



## INDEPENDENT FISCAL OFFICE

March 19, 2018

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

Re: Requested Actuarial Note for Senate Bill 370, Printer's Number 1455

Dear Senator Browne:

I am writing in response to your request concerning an actuarial note for Senate Bill 370, Printer's Number 1455. Senate Bill 370 would amend the Public School Employees' Retirement Code (24 Pa.C.S.) by prohibiting associations authorized to receive membership dues from a public school entity under section 516 of the Public School Code of 1949 from being recognized as a "governmental entity." The legislation would take effect immediately upon enactment, and would apply to employees hired on or after that date. Affected employees would be not eligible to become members of the Public School Employees' Retirement System (PSERS), and they would not be eligible for public pension benefits.

The legislation would implicitly apply to employees of the Pennsylvania School Boards Association (PSBA), which is a non-profit corporation of the Commonwealth of Pennsylvania comprising a voluntary association of local school districts and the members of the local school boards of those districts. School boards pay annual dues as members of PSBA, and the dues are paid with school district funds as authorized under 516 of the Public School Code. The PSBA provides services to boards, administrative staff, individual school directors and to the school districts themselves. According to PSERS, there are approximately 58 employees of PSBA who are active, contributing members of the system. PSBA indicates that the number of new hires averaged about eight per year between 2013 and 2017.

The Public School Employees' Retirement Code makes only one mention of PSBA, in Section 8501(a), providing that the executive director of PSBA is an "Ex Officio" member of the PSERS board. However, in 1939, the Department of Justice (now the Office of the Attorney General) advised PSERS that the activities of the predecessor to PSBA fell within Section 410 of the then-existing School Code so that its employees were qualified to be members of PSERS. In reliance on that Letter of Advice, the PSERS board determined that employees of the predecessor of PSBA are considered governmental employees for retirement purposes, a determination that has continued since that time.

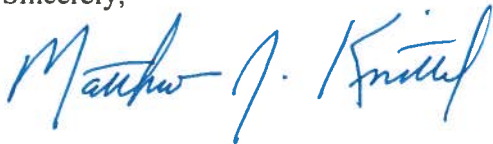
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Under section 615-B of the Administrative Code of 1929, the Independent Fiscal Office (IFO) has the responsibility to review legislative changes that may affect public employee pension or retirement plans and to provide actuarial notes for such legislation. The IFO has reviewed the provisions of Senate Bill 370, Printer's Number 1455, and determined that because the legislation would affect only a small number of future members, the resulting actuarial cost impact upon the Public School Employees' Retirement System would be de minimis. Based on that determination, the legislation will not require an actuarial note 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.

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,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style with a large initial "M" and a distinct "K".

Matthew J. Knittel  
Director, Independent Fiscal Office

cc: Governor Tom Wolf  
Members of the General Assembly