SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1332

PRINTER NO. 1814

AMOUNT

No Fiscal Impact

FUND

School Employees' Retirement Fund
State Employees' Retirement Fund

DATE INTRODUCED

June 16, 2015

PRIME SPONSOR

Representative Godshall

DESCRIPTION AND PURPOSE OF BILL

House Bill 1332 makes technical changes to Title 24 (Education) relating to the Public School Employees' Retirement Code and Title 71 (State Government) relating to the State Employees' Retirement Code to ensure tax compliance with the Internal Revenue Code (IRC). The changes are as follows:

- Requires minimum vesting standards for PSERS and SERS specifying that in the event of termination of the plan or discontinuance of benefit accruals, a member's account must be fully vested to the extent then funded.

- Incorporates the IRC's minimum distribution rules for PSERS and SERS benefit payment plans and the payment of death benefits. Requires plans to begin making required distributions starting April 1 of the calendar year following the calendar year the employee attains the age of 70½ or terminates employment, if later.

- Provides a limit on annual benefits for PSERS and SERS members not to exceed the limit set in the IRC ($210,000).

- Prohibits PSERS and SERS members from receiving in-service distributions prior to death, disability, separation from service, or attainment of normal retirement age.

- Eliminates "pick-up contributions" in SERS, which allows members whose estimated single life annuity exceeds 110% of compensation to waive payment of member contributions

- Provides for PSERS notice requirements to be fulfilled by publication and electronic means.

- Provide that SERS benefits must be for the exclusive benefit of the plan members and their beneficiaries and prohibits the benefits from being assigned or attached for the repayment of credit union loans or interest.

FISCAL IMPACT:

The enactment of House Bill 1332 will have no adverse fiscal impact on Commonwealth Funds. The Public Employee Retirement Commission issued a letter dated September 11, 2015, indicating that the legislation will have no actuarial cost impact on PSERS or SERS.

Failure to comply with the IRC could result in the loss of tax deferred status for the PSERS and SERS plans and subject the value of each member's account and future contributions to Federal taxes.