

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 464

PRINTER NO. 1685

AMOUNT

See Fiscal Impact

FUND

Municipal Police Pension Funds

DATE INTRODUCED

March 14, 2023

PRIME SPONSOR

Senator Regan

DESCRIPTION

Senate Bill 464 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 years of pension service credit for prior service at other police departments if an applicable municipality chooses to allow them to do so through ordinance or resolution.

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%.

Senate Bill 464 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 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.

This act shall take effect in 60 days.

FISCAL IMPACT:

Senate Bill 464, as amended, allows applicable municipalities to amend local ordinances or resolutions to allow for the purchase of prior service to accelerate retirement, but the legislation does not require them to do so.

Based on information provided by the Independent Fiscal Office (IFO) in its actuarial note on Senate Bill 464, there are currently 11,744 active members in defined benefit police pension plans subject to the legislation. Using assumptions and findings from the IFO's actuary for a scenario where an officer purchases prior service before retirement to accelerate normal retirement, the total actuarial cost on an individual

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basis is \$99,200. Of that cost, \$54,822 would be the cost to an officer, while a cost of \$44,378 would be incurred by the retirement plan sponsor.

Assuming a scenario in which an officer purchases prior service at the earliest date possible in order to accelerate normal retirement, the total actuarial cost at the individual level is \$50,400. Of that cost, \$34,468 would be the cost to an officer, while a cost of \$15,932 would be incurred by the retirement plan sponsor.