

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 669

**PRINTER NO.** 1674

**AMOUNT**

See Fiscal Impact

**FUND**

Municipal Police Pension Funds

**DATE INTRODUCED**

May 10, 2021

**PRIME SPONSOR**

Senator Regan

**DESCRIPTION**

Senate Bill 669 amends Chapter 91 of Title 53 (Municipalities Generally) by establishing a new Subchapter (C) (Police Pension Plans) to allow local full-time police officers in all cities (other than cities of the first class), boroughs, towns, townships and regional police departments who have satisfied vesting requirements to purchase up to five (5) years of pension service credit for prior service at other police departments.

The legislation specifies the formula by which the purchase of prior service credit cost is determined by using a standard interest rate of 4.75% and a cap on the normal cost rate of 10%.

The legislation prohibits purchasing service credit for prior police service for which the officer otherwise receives or is entitled to receive pension service credit from another pension fund. It also prohibits purchasing service credit that when combined with credited military service, exceeds five (5) years.

The legislation specifies that it shall not be interpreted to impact the portability and transfer of credits between pension plans administered by the Pennsylvania Municipal Retirement System (PMRS).

The legislation is scheduled to take effect in 60 days.

**FISCAL IMPACT:**

The enactment of Senate Bill 669 will increase the unfunded accrued liability (UAL) of many police pension plans.

Based on information provided by the Independent Fiscal Office (IFO) in its actuarial note on Senate Bill 669, Printers Number 1674, there are currently 11,748 active members in the 900 defined benefit police pension plans. Using assumptions and findings from the IFO's actuary (Foster and Foster), if 10% of the individuals in the plans eventually purchase an average of three (3) years of service credit immediately prior to retirement to accelerate retirement resulting in an estimated \$34,600 net

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cost to the employer per individual, the expected increase in the UAL across all plans is estimated to be \$40.6 million.

The dollar impact to the plans noted above will occur over the remaining careers of the officers that purchase service credit. Modest additional costs would be incurred prospectively as new officers enter the plans and qualify for the benefit.

Further, the PMRS has indicated that there are some plans that already allow for the purchase of prior police service credit, which may reduce the financial impact of the legislation.