



INDEPENDENT FISCAL OFFICE

July 11, 2024

The Honorable Brad Roae
Minority Chairman
House State Government Committee
151 East Wing Capitol Building
Harrisburg, PA 17120

Re: Requested Actuarial Note for House Bill 2450, Printer's Number 3401

Dear Chairman Roae:

This letter responds to your July 2, 2024 request concerning an actuarial note for House Bill 2450, Printer's Number 3401. The legislation would amend Title 24 (Education) of the Pennsylvania Consolidated Statutes to exclude newly-hired employees of the Pennsylvania School Boards Association (PSBA) from membership in the Public School Employees' Retirement System (PSERS). The bill also requires that PSBA not be considered a nonparticipating employer. Nonparticipating employers are required to pay a withdrawal liability as defined in current statute. Based on estimates from PSERS and its actuaries, the projected withdrawal liability for PSBA is \$5.3 million, and would be paid in a manner determined by the PSERS Board. Due to provisions in the bill, PSBA would not be subject to the \$5.3 million withdrawal liability and the resulting unfunded actuarial liability (which would be similar in value) would be paid by all employers, including PSBA, through the unfunded liability portion of the employer contribution rate. PSBA currently employs 53 active PSERS members (approximately 0.02% of active PSERS employees) and would pay a proportional share of the new unfunded liability as it is incurred, with the remaining costs passed to other public school employers. The legislation would be effective immediately upon enactment.

Under section 615-B of the Administrative Code of 1929, the Independent Fiscal Office (IFO) reviews legislative changes that could affect public employee pension or retirement plans and provides actuarial notes for such legislation. The IFO determined that there is no material actuarial cost impact associated with House Bill 2450, Printer's Number 3401 and further actuarial analysis is not required. The office reviewed the legislation for actuarial cost impact only, and not for potential legal, administrative or policy implications.

If you have further questions regarding this response, please contact me at (717) 230-8293.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel".

Matthew J. Knittel
Director, Independent Fiscal Office

cc: Governor Josh Shapiro
Members of the General Assembly