



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 1332

PRINTERS NO. 1814

PRIME SPONSOR: Godshall

### COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
State Employees' Retirement Fund	\$0	\$0
Public School Employees' Retirement Fund	\$0	\$0

#### SUMMARY:

House Bill 1332, printer's number 1814, amends Titles 24 (Education) and 71 (State Government) of the Pennsylvania Consolidated Statutes to make administrative and technical changes to the Public School Employees' Retirement Code and the State Employees' Retirement Code to maintain compliance with the Internal Revenue Code. The effective date is immediately upon enactment.

#### ANALYSIS:

The bill makes a number of administrative and technical changes to the Public School Employees' Retirement Code and the State Employees' Retirement Code to maintain compliance with requirements of the Internal Revenue Code (IRC). Failure to comply with the Internal Revenue Code by January 31, 2016, could result in the loss of tax deferred status for the retirement plans and thereby immediately subject the entire value of each member's account and future contributions to Federal taxes.

The amendments made by House Bill 1332 to the Public School Employees' Retirement Code and the State Employees' Retirement Code are summarized below.

- **Minimum Vesting Standards** - Specifies that the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) plan documents state that in the event of termination of the pension plan, or discontinuation of benefit accruals, members are vested and benefits, to the extent funded, are nonforfeitable.
- **Contribution and Benefit Limits** - Clearly specifies that member benefits and contributions shall not exceed limitations set forth in IRC § 415 (current limit is \$210,000).
- **Notice to members** - Provides that PSERS may fulfill notice requirements by publication and electronic means.
- **Minimum Distribution Rules** - incorporates IRC's minimum distribution rules, adds definitions and requirements for "required beginning date" and rules applicable to the

benefit payment plans and for payment of death benefits for PSERS and SERS. (Note: The required beginning date definition specifies that distribution of a member's interest must commence under Section 401(a)(9) of the Internal Revenue Code of 1986, which requires governmental plans to begin making required minimum distributions of a participant's benefit starting by the April 1 of the calendar year following the calendar year in which the employee attains age 70½ or terminates employment, if later.)

- **Pick-up Contributions** - Eliminates Section 5502.1 of Title 71, which allowed SERS members whose estimated Maximum Single Life Annuity exceeds 110% of compensation to waive payment of regular member contributions.
- **In-Service Distributions** - Prohibits PSERS and SERS members from receiving distributions prior to death, disability, separation from service, or the attainment of normal retirement age. Definitions of "normal retirement age" are added to the Public School Employees' Retirement Code and the State Employees' Retirement Code.
- **Exclusive Benefit Rule** - Adds language to provide that SERS benefits must be for the exclusive benefit of SERS plan members and their beneficiaries, and prohibits benefits from being assigned or attached for the repayment of credit union loans and interest.

**FISCAL IMPACT:**

Enactment of this legislation will have no adverse impact on Commonwealth funds. Additionally, in a letter dated September 11, 2015, the Public Employee Retirement Commission stated that the bill has no actuarial impact.

**PREPARED BY:** Lisa Taglang  
House Appropriations Committee (R)

**DATE:** October 2, 2015

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