

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 546

**PRINTER'S NO.** 2595

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

February 5, 2013

**PRIME SPONSOR**

Representative Turzai

**HISTORY OF BILL**

Referred to FINANCE, Feb. 5, 2013  
Reported as committed, Feb. 6, 2013  
First consideration, Feb. 6, 2013  
Laid on the table, Feb. 6, 2013  
Removed from table, Feb. 7, 2013  
Second consideration, March 12, 2013  
Re-committed to APPROPRIATIONS, March 12, 2013  
Re-reported as committed, March 13, 2013  
Third consideration and final passage, March 13, 2013 (189-7)

In the Senate

Referred to FINANCE, March 15, 2013  
Reported as amended, Oct. 23, 2013  
First consideration, Oct. 23, 2013  
Second consideration, Nov. 13, 2013  
Re-referred to APPROPRIATIONS, Nov. 13, 2013  
Re-reported as committed, Dec. 3, 2013

**DESCRIPTION AND PURPOSE OF BILL**

House Bill 546 amends the Second Class County Code to alter the membership composition of the Allegheny County Employees' Retirement System Board; allow the board to make technical changes to ensure the retirement system maintains its tax qualification under the Internal Revenue Code and change benefits for county employees hired on or after the effective date of the legislation.

The bill alters the membership composition of the Allegheny County Employees' Retirement System Board by removing the county commissioners and adding the chief executive, a retirement system member appointed by the chief executive with the consent of county council and a retirement system member appointed by the county council. Also, the terms of the two existing members of the board elected by members of the retirement system are extended from two years to four years.

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Language is added which allows the board to make technical changes to the retirement plan as necessary to qualify the retirement system under the Internal Revenue Code.

The bill makes the following changes to benefits for county employees hired on or after the effective date:

- Eliminates overtime compensation in excess of ten percent of base pay from the retirement benefit calculation.
- Increases the length of service required to receive normal retirement benefits, service increment benefits and survivor benefits under disability retirement from 20 years to 25 years.
- Increases the length of service required for vesting, early retirement and survivor benefits from eight years to 10 years.
- Extends the period over which final average salary is calculated from the highest 24 months of the last four years of employment or two years of employment if compensated bi-weekly to the following, respectively:
  - The highest 48 months of the last eight years of employment; or
  - The last four years of employment if compensated bi-weekly.

The legislation will take effect in 60 days.

**FISCAL IMPACT:**

House Bill 546 will have no adverse fiscal impact on Commonwealth funds.

Based on information provided by the Public Employees Retirement Commission, the benefit changes will gradually reduce the employer normal costs to the retirement system as current employees retire and new employees are hired. The table below shows the estimated reduction in annual employer normal cost over time.

Years After Effective Date	Decrease in Normal Costs	Decrease in Normal Cost as a % of Payroll
5 years	\$ 2,067,000	0.54%
10 years	\$ 4,993,000	1.13%
15 years	\$ 8,841,000	1.72%
20 years	\$ 14,036,000	2.36%