



HOUSE COMMITTEE ON APPROPRIATIONS
2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 2493

PRINTER'S NO: 3722

PRIME SPONSOR: Eachus

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

OVERVIEW:

House Bill 2494 amends Pennsylvania Municipal Retirement Law (Act 15 of 1974) to make technical changes to meet federal Internal Revenue Code (IRC) tax qualification requirements. The Pennsylvania Municipal Retirement System (PMRS) received approval from the IRS on the corrective actions contained within this bill on March 4, 2010. By federal law, the corrections must be completed within 150 days of approval by the IRS or the approval may be revoked. Therefore, corrections made within this bill must be enacted by August 2, 2010.

This act shall take effect immediately.

ANALYSIS:

The areas of current law addressed within the bill are: domestic relations orders, includable compensation limits, return to service eligibility requirements, definitions and authorization relating to the Deferred Retirement Option Program (DROP) that meet the requirements of Act 44 of 2009 as well as IRS requirements, authorization to establish a compliance program for the provisions of the Federal Pension Protection Act of 2006, and definition of the provisions of the excess interest award so that the language meets the IRS "Definitely Determinable Benefit" rule.

The Pennsylvania Employee Retirement Commission (PERC) has certified that no actuarial note is required prior to consideration, as the bill has no actuarial cost. Because the changes made within the bill are technical, enactment of this legislation will have no adverse impact on Commonwealth funds. Failure to enact the required changes made by this bill could have the following negative impacts: active employees' vested accrued retirement benefits become taxable immediately, employees' accrued benefits would be subject to payroll taxes (including Medicare and Social Security), and municipalities would experience added costs attributable to payroll taxes. PMRS has indicated that municipalities could seek recourse against the Commonwealth due to both the cost of payroll taxes as well as potential claims from their own employees based upon their election to join PMRS as a tax-qualified plan.

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House Appropriations Committee, (D)

DATE: May 24, 2010

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.*