



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 2591

PRINTERS NO. 3980

PRIME SPONSOR: Godshall

### COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General & Commonwealth Special Funds	\$0	\$0

**SUMMARY:** House Bill 2591, printer's number 3980, amends Titles 51 (Military Affairs) and 71 (State Government) of the Pennsylvania Consolidated Statutes, further providing for the calculation of military members' State Employees' Retirement System (SERS) benefits. The effective date is December 31, 2012.

**ANALYSIS:** The bill makes amendments to Titles 51 and 71 to bring the SERS Code into compliance with the following Federal laws: Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act), the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), and Section 414(u) of the Internal Revenue Code. The bill also amends the SERS Code to change the method of calculating the cost to purchase nonintervening military service for post-Act 120 of 2010 members (those that first became members of SERS on or after January 1, 2011) to the same method as pre-Act 120 members.

Changes made to the SERS Code by the bill include:

- SERS members who die on USERRA covered military leave would be granted eligibility points for the period of military service prior to their death;
- SERS members would be granted service credit if they return to State service and make contributions to purchase credit for USERRA covered military leave;
- SERS members who return to State service but choose not to purchase service credit for the USERRA covered military leave would still be granted eligibility points, or vesting credit, for the period of military service;
- SERS members on military leave would not be permitted to make contributions until after they return to State service (currently Title 51 requires members to make contributions while on military leave);
- Makes military leave that does not qualify for SERS credit under USERRA, available for purchase as nonintervening military service credit so long as the leave would otherwise be creditable under SERS current definitions of creditable military service, intervening military services and military service leave; and
- Revises the methodology for determining the cost of purchasing nonintervening military leave for post-Act 120 members from the full actuarial cost of the service to the methodology used prior to Act 120, which would make the cost of the service purchase consistent with similar purchases by members of the Public School Employees' Retirement System.

**FISCAL IMPACT:** As reported in an actuarial note dated September 19, 2012, the consulting actuary for the Public Employee Retirement Commission does not expect that the enactment of this legislation will have any material impact on the future funding requirements of SERS. The reversion to the pre-Act 120 method of calculating the cost to purchase nonintervening military service will increase employer normal cost by approximately \$4,700,000 or eight (8) basis points in the first year. This cost will be offset by the decrease in the amortization payment of \$6,900,000 or minus 12 basis points resulting from the other changes in the bill and the actuarial methodology utilized by SERS, for a net zero change in the employer annual costs when the Act 120 collars are taken into account.

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House Appropriations Committee (R)

**DATE:** October 1, 2012

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