

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: McSorley DATE TYPED: 02/28/01 HB _____
SHORT TITLE: Purchase of Service Credit SB 623
ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	NFI			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

This bill amends the Public Employees Retirement Act to allow public employees who have 15 or more years of service credit to purchase up to 5 years of service credit. SB 623 requires the employee to pay the actuarial present value. 75 percent of the contributions is considered employer contribution and will not be refunded to the member if the member refunds rather than retires.

Significant Issues

Potentially this bill would allow police and fire members in a 20-year plan to retire after 15 years of service.

FISCAL IMPLICATIONS

The Public Employees Retirement Association (PERA) report that although this bill requires public employees to pay the actuarial present value for the time, PERA actuaries have not studied its impact on the PERA funds.

ADMINISTRATIVE IMPLICATIONS

PERA's actuaries will charge PERA a fee for each actuarial present value requested to be calculated. It is not known at this time how many employees will request to purchase this time. PERA may need an additional FTE to process the anticipated volume of requests.

OTHER SUBSTANTIVE ISSUES

All other service credit in the public employees retirement systems must be earned either through employment with a public employer or military/prisoner of war service. The service credit in proposed in this bill is not tied to any employment or service requirement. As a result, PERA will need to seek assistance from a tax expert regarding what impact on PERA's status as qualified governmental plan will be. In keeping with Internal Revenue Code requirements, the PERA plans are designed to provide retirement benefits to employees for public service provided.

JBE/ar