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FISCAL IMPACT REPORT

SPONSOR: Garcia, M.P. DATE TYPED: 03/13/01 HB 70/aHEC/aHAFC
 SHORT TITLE: Purchase Service Credit for Military Service SB _____
 ANALYST: Eaton

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	(immaterial)	(immaterial)	Recurring	Educational Retirement

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Educational Retirement Board (ERB)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment strikes the House Education Committee amendments. The new paragraph inserts language which allows for the HEC amendments below but only for veterans after four or more years from the date of the member’s employment following service.

Synopsis of HEC Amendment

This amendment increases the purchase cost of the service credit from 10.5 percent of average annual salary for that period of time for which earned service credit was acquired, to 25 percent of average salary at the time of purchase.

ERB’s actuaries report that the bill as amended bill will have an immaterial impact on the retirement fund.

Synopsis of Original Bill

Currently the ERA allows veterans of the military or commissioned corps of the Public Health Service to purchase up to five years of service credit within the first three years of employment. This bill would make this purchase of service credit eligibility permanent throughout the employment history.

Significant Issues

The State Department of Education report that the change proposed by this bill would bring the ERB rules regarding purchase of service credit closer to parity with the manner in which PERA rules apply to the purchase of service credit.

The Educational Retirement Board (ERB) report that military service was changed from the draft or involuntary service to voluntary career choice in 1973. The original purpose of the military service credit was to allow those who had to postpone their careers to serve their country through the U.S. military to purchase up to five (5) years of service credit. Since 1973, those individuals who have gone into the military did so by a voluntary career choice. Since 1975 draft veterans have had three (3) opportunities to purchase their military time at the current price level. The last opportunity closed in 1992.

According to data from the ERB actuaries, the non-military ERA members would be subsidizing 95% of the total cost of the service credit.

FISCAL IMPLICATIONS

ERB's actuaries report that the bill as amended bill will have an immaterial impact on the retirement fund.

ADMINISTRATIVE IMPLICATIONS

The Educational Retirement Board estimates between 500 and 800 persons would seek information on the costs to purchase service credit. The ERB claim an additional FTE would be required due to the verification and processing of requests.

JBE/ar