

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2591

PRINTER'S NO. 3980

AMOUNT

No Fiscal Impact

FUND

State Employees' Retirement Fund

DATE INTRODUCED

September 5, 2012

PRIME SPONSOR

Representative Godshall

HISTORY OF BILL

Referred to FINANCE, Sept. 5, 2012
Reported as committed, Sept. 25, 2012
First consideration, Sept. 25, 2012
Laid on the table, Sept. 25, 2012
Removed from table, Oct. 1, 2012
Second consideration, Oct. 2, 2012
Re-committed to APPROPRIATIONS, Oct. 2, 2012
Re-reported as committed, Oct. 3, 2012
Third consideration and final passage, Oct. 3, 2012 (197-0)
In the Senate
Referred to FINANCE, Oct. 10, 2012
Reported as committed, Oct. 15, 2012
First consideration, Oct. 15, 2012
Second consideration, Oct. 16, 2012
Re-referred to APPROPRIATIONS, Oct. 16, 2012
Re-reported as committed, Oct. 17, 2012

DESCRIPTION AND PURPOSE OF BILL

House Bill 2591 amends Titles 51 (Military Affairs) and 71 (State Government) to bring the State Employees Retirement Code (SERS) into compliance with the following Federal laws: (1) the Heroes Earnings Assistance Act (HEART Act); (2) the Uniformed Services Employment and Reemployment Rights Act (USERRA); and, (3) the Internal Revenue Code.

The changes being made to bring SERS into compliance are as follows:

- Replaces the current rules for service credit for intervening military service and military leaves of absence with USERRA's rules.
- Provides for SERS members who die on military leave to be granted vesting credit for the period of military service prior to their death to qualify for benefits.

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- Provides that members who return to service but do not make the employee contributions to purchase credit for USERRA covered military leave will be granted vesting credit for the period of military service for the purpose of qualifying for benefits and applying early retirement factors.
- Requires contributions for credit for military leave be made within the shorter of three times the length of leave or five years after the return of service.
- Prohibits charging interest for USERRA covered military leave.
- Prohibits members on military leave from making contributions until they return to state service.
- Allows military leave that does not qualify for SERS credit under USERRA, but would otherwise be creditable under the current law to be purchased.

The bill also changes the method used to calculate the cost to purchase nonintervening military service for post-Act 120 members to the same method used for pre-Act 120 members. Currently, post-Act 120 members pay the full actuarial cost to purchase this service. The pre-Act 120 members pay based on a formula that considers the member contribution rate, employer normal cost contribution rate and compensation for the first three years after starting state service.

The legislation would become effective December 31, 2012.

FISCAL IMPACT:

Based on information contained in the Public Employee Retirement Commission's actuarial note, the provisions contained in House Bill 2591 will have no material impact on the future funding requirements of SERS. The provisions changing the method of calculating the purchase of nonintervening military service for post-Act 120 members will increase the employer normal cost from 5.10% to 5.18% or by \$4,700,000. However, these costs will be offset because the SERS funding methodology applies the increased cost to all members, not just the small number of post-Act 120 members, and this ultimately result in a reduction in the unfunded accrued liability of \$47,300,000. Additionally, because the employer contribution rate is limited by the employer contribution collars included in Act 120, the bill has no immediate impact on the employer contribution rate.