2) Notwithstanding the provisions of paragraph (1), for each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2003, any increase or decrease in the unfunded accrued liability, excluding the gains or losses on the assets of the health insurance account, due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions over a period of 30 years beginning with the July 1 second succeeding the actuarial valuation determining said increases and decreases.*

\* \* \*

Section 2. Sections 5306(b) and 5508(a), (c) and (f) of Title 71 are amended to read:

§ 5306. Classes of service.

\* \* \*

(b) Other class membership.—A State employee who is a member of a class of service other than Class A on the effective date of this part shall retain his membership in that class until such service is discontinued; any service thereafter shall be credited as Class A service, Class AA service or Class D-4 service as provided for in this section. *Notwithstanding any other provision of this section, a State employee who is appointed bail commissioner of the Philadelphia Municipal Court under 42 Pa.C.S. § 1123(a)(5) (relating to jurisdiction and venue) may, within 30 days of the effective date of this sentence or within 30 days of his initial appointment as a bail commissioner, whichever is later, elect Class E-2 service credit for service performed as a bail commissioner after the effective date of this sentence. This class of service multiplier for E-2 service as a bail commissioner shall be 1.5.*

\* \* \*

§ 5508. Actuarial cost method.

(a) Employer contribution rate on behalf of active members.—The amount of the Commonwealth and other employer contributions on behalf of all active members shall be computed by the actuary as a percentage of the total compensation of all active members during the period for which the amount is determined and shall be so certified by the board. The total employer contribution rate on behalf of all active members shall consist of the employer normal contribution rate, as defined in subsection (b), and the accrued liability contribution rate as defined in subsection (c). The total employer contribution rate shall be modified by the experience adjustment factor as calculated in subsection (f) but in no case shall it be less than zero. **[Beginning July 1, 2004, the]** *The* total employer contribution rate shall be modified by the experience adjustment factor as calculated in subsection (f), but in no case shall it be less than [1%]:

- (1) *2% for the fiscal year beginning July 1, 2004;*
- (2) *3% for the fiscal year beginning July 1, 2005; and*
- (3) *4% for the fiscal year beginning July 1, 2006.*

\* \* \*

(c) Accrued liability contribution rate.—

(1) For the fiscal year beginning July 1, 2002, the accrued liability contribution rate shall be computed as the rate of total compensation of all active members which shall be certified by the actuary as sufficient to fund over a period of ten years from July 1, 2002, the present value of the liabilities for all prospective benefits, except for the supplemental benefits as provided in sections 5708, 5708.1, 5708.2, 5708.3, 5708.4, 5708.5, 5708.6, 5708.7 and 5708.8, in excess of the total assets in the

fund (calculated recognizing all investment gains and losses over a five-year period), excluding the balance in the supplemental annuity account, and the present value of employer normal contributions and of member contributions payable with respect to all active members on December 31, 2001, and excluding contributions to be transferred by county retirement systems or pension plans pursuant to section 5507(c) (relating to contributions by the Commonwealth and other employers). The amount of each annual accrued liability contribution shall be equal to the amount of such contribution for the fiscal year beginning July 1, 2002, except that, if the accrued liability is increased by legislation enacted subsequent to June 30, 2002, *but before July 1, 2003*, such additional liability shall be funded over a period of ten years from the first day of July, coincident with or next following the effective date of the increase. The amount of each annual accrued liability contribution for such additional legislative liabilities shall be equal to the amount of such contribution for the first annual payment.

*(2) Notwithstanding any other provision of law, beginning July 1, 2004, the outstanding balance of the increase in accrued liability due to the change in benefits enacted in 2001 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2002, and the outstanding balance of the net actuarial loss incurred in calendar year 2002 shall be amortized in equal dollar annual contributions over a period that ends 30 years after July 1, 2003. For fiscal years beginning on or after July 1, 2004, if the accrued liability is increased by legislation enacted subsequent to June 30, 2003, such additional liability shall be funded in equal dollar annual contributions over a period of ten years from the first day of July coincident with or next following the effective date of the increase.*

\* \* \*

(f) Experience adjustment factor.—

(1) For each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2002, any increase or decrease in the unfunded liability, including liability for supplemental annuities, due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual [installments] *contributions* over a period of ten years beginning with the July 1 succeeding the actuarial valuation.

*(2) Notwithstanding the provisions of paragraph (1), for each year after the establishment of the accrued liability contribution rate for the fiscal year beginning July 1, 2003, any increase or decrease in the unfunded accrued liability due to actual experience differing from assumed experience, changes in actuarial assumptions, changes in the*

*terms and conditions of the benefits provided by the system by judicial, administrative or other processes other than legislation, including, but not limited to, reinterpretation of the provisions of this part, shall be amortized in equal dollar annual contributions over a period of 30 years beginning with the July 1 succeeding the actuarial valuation determining said increases and decreases.*

\* \* \*

Section 3. This act shall take effect as follows:

- (1) The amendment of 71 Pa.C.S. § 5306(b) shall take effect in 45 days.
- (2) The remainder of this act shall take effect immediately.

APPROVED—The 10th day of December, A.D. 2003.

EDWARD G. RENDELL