SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 297

PRINTER'S NO. 928

AMOUNT

($924,905) Annually

FUND

General Fund

DATE INTRODUCED

January 24, 2013

PRIME SPONSOR

Senator Vance

HISTORY OF BILL

Referred to LABOR AND INDUSTRY, Jan. 24, 2013
Reported as amended, April 16, 2013
First consideration, April 16, 2013
Second consideration, April 17, 2013
Re-referred to APPROPRIATIONS, April 17, 2013
Re-reported as committed, April 29, 2013

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 297 prohibits individuals from collecting unemployment compensation (UC) benefits if they leave employment to preserve pension, retirement, or annuity benefits.

Current law provides that if a state annuitant works more than 95 days in a calendar year, their annuity and health benefits are terminated. Due to this pension issue, there is a formal state hiring directive (Management Directive 515.20) which dictates that if a state annuitant is re-employed, their service cannot exceed 95 days in a calendar year. Because the Commonwealth, as the employer, sets the terms for the annuitant's length of employment, the separation is considered involuntary by our current unemployment compensation law and the annuitant is entitled to receive unemployment compensation benefits.

Passage of this legislation will no longer allow annuitants to be eligible to receive unemployment compensation benefits, who voluntarily leave employment to prevent a reduction to their pension benefits.

The legislation amends the Unemployment Compensation Law by adding subsection 402(k) so that claimants shall be ineligible for benefits if their separation from work is caused by either the employee or the employer in order to preserve the worker's existing entitlement to a pension (including a governmental or other pension); a retirement or retired pay; an annuity; or any other similar periodic payments.

The bill also amends subsection 402(f) of the UC Law to reference the new subsection 402(k).

The provisions of the law apply to the benefit years beginning on or after the effective date.

The act takes effect in 60 days.

FISCAL IMPACT:

The passage of this legislation is estimated to save the Commonwealth about $924,905 annually. As a reimbursable employer, the Commonwealth paid for unemployment compensation benefits for annuitants in 2010 (220 annuitants with benefits of $942,695 paid); in 2011 (239 annuitants with benefits of $1,119,925 paid); and in 2012 (179 annuitants with benefits of $712,095 paid). The estimated annual savings is the average of UC benefits paid to state annuitants for these three years.

The legislation will also save political subdivisions, as reimbursable employers, some funds because any of their annuitants, who are re-employed and then terminated to preserve pension benefits, will no longer be eligible to collect UC benefits. Also, savings in the UC Trust Fund will be experienced because those annuitants in the private sector who are re-employed and then terminated to preserve pension benefits, will no longer be eligible to collect UC benefits. According to the Department, however, the savings to political subdivisions and to the UC Trust Fund cannot be estimated.