HOUSE STATE GOVERNMENT COMMITTEE
HOUSE FINANCE COMMITEE
Public Hearing- Pension Reform
August 14, 2012
Chairman Daryl Metcalfe- State Government (Majority)
Chairman Kerry Benninghoff- Finance (Majority)

HB 418 (Krieger)

- Establishes the "State Legislators' Defined Contribution Program."
- Permits all individuals that are elected or re-elected to serve in the General Assembly beginning December 1, 2012 to participate in the "State Legislators' Defined Contribution Program."
    - Prohibits enrollment in the existing pension system for newly elected Members
    - Freezes pensions for Members that are re-elected
- Employee contributions would be equal to a percentage of the participant's pensionable compensation.
- Employer contributions would be a dollar-for-dollar match of a participant's pensionable earnings, up to 4%.

HB 551 and HB 552 (Petri)

- Offers an option to state and public school employees that are hired after January 1, 2009 (public school employee) or July 1, 2011 (state employee) relating to retirement plan selection.
- The employee would be permitted to choose between the existing defined benefit (DB) plan that is administered through PSERS and SERS or a new defined contribution plan.
- Employees that choose to utilize the defined contribution plan would be required to contribute 6% of their earning to the plan, with a 6% match from the employer.

HB 1676 and HB 1677 (Boyd)

- Establishes a cash balance retirement plan for state employees hired after January 1, 2012 and public school employees hired after July 1, 2012.
- A cash balance plan is defined contribution-like tier within a defined benefit system.
    - Cash balance plans credit an employee's account via contributions from the employee and their employer.
- Employee contribution rates- 7.5% for public school employees and 6.25% for state employees
    - Members may make additional voluntary unmatched after tax contributions up to the IRS limit.
- Employer contribution rates- 5% for public school employers and 4.75% for state employees
    - 4% statutory interest
- No excess interest beyond the 4% statutory interest will be credited to the member's savings account. All excess earnings will be used to reduce the existing unfunded liability within PSERS and SERS.
- Upon separation from service, an individual would be eligible to receive an annuity equal to their account balance (employee contributions, employer contributions and 4% statutory interest).
- Upon separation from service or after age 55 or older, an individual would be eligible to receive their employee contributions, plus accumulated interest in a lump sum, but would only be able to receive their employer contributions in the form of an annuity.

HB 2200 (Evankovich)

- Establishes the "Legislative Agency Official and Employee Defined Contribution Benefit Program."
- Legislators, legislative staff and staff of various legislative agencies that take office or are hired after November 30, 2012 would be eligible to enroll in a defined contribution system.
  - Employees may contribute at any rate up to the IRS limit.
  - Employers are required to match up to 6%.

HB 2453 and HB 2454 (Kampf)

- Establishes a mandatory defined contribution retirement plan for state employees hired after January 1, 2015 and public school employees hired after July 1, 2015.
  - Defined contribution plan will be operated by PSERS and SERS
  - SERS and PSERS Boards would be required to provide investment options to enrolled employees.
    - Boards have the ability to contract with third-party investment entities.
- Closes the existing defined benefit programs administered by PSERS and SERS, except for those groups that do not contribute to social security (i.e. - State Police).
- Minimum employee contribution rate of 4%
  - Members may make additional voluntary unmatched after tax contributions up to the IRS limit.
- Mandatory employer contribution rate of 4%
- Existing state and public school employees are permitted to terminate membership in the defined benefit plan and switch over the defined contribution plan.
  - Switch of this nature would trigger a mandatory employer contribution rate of 7%.
  - Switch is permanent.
- An employee hired by a state university wouldn't be eligible for the defined contribution plan.
  - Would be required to enroll in an existing higher education DC plan (i.e. TIAA-CREF).
- The Board would be required to establish individual accounts which will credit all employee and employer contributions and investment gains.
  - Account will also be used to charge for investment losses and administrative costs.
    - i.e. - Investment and maintenance fees.

HB 2469 (F. Keller)

- Adds a definition for "felony offense," to the Public Employee Pension Forfeiture Act.
  - *Any crime classified as a felony under the laws of Pennsylvania or a Federal offense punishable by a term of imprisonment greater than one year.*
- If a public official or employee that is a member of a pension system funded by public funds is convicted or pleads guilty/no defense to a felony offense the court would be required to order the defendant to make complete and full restitution to the Commonwealth or political subdivision of any monetary loss incurred as a result of the criminal offense.
  - Current law only includes crimes related to a public office or public employment