



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 1884

PRINTER'S NO: 2523

PRIME SPONSOR: Harhai

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	\$0	\$0
Pennsylvania Municipal Retirement Fund	See Analysis	See Analysis

OVERVIEW:

House Bill 1884, which amends Act 15 of 1974, known as the Pennsylvania Municipal Retirement Law, establishes two new programs to be administered by the Pennsylvania Municipal Retirement System (PMRS). The bill is a companion to HB 1874, providing PMRS with the authority to administer the new programs. The Cooperative Municipal Pension and Security Program establishes four uniform pension benefit tiers applicable to all newly hired employees of Level III municipalities.

The majority of the bill would take effect immediately, while the requirement that the Secretary of the Commonwealth publish a notice in the Pennsylvania Bulletin takes effect in 60 days.

ANALYSIS:

House Bill 1884 would amend Act 15 of 1974 to:

- Establish the Municipal Pension Recovery Program mandated by House Bill 1874, effectuating the transfer of municipal pension plans that are deemed to be "severely distressed" (Distress Level III) from local administration to PMRS administration
- Establish the Cooperative Municipal Pension and Security Program mandated by House Bill 1874 implementing a uniform pension plan applicable to all newly hired employees of municipalities with severely distressed pension plans
- Address significant federal tax qualification issues affecting the administration of PMRS
- Make various technical or editorial changes to the Act

According to the Pennsylvania Employee Retirement Commission's (PERC) actuarial note, the centralized administration of severely distressed pension plans combined with the uniform benefit structure established by the Cooperative Municipal Pension and Security Program as provided by HB 1884 would serve to control the costs associated with providing retirement benefits to the affected groups of public employees.

According to PMRS, the costs to administer the plan would depend on the number of plans taken over. Assuming it would take over 25 – 30 plans, PMRS estimates the cost to be approximately \$300,000. If Pittsburgh's plans were taken over, this cost is estimated to be approximately \$750,000. PMRS reports that existing assets would be used to fund the start-up. Ongoing expenses would be paid for by investment earnings, similar to how the State Employees Retirement System and the Public School Employees Retirement System cover their own expenses.

PREPARED BY: Rebecca May Cole, Budget Analyst
House Appropriations Committee, (D)

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General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*