



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 797

PRINTERS NO. 1148

PRIME SPONSOR: Browne

### COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
General Fund	\$0	\$0
Public School Employees' Retirement Fund	\$0	\$0

**SUMMARY:** Senate Bill 797, printer's number 1148, amends Titles 24 (Education) and 51 (Military Affairs) of the Pennsylvania Consolidated Statutes, to further provide for military members' Public School Employees' Retirement System (PSERS) benefits. The effective date is July 1, 2013, or immediately, whichever is later.

**ANALYSIS:** The bill amends Titles 24 and 51 to bring the PSERS 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 amendments are necessary for PSERS to maintain its federal tax-qualified status.

Changes made to the PSERS Code by the bill include:

- Beginning July 1, 2013, the PSERS Code and Pennsylvania Military Code rules for PSERS service credit for intervening military service and military leaves of absence would be replaced by the USERRA rules for military service leave;
- PSERS members who die on military leave would be granted eligibility points for the period of military service prior to their death even though no retirement contributions were made;
- PSERS members who return to school 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 for the purpose of qualifying for benefits or applying for early retirement factors;
- Prohibits charging interest for USERRA covered military leave;
- Requires that contributions for credit for military service be made within the shorter of three times the length of the military leave or five years after returning to school service;
- PSERS members on military leave would not be permitted to make contributions until after they return to school service (currently Title 51 requires members to make contributions while on military leave);
- Compensation paid under Pennsylvania paid military leave laws (Section 4102 of Title 51) will be taken into account for the determination of final average salary but any other payments made to compensate school employees on military leave will not be included in retirement covered compensation and no employee or employer contributions will be collected; and

- Makes military leave that does not qualify for PSERS credit under USERRA, available for purchase as nonintervening military service credit so long as the leave would otherwise be creditable under PSERS current definitions of creditable military service, intervening military services and military service leave.

**FISCAL IMPACT:** As reported in an actuarial note dated May 16, 2013, 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 PSERS.

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House Appropriations Committee (R)

**DATE:** June 29, 2013

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