



COMMONWEALTH OF PENNSYLVANIA  
PUBLIC EMPLOYEE RETIREMENT COMMISSION  
P. O. BOX 1429, HARRISBURG, PA 17105-1429

May 18, 2010

The Honorable Dwight Evans  
Majority Chairman  
House Appropriations Committee  
House of Representatives  
512-E Main Capitol Building  
Harrisburg, PA 17120

Re: House Bill Number 2493, Printer's Number 3722

Dear Representative Evans:

I am writing in response to your request concerning an actuarial note for the above referenced bill. House Bill Number 2493, Printer's Number 3722, would amend the Act of February 1, 1974 (P. L. 34, No. 15), known as the Pennsylvania Municipal Retirement Law (Law), to: 1) provide for the establishment and administration of deferred retirement option plans (DROPs) by municipalities that participate in the Pennsylvania Municipal Retirement System (PMRS), in accordance with Chapter 11 of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984); and 2) make numerous technical amendments to the Law intended to ensure that PMRS is maintained as tax qualified under the Internal Revenue Code of 1986 (Public Law 99-514, 26 U. S. C. § 1 et seq.).

Act 44 of 2009 amended Act 205 to provide for the establishment of DROP plans by local governments. Section 1111(c) of Act 205 requires that the Pennsylvania Municipal Retirement Board establish a DROP for local government defined benefit pension plans that have joined PMRS. The bill requires that the DROP be uniform, in compliance with the provisions of Chapter 11 of Act 205, open to any local government and applicable to any of the defined benefit pension plans administered by PMRS.

The bill also makes important technical amendments to the Law intended to ensure that PMRS is maintained as tax qualified under the Internal Revenue Code. These changes are important because they allow for the benefit accruals of the plan participants to be tax deferred. Such changes include, but are not limited to, the following:

- 1) Changes required under Internal Revenue Code Section 401(a)(9) regarding required minimum distributions.
- 2) Changes required under Internal Revenue Code Section 401(a)(17) regarding compensation limits.

- 3) Changes required under Internal Revenue Code Section 415 regarding benefit limits.
- 4) Changes required to the eligible rollover distribution provisions under Internal Revenue Code Section 402.

Under the Public Employee Retirement Commission Act (Act 66 of 1981), the Commission has a mandated responsibility to review any legislative changes that affect public employee retirement systems. At my direction, the Commission staff and the Commission's consulting actuary have reviewed the provisions of House Bill Number 2493, Printer's Number 3722. The Commission's consulting actuary has determined that House Bill Number 2493, Printer's Number 3722, will have no actuarial cost impact upon PMRS.

Based upon the determination that House Bill Number 2493, Printer's Number 3722, will have no actuarial cost impact, I am informing you, on behalf of the Commission, that the bill will not require an actuarial note prior to further consideration by the General Assembly.

I trust this letter adequately responds to your request. If I may be of any further assistance, please feel free to contact me by telephoning (717) 783-6100.

Sincerely,



Anthony W. Salomone  
Chairman

Enclosure

cc:   The Honorable Keith R. McCall                   The Honorable R. Ted Harhai  
      The Honorable Todd A. Eachus                The Honorable Garth D. Everett  
      The Honorable Samuel H. Smith             The Honorable Robert L. Freeman  
      The Honorable Frank Dermody             The Honorable Thomas C. Creighton  
      The Honorable Mike Turzai                 Mr. James. B. Allen  
      The Honorable Mark B. Cohen             Mr. Paul Parsells  
      The Honorable Sandra Major             Mr. Reizdan B. Moore  
      The Honorable William F. Adolph, Jr.     Mr. Anthony F. Barbush  
      The Honorable David K. Levdansky        Ms. Debbie Reeves  
      The Honorable Sam Rohrer