



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 997

PRINTERS NO. 1465

PRIME SPONSOR: Stefano

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund	\$0	See fiscal impact

SUMMARY: Senate Bill 997, printer's number 1465, amends Title 71 (State Government) of the Pennsylvania Consolidated Statutes to provide for election to purchase nonintervening military service.

The effective date is immediately after enactment.

ANALYSIS: The bill proposes to amend Part XXV of Title 71, the State Employees' Retirement Code, by adding a section (proposed as section 5306.6) to provide individuals who first became Pennsylvania State Police (PSP) officers on or after January 1, 2019, and before the effective date of the section, with the option to purchase up to five years of nonintervening military service and have that service apply toward the calculation of pension or retirement benefits or rights under the binding arbitration award issued under the act of June 24, 1968 (P.L. 237, No. 111). The service purchase election must be made within 90 days of the effective date of the act by filing written notice with the State Employees' Retirement System (SERS). The bill also provides future PSP officers with the option to purchase up to five years of nonintervening military service.

The binding arbitration award which governs PSP pension benefits, referred to as the DiLauro Award, provides that a PSP officer, regardless of age, may retire at 50% of the highest year's salary after 20 years of service and at 75% of the highest year's salary after 25 years of service. The highest year's salary excludes the year in which the officer leaves service.

As of March 2020, the most recent new PSP cadet classes joining SERS since January 1, 2019, total 480 new PSP officers, with approximately 24% of the cohort having nonintervening military service, or 115 officers. The nonintervening military service amounts to an average of three years for each eligible officer. It is anticipated that 100% of the eligible officers will purchase their nonintervening military service. It is also estimated that similar percentages of future PSP officer hires will have similar amounts of nonintervening military service to purchase. While an officer purchasing the nonintervening military time would pay both the employee and employer share of costs, the current repayment methodology set forth by the SERS Code does not take into account the enhanced benefit provisions provided PSP officers

through the DiLauro Award. For example, the service purchase costs are based upon a two percent annual benefit accrual rate, a high 3-year average salary and superannuation at age 60 or 65. The DiLauro Award provisions, which are applicable to a very high percentage of the PSP officers purchasing service, include a three percent annual benefit accrual rate, a high 1-year average salary and expected superannuation after 20 or 25 years of service.

FISCAL IMPACT: Based on actuarial analysis by the State Employees' Retirement System's consulting actuary, the enactment of this legislation will have an initial increase in SERS' accrued liability of approximately \$4,000,000 due to elections by currently eligible PSP officers to purchase nonintervening service during the 90-day election period. This cost will be funded over a ten-year period in level annual payments. The legislation would also permanently increase the annual normal cost applicable to all State Police officers hired after January 1, 2019 ("Act 5 State Police"), by approximately 0.07% of total SERS payroll in 20 to 25 years when the complement of PSP officers is comprised of largely Act 5 members. Based on expected FY 2021-2022 SERS payroll this cost would be approximately \$4,795,000 annually.

PREPARED BY: Lisa Taglang
Casey Martin
House Appropriations Committee (R)

DATE: June 24, 2020

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