



INDEPENDENT FISCAL OFFICE

July 7, 2023

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 1416, Printer's Number 1584 Amendment A01769

Dear Chairman Roae:

This letter responds to your July 5, 2023 request concerning an actuarial note for Amendment A01769 to House Bill 1416, Printer's Number 1584. The bill would amend Title 24 (Education) and Title 71 (State Government) of the Pennsylvania Consolidated Statutes to provide cost-of-living adjustments (COLAs) to certain annuitants of the State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) that retired prior to July 2, 2001. The COLAs range from 15% to 24.5% of current annuity values depending on year of retirement. The Independent Fiscal Office (IFO) determined that the bill would have a material cost impact and released an actuarial note on June 30, 2023. That note is available on the IFO's website, and a summary of the impacts is shown in the table below.

House Bill 1416, PN 1584 Impact Summary

	SERS	PSERS
Individuals impacted	25,334	43,475
Lifetime increase in benefits	\$566.4	\$1,220.2
Annual amortized costs (10 years)	\$52.5	\$125.1
<u>Initial change in:</u>		
Unfunded Actuarial Liability	\$371.0	\$821.1
Funded ratio	-0.46%	-0.44%
Employer contribution rate	0.74%	0.81%

Notes: Dollars in millions. Data from SERS and PSERS, calculations by the IFO.

Amendment A01769 would require the IFO to calculate the portion of the current unfunded liability that was incurred by COLAs which commenced in 2003 for certain SERS and PSERS annuitants. The results of the calculation shall be transmitted to the Legislative Reference Bureau for publication in the first available issue of the Pennsylvania Bulletin following transmission. The amendment would not alter the prescribed COLAs in any way.

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Under section 615-B of the Administrative Code of 1929, the IFO reviews legislative changes that could affect public employee pension or retirement plans and provides actuarial notes for such legislation. The IFO determined that the actuarial cost impact associated with Amendment A01769 to House Bill 1416, Printer's Number 1584 is de minimis and no further actuarial analysis is 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". The signature is written in a cursive style.

Matthew J. Knittel
Director, Independent Fiscal Office

cc: Governor Josh Shapiro
Members of the General Assembly