



Pennsylvania Association of School Business Officials

Summary of House Bill 2497 as Amended in Senate Finance Committee, October 12, 2010 Third consideration and final Senate passage, Oct. 14, 2010 (41-8)			
Employer Contribution Rate			
Fiscal Year	Proposed Amendments to HB 2497	Current Law	Collar (max ECR increase)
2011-12	8.72%	10.22%	3.0%
2012-13	12.22%	28.71%	3.5%
2013-14	16.71%	31.20%	4.5%
Future Employer Contribution Rates/Collars			
After 2013-14	4.5% collar	(maximum ECR increase)	
Estimated Rates	ECR peaks at about 27%	ECR at 20% or higher for 20 years; double digits for 26 years	
Fiscal Year	2014-15	21.20%	
	2019-20	27.55%	
	2024-25	27.75%	
	2029-30	27.41%	
	2034-35	26.99%	
	2039-40	9.58%	
Future Employee Contribution Rates—New Employees Only			
Minimum	7.5%	Maximum	9.5%
Variable: Return on investment. Beginning in 2013 a three year average annual return on investment will be calculated. If the three year average is below the assumed 8% rate of return by 1% or more the Employee Contribution Rate is increased by .5%. If the average rate of return is 9% or more, the employee contribution is reduced. However, the employee contribution can never go below 7.5% or above 9.5%. In 2016, a six year average is calculated; in 2019 a nine year average is used. Afterward a ten year average is calculated.			
Retirement Age—New Employees Only			
Retirement Age: 65. To retire <u>prior</u> to age 65, <u>you must have 35 years of service</u> and meet rule of 92. (New employees must have three years of service to be eligible to retire at 65.)		Rule of 92 is the sum of years of service plus age. If 92 or greater then you can retire with full benefits. (See example below.)	
Starting Work Age = 21	Years of Service = 36	Age = 57	36 + 57 = 93 = Full benefits
Starting Work Age = 22	Years of Service = 35	Age = 57	35 + 57 = 92 = Full benefits
Final Average Salary Calculation –New Employees Only			
Capped at 100% of Final Average Salary		This is more of a statement of policy than a substantive provision.	
All of the Above Changes in Addition to Benefit Design Changes Already in HB 2497 for New Employees			
Reduction of Multiplier to 2%		Increase in Vesting to 10 Years	
Elimination of Withdrawal of Contributions Option			
Cost Comparison (July 1, 2011-June 30, 2042)			
House Bill 2497 (as passed by the House) = \$191.1 billion		House Bill 2497 (as amended in Senate Finance Committee = \$163.9 billion Savings = \$27.1 billion	