SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 724

PRINTER NO. 894

AMOUNT

No Fiscal Impact

FUND

Public School Employees' Retirement Fund
State Employees' Retirement Fund

DATE INTRODUCED

June 6, 2019

PRIME SPONSOR

Senator Corman

DESCRIPTION

Senate Bill 724 amends and the Public School Employees' Retirement Code in Title 24 (Education) and the State Employees' Retirement Code in Title 71 (State Government) by making technical changes clarifying provisions contained in Act 5 of 2017 and adding provisions to ensure that nonparticipating employer withdrawal liabilities are captured.

The legislation makes the following technical changes to the Public School Employees' Retirement Code:

- Clarifies that Class DC participants are eligible for the Health Options Program (HOP) and premium assistance;
- Clarifies that membership in HOP and premium assistance is only available to those DC participants who qualify for Medicare;
- Clarifies how Class DC participants earn eligibility points;
- Clarifies that only Class DC participants receiving distributions are eligible to vote for the annuitant member of the board;
- Clarifies that there will be one overall employer contribution rate charged against payroll; and
- Clarifies that non-vested contributions that are forfeited may be retained by the board for the payment of plan expenses.

The legislation makes the following technical changes to the State Employees' Retirement Code:

- Clarifies that the board may adjust member contributions for members who elect to become members of Class A-6;
- Removes unnecessary language regarding the eligibility of death benefits; and
- Replaces an incorrect cross-reference regarding the early retirement factor applicable for Class A-5 and Class A-6 service.

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The legislation allows the PSERS board to determine whether an employer is not participating in the retirement system and to determine the employer's liability owed to the system. It provides that an employer can be found to be nonparticipating by having ceased covered operations or having ceased to have an obligation to contribute for all or any of the employer's school employees but continues covered operations. It provides that a nonparticipating employer is liable for its liabilities and provides a method for the board to calculate the liabilities. It provides that the liability for an employer that has not ceased operations to be paid on a schedule determined by the board and for the liability for an employer that has ceased operations to be paid as a lump sum. Finally, it authorizes the board to pursue causes of action and collection remedies to collect a nonparticipating employer's liabilities.

The legislation is scheduled to take effect in 60 days.

FISCAL IMPACT:

Both PSERS and SERS have indicated that the provisions contained in the legislation will have no actuarial cost impact on either retirement system.

Additionally, when an employer with liabilities currently exits PSERS and ceases making contributions, the remaining employers pay the exiting employer's stranded liability through increased contribution rates. The provisions contained in the legislation that ensure that nonparticipating employer withdrawal liabilities are captured will likely result in additional revenue accruing to PSERS and help to control future employer contribution rate increases.