



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 298

PRINTER'S NO. 254

PRIME SPONSOR: Harkins

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund	\$0	\$0
County Pension Funds	\$0	See Fiscal Impact

SUMMARY:

House Bill 298, Printer's Number 254 amends the County Pension Law to provide more flexibility to county retirement boards when setting the amount of a cost-of-living increase for retirees.

ANALYSIS:

The bill would allow a county retirement board to provide a cost-of-living increase to the current monthly benefit by up to, but no more than the cost-of-living index. Current law allows for a cost-of-living increase to benefits to be provided equal to the index, which the law defines as the consumer price index for all urban consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware and Maryland area for the 12-month period ending August 31 for the year in which an adjustment is reviewed.

The change under the bill would provide a county retirement board with the discretion to approve an increase lower than the inflation rate but not exceeding the rate. A board is not required to provide any increase under the bill, or current law.

The bill does not change other requirements before a cost-of-living adjustment is approved under current law, including that the board must have an actuarial note prepared, and that the county retirement system must have an 80% funded ratio after the actuarial cost of the adjustment is determined.

The bill takes effect in 60 days.

FISCAL IMPACT:

The bill would have no impact on the General Fund. Any potential impact would be on the county level.

According to the actuarial note prepared by the Independent Fiscal Office, the bill does not mandate that counties issue cost-of living adjustments and does not directly result in an increase to the unfunded actuarial liabilities of county pension plans. However, because it facilitates the ability to provide a cost-of-living increase, it could indirectly lead to increases in the unfunded actuarial liabilities. The actuarial note cites Auditor General data indicating that county pension plans currently have a combined reported unfunded actuarial liability of \$1.4 billion.

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House Appropriations Committee (D)

DATE: June 6, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.