



## INDEPENDENT FISCAL OFFICE

June 10, 2019

The Honorable Patrick M. Browne  
Chair, Appropriations Committee  
Senate of Pennsylvania  
281 Main Capitol Building  
Harrisburg, PA 17120

Re: Requested Actuarial Note Senate Bill 724, Printer's Number 894

Dear Senator Browne:

I am writing in response to your request concerning an actuarial note for Senate Bill 724, Printer's Number 894. The legislation would amend the Public School Employees' Retirement Code (24 Pa.C.S.) and the State Employees' Retirement Code (71 Pa.C.S.) to (1) make technical corrections to certain sections added or amended by Act 5 of 2017 and (2) add provisions for nonparticipating employer withdrawal liability under the Public School Employees' Retirement Code.

The technical corrections pertaining to the Public School Employees' Retirement Code are summarized below. The legislation clarifies that:

- Class DC participants are eligible for premium assistance. The provisions in the bill also address how Class DC members earn eligibility points and the qualifications for those participants' eligibility.
- Extends eligible withholding to include "mandatory participant contributions" and "voluntary contributions," among others.
- Allows employers to make payments to the fund and trust within 30 days of the end of the quarter rather than in each quarter.
- Only Class DC participants who are receiving distributions are eligible to vote for the annuitant member of the board.
- Non-vested contributions that are forfeited may be retained by the board and used for the payment of expenses of the plan.

The legislation amends the Public School Employees Retirement Code to add new provisions regarding nonparticipating employer withdrawal liability. The provisions would authorize the PSERS board to determine if an employer is a nonparticipating employer, and if so determined, to establish the employer's withdrawal liability

amount to be paid to the system. In August 2018, the Independent Fiscal Office's (IFO) actuary, Milliman, reviewed language in House Bill 1460, Printer's Number 3626 from the 2017-2018 Legislative Session, which contained identical language on this subject as contained in Senate Bill 724, Printer's Number 894. At that time, the actuary found that the new provisions would have no cost implications. A copy of that analysis is appended to the actuarial letter (dated August 13, 2018) for House Bill 1460, Printer's Number 3626, and it is posted on the IFO's website.

The legislation also amends the State Employees' Retirement Code to clarify that the board may adjust member contributions for members who elect to become members of Class A-6. In addition, the legislation removes unnecessary language regarding the eligibility for death benefits and corrects a cross-reference regarding the early retirement factor applicable to Class A-5 and Class A-6 service.

Under section 615-B of the Administrative Code of 1929, the IFO has the responsibility to review legislative changes that may affect public employee pension or retirement plans and to provide actuarial notes for such legislation. The IFO reviewed the bill, similar legislation from a prior session of the General Assembly, and a previous actuarial analysis and determined that the legislation would have no material actuarial cost impact on either PSERS or SERS. Based on this determination, the legislation will not require additional actuarial work prior to consideration by the General Assembly. The office reviewed the legislation for actuarial cost impact, but it has not reviewed the provisions for legal, administrative or policy implications.

I trust this letter adequately responds to your request. If I may be of any further assistance, please feel free to contact me at (717) 230-8293.

Sincerely,



Matthew J. Knittel

Director, Independent Fiscal Office

cc: Governor Tom Wolf  
Members of the General Assembly