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FISCAL IMPACT REPORT

SPONSOR Rodella **DATE TYPED** 3/15/2005 **HB** 142/aSFC

SHORT TITLE Volunteer Firefighters Retirement Credits **SB** _____

ANALYST Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			.01 See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

Relates to: HB 144

SOURCES OF INFORMATION

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment to House Bill 142 amends the number of years a member may post or adjust service credit for one or more years prior to January, 2005. This was changed from 10 years to 5 years. The bill now duplicates HB144.

Synopsis of Original Bill

House Bill 142 allows an active member to post or adjust up to 10 years of service credit already earned prior to January 1, 2005 by filing with the PERA no later than December 31, 2005. Current law requires the posting of service credit for the preceding year on or before March 31st of each year.

Significant Issues

Whether volunteer firefighters should be given a one-time opportunity to post and/or adjust service credit earned for one or more calendar years of service, not to exceed 10 years, earned prior to January 1, 2005. PERA does not oppose this bill.

FISCAL IMPLICATIONS

According to PERA, it is not anticipated that posting past service credit through this legislation will require an increase in the current contribution to the fund due to its strong actuarial position. See additional discussion under substantive issues.

ADMINISTRATIVE IMPLICATIONS

Allowing members a one-time opportunity to correct service credit that was earned for years prior to January 1, 2005 but not posted to their member account may have a significant administrative impact on PERA. PERA is unable to assess the extent of the impact, because it does not presently have information regarding the number of persons who will seek to post or adjust service credit as the result of this legislation. Additionally, PERA will incur increased printing costs associated with printing pertinent information and required "Corrected Qualification Record" forms and require additional staffing to correct and post service credit.

CONFLICT, DUPLICATION, COMPANIONSHIP OR RELATIONSHIP

House Bill 144 and House Bill 142 are duplicates except that House Bill 142 permits a member to post up to ten (10) years of additional service credit, while House Bill 144 imposes a five (5) year limit.

OTHER SUBSTANTIVE ISSUES

1) Background on Service Credit Issue

House Bill 142 allows an active member on the rolls of a fire department to post or adjust up to ten (10) years of service credit earned prior to January 1, 2005 by filing with the retirement association no later than December 31, 2005. PERA does not oppose increasing the 10-year limit to reflect posting of an active members actual, earned service credit. Current law requires the posting of service credit for the preceding year on or before March 31st of each year.

PERA does not have the demographic information or actuarial study to evaluate the fiscal impact of this amendment. However, PERA is aware that there is a significant portion of the Volunteer Firefighter Fund membership that has not had service credit posted to their accounts through no fault of their own. Prior to 2003, certain members were statutorily ineligible to post service credit because their first year of service was performed when the member was 45 years of age or older. This limitation was removed from the statute effective June 20, 2003, however, the change was prospective only. In addition, the volunteer nature of the fire departments that constitute the membership of the retirement plan has led to failures in the reporting of service credit. House Bill 142 will place the responsibility of reporting service credit corrections upon the member rather than the individual chief of each fire department.

2) Funding for Volunteer Firefighter Plan and Actuarial Status

The Volunteer Firefighters Retirement Plan ("Plan"), passed by the Legislature in 1983, is unlike any other PERA coverage plan in that it is not funded based upon contributions from salary. Volunteer firefighters are not salaried employees and their "retirement benefits" do not derive from employment. Rather, the benefits are provided by the Legislature and funded by the Legislature from the Fire Protection Fund. The source of funding to meet the Fund's statutory obliga-

tions is an annual appropriation of \$750,000. This amount is supplemented, as required, to meet unfunded obligations. Adding new liabilities to the fund may increase the annual contribution to the Fund in order to keep it actuarially sound. However, due to the recent favorable experience of members retiring less frequently than anticipated, the Plan is currently 185% funded. It is not anticipated that posting past service credit through this legislation will impact the current contribution to the Fund.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Volunteer Firefighter members will be required to have service credit for the preceding year posted to their accounts by March 31st. Failure to post service credit by the chief of each volunteer firefighter department on or before the March 31st deadline shall result in the member's loss of service credit for the preceding year. Volunteer firefighter members with actual service earned prior to January 1, 2005 that was not reported to PERA will not be able to correct their service credit histories for retirement benefits purposes.

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