



INDEPENDENT FISCAL OFFICE

September 21, 2023

The Honorable Brad Roae
Minority Chairman
House State Government Committee
151 East Wing Capitol Building
Harrisburg, PA 17120

Re: Requested Actuarial Note for House Bill 1505, Printer's Number 1712, Amendment A01888

Dear Chairman Roae:

This letter responds to your August 29, 2023 request concerning an actuarial note for Amendment A01888 to House Bill 1505, Printer's Number 1712. The bill would amend Title 71 (State Government) of the Pennsylvania Consolidated Statutes to provide cost-of-living adjustments (COLAs) to certain annuitants of the State Employees' Retirement System (SERS) that served as State Police officers and retired prior to July 1, 2010. The COLAs range from \$1,000 to \$3,000 per annum depending on the year of retirement. The Independent Fiscal Office (IFO) determined that the bill would have a material cost impact and released an actuarial note on July 13, 2023. That note is available on the IFO's website, and a summary of the impacts is shown in the table below.

| House Bill 1505, P.N. 1712 Impact Summary | |
|--|-------------|
| | SERS |
| Individuals impacted | 2,935 |
| Lifetime increase in benefits | \$69.9 |
| Annual amortized costs (10 years) | \$5.9 |
| <u>Initial change in:</u> | |
| Unfunded Actuarial Liability | \$41.8 |
| Funded ratio | -0.05% |
| Employer contribution rate | 0.08% |
| Notes: Dollars in millions. Data from SERS, calculations by the IFO. | |

Amendment A01888 would require SERS to certify within seven days of enactment of the legislation that the system has an actuarial funded ratio of at least 95%. If the system cannot make this certification, then the COLAs do not take effect. Data received from the system for the analysis of House Bill 1505, Printer's Number 1712 show that the system will not have an actuarial funded ratio of 95% until the end of Calendar Year 2041.

September 21, 2023
Page 2

Under section 615-B of the Administrative Code of 1929, the IFO reviews legislative changes that could affect public employee pension or retirement plans and provides actuarial notes for such legislation. The IFO determined that there is no direct, material actuarial cost impact associated with Amendment A01888 to House Bill 1505, Printer's Number 1712 and no further actuarial analysis is required. The office reviewed the legislation for actuarial cost impact only, and not for potential legal, administrative or policy implications.

If you have further questions regarding this response, please contact my office (contact@ifo.state.pa.us).

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel". The signature is written in a cursive style.

Matthew J. Knittel
Director, Independent Fiscal Office

cc: Governor Josh Shapiro
Members of the General Assembly