

PUBLIC EMPLOYEE RETIREMENT COMMISSION

**MINUTES OF
JUNE 29, 2015, 4:30 P.M. MEETING
ROOM 461 MAIN CAPITOL
HARRISBURG, PENNSYLVANIA**

CALL TO ORDER

Chairman Durbin called the June 29, 2015, meeting of the Commission to order at 4:35 p.m.

MEMBERS PRESENT

Mr. John T. Durbin, Chairman
Mr. Michael P. Gleason, Vice Chairman (via telephone)
Mr. John J. Egan, Jr. (via telephone)
Mr. Anthony W. Salomone
Representative R. Ted Harhai
Representative Mike Tobash
Senator John P. Blake
Senator Patrick M. Browne represented by Ms. Stacey Connors

STAFF AND OTHERS PRESENT

Mr. Luc Miron, Chief of Staff for Senator Blake
Ms. Wanda Snader, Executive Director (R), House Local Government Committee
Mr. Sam Yun, Legal Counsel for House Democratic Floor Leader
Mr. James L. McAneny, Executive Director
Mr. Antonio C. Parisi, Deputy Director for Policy and Legislation
Mr. Brian D. Bowers, Research Associate

APPROVAL OF MINUTES

Mr. Salomone moved that the minutes of the June 17-18, 2015, meeting of the Commission be approved as distributed. Representative Tobash seconded the motion, which passed by a unanimous vote of the Commission.

APPROVAL OF AGENDA

Representative Harhai moved that the meeting agenda be approved as distributed. Senator Blake seconded the motion, which passed by a unanimous vote of the Commission.

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EXECUTIVE DIRECTOR'S REPORT

Actuarial Notes -

There are two (2) actuarial notes for today's meeting.

Municipal Reporting -

No report.

ADVISORY COMMITTEE REPORTS

Municipal Pension Advisory Committee

No report.

Municipal Employee Pension Advisory Committee

No report.

LEGISLATIVE REVIEW

Senate Bill Number 1, Printer's Number 886, as amended by Amendment Number 02701. Mr. McAneny presented and briefly reviewed the draft actuarial note transmittal on the amendment. The bill would amend the Public School Employees' Retirement Code, the State Employees' Retirement Code and the Military Code to impose a series of significant retirement benefit changes upon the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) as follows: 1) establish a Defined Contribution (DC) retirement benefit plan applicable to most new members of both PSERS and SERS; 2) add a Cash Balance retirement benefit tier to the existing Defined Benefit (DB) structure that will be mandatory for new members and optional for pre-2016 active members; and 3) modify the future benefit entitlements of current members of both PSERS and SERS.

The amendment would amend the bill in the following manner:

- 1) Remove the language requiring Class T-D members of the Public School Employees' Retirement System (PSERS) to pay an increased employee contribution rate of 10.5% for all service performed or purchased on or after July 1, 2016, in order to retain the 2.5% benefit accrual rate.
- 2) Remove the language requiring Class AA members of the State Employees' Retirement System (SERS) to pay an increased employee contribution rate of 8.75% for all service performed or purchased on or after January 1, 2016, in order to retain the 2.5% benefit accrual rate.

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LEGISLATIVE REVIEW (Cont'd)

- 3) Exempt the following groups of employees from participation in the side-by-side hybrid plan: Pennsylvania State Police officers; correction officers; enforcement officers; wildlife conservation officers and other commissioned law enforcement personnel employed by the Game Commission; Delaware River Port Authority Policeman, park rangers or Capitol Police officers; campus police officers employed by any State-owned educational institutions, community college or Penn State University; and police officers employed by Fort Indiantown Gap or other designated Commonwealth military installations and facilities.
- 4) For SERS, remove the language in the bill requiring the System to re-amortize all of its unfunded actuarial accrued liabilities of its pension trust fund over a 30-year period.

The Commission discussed the draft.

MOTION: Rep. Tobash moved that the actuarial note transmittal and accompanying actuarial note be attached to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified in the actuarial note transmittal. Mr. Salomone seconded the motion, which passed with Rep. Harhai and Senator Blake voting in the negative.

Senate Bill Number 1, Printer's Number 886, as amended by Amendment Number 02434. Mr. McAneny presented and briefly reviewed the draft actuarial note transmittal on the amendment. The bill would amend the Public School Employees' Retirement Code, the State Employees' Retirement Code and the Military Code to impose a series of significant retirement benefit changes upon the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) as follows: 1) establish a Defined Contribution (DC) retirement benefit plan applicable to most new members of both PSERS and SERS; 2) add a Cash Balance retirement benefit tier to the existing Defined Benefit (DB) structure that will be mandatory for new members and optional for pre-2016 active members; and 3) modify the future benefit entitlements of current members of both PSERS and SERS.

The amendment would amend the bill in the following manner:

- 1) Class T-D members of the Public School Employees' Retirement System (PSERS) who agree to an increase in their employee contribution rate from 7.5% to 10.5% for all service performed or purchased on or after July 1, 2016, in order to retain the 2.5% benefit accrual rate, will have the higher employee contribution rate phased-in over a 3-year period.

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LEGISLATIVE REVIEW (Cont'd)

- 2) Class AA members of the State Employees' Retirement System (SERS) who agree to an increase in their employee contribution rate from 6.25% to 8.75% for all service performed or purchased on or after January 1, 2016, in order to retain the 2.5% benefit accrual rate, will have the higher employee contribution rate phased-in over a 3-year period.
- 3) Exempt the following groups of employees from participation in the side-by-side hybrid plan: Pennsylvania State Police officers; correction officers; enforcement officers; wildlife conservation officers and other commissioned law enforcement personnel employed by the Game Commission; Delaware River Port Authority Policeman, park rangers or Capitol Police officers; campus police officers employed by any State-owned educational institutions, community college or Penn State University; and police officers employed by Fort Indiantown Gap or other designated Commonwealth military installations and facilities.
- 4) For SERS, remove the language in the bill requiring the System to re-amortize all of its unfunded actuarial accrued liabilities of its pension trust fund over a 30-year period.

The Commission discussed the draft.

MOTION: Rep. Tobash moved that the actuarial note transmittal and accompanying actuarial note be attached to the amendment, recommending that the General Assembly and the Governor consider the policy issues identified in the actuarial note transmittal. Mr. Salomone seconded the motion, which passed with Rep. Harhai and Senator Blake voting in the negative.

UNFINISHED BUSINESS

There was no unfinished business to come before the meeting.

NEW BUSINESS

There was no new business to come before the meeting.

CONSIDERATION OF ADDITIONAL ITEMS

There were no additional items to come before the meeting.

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ADJOURNMENT

There being no further business to come before the meeting, on a motion from Rep. Tobash, seconded by Senator Blake, Mr. Durbin declared the meeting adjourned at 4:58 p.m.

Submitted by:

James L. McAneny
Executive Director
July 1, 2015

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bcc: Administrative/Minutes (Original)
PERC Meeting Minutes Notebook
BDB
RMH