

**SENATE APPROPRIATIONS COMMITTEE  
FISCAL NOTE**

**BILL NO.** House Bill 239

**PRINTER NO.** 2334

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

January 28, 2015

**PRIME SPONSOR**

Representative Greiner

**DESCRIPTION AND PURPOSE OF BILL**

House Bill 239 amends the act of August 31, 1971 (P.L. 398, No. 96), known as the County Pension Law, to further provide for definitions and for supplemental benefits.

The bill adds a definition to the County Pension Law for "cost-of-living-index" which is defined as the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware and Maryland area for the 12-month period ending September 30 for the year in which the adjustment is reviewed.

The legislation also amends Section 30 of the County Pension Law by adding language to specify that cost-of-living adjustments, if given to retired county employees, need not be calculated retroactively to the date of the previous cost-of-living increase. Additionally, the cost-of-living index change need not be applied for each year since the previous cost-of-living increase. Further, the bill makes any cost of living adjustment effective January 1<sup>st</sup> of the calendar year following the year in which the adjustment is approved.

A new subsection is also added to Section 30 to require a county pension board to have an actuarial note prepared prior to approving a cost-of-living adjustment ("COLA"). A restriction is added to limit cost-of-living adjustments to county pension plans that have a funded ratio, based upon an entry age normal methodology, of 80% or higher after the actuarial cost of the cost-of-living adjustment is factored in. Any county retirement system that utilizes an accounting method that does not determine a funded ratio based upon an entry age normal methodology shall use an entry age normal actuarial cost methodology to calculate a funded ratio in order to determine if the county pension system meets the 80% or higher funding level. The funding level calculation shall be reported to the Public Employee Retirement Commission in conjunction with established reporting requirements.

The act shall take effect in 60 days.

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### **FISCAL IMPACT:**

According to the Public Employee Retirement Commission ("PERC") the enactment of the bill will have a limited impact on affected county pension systems. To the extent that cost-of-living increases could only be provided to county pension systems that have funded ratios of 80% or higher after considering the impact of the cost-of-living adjustments, there would be a beneficial impact because counties would not incur costs for financing new actuarial liabilities created by newly provided cost-of-living increases.

PERC's consulting actuary anticipates that the actuarial costs of future COLAs that would be provided under county pension plans if the legislation is passed would not be markedly different from the actuarial costs of future COLAs that would be provided under county pension plans without passage of the legislation. However, the COLAs granted would be more evenly spread amongst all current retired members rather than having the COLAs skewed more towards retired members who have been in retirement status for a longer period.