



INDEPENDENT FISCAL OFFICE

September 28, 2020

The Honorable Garth D. Everett
Chairman
House State Government Committee
400 Irvis Office Building
Harrisburg, PA 17120

Re: Requested Actuarial Note for House Bill 2397, Printer's Number 3546

Dear Chairman Everett:

This letter responds to your request of September 23, 2020 concerning an actuarial note for House Bill 2397, Printer's Number 3546. The bill would amend Title 71 (State Government) of the Pennsylvania Consolidated Statutes, in retirement for State employees and officers, to include installation police officers at Fort Indiantown Gap or any other designated Commonwealth military installation or facility commissioned under 51 Pa.C.S. § 711 as "enforcement officers." The bill would reduce the age at which superannuation is achieved for these individuals from age 65 to age 55, or age 60 to age 50, depending on when the individuals were first hired under this title. Currently, there are 19 employees that would be affected by this legislation. The legislation also sets forth provisions to allow the Department of Military and Veterans' Affairs to pay the resulting unfunded liability in equal dollar installments as a percentage of compensation of all affected active members and active participants over a period of 10 years. The bill would take effect 60 days after being signed into law.

Under section 615-B of the Administrative Code of 1929, the Independent Fiscal Office (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 received preliminary cost estimates from the State Employees' Retirement System (SERS), which projected a \$35,000 cost in perpetuity (subject to adjustments in payroll, workforce, etc.) from the changes, and an additional \$58,000 in annual costs for the decade following enactment due to a projected increase in the unfunded pension liability of \$406,000. Taking into account these preliminary cost estimates from SERS, the IFO determined that the actuarial cost impact from House Bill 2397, Printer's Number 3546 would not rise to a level that requires a full actuarial analysis prior to further 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.

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

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large, stylized initial 'M'.

Matthew J. Knittel
Director, Independent Fiscal Office

cc: Governor Tom Wolf
Members of the General Assembly