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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/04/09

SPONSOR Garcia, M.P. LAST UPDATED \_\_\_\_\_ HB 453

SHORT TITLE Educational Retirement Service Credits SB \_\_\_\_\_

ANALYST Aubel

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$.01*		\$.01*	Nonrecurring	ERB

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Educational Retirement Board (ERB)

Higher Education Department (HED)

Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 453 amends the Educational Retirement Act to allow members with military service to purchase up to five years of service credit after completing five years of ERB employment. The cost would be based on an average of five years of earnings multiplied by the member and employer contribution rates in effect on the date of purchase.

### FISCAL IMPLICATIONS

ERB specifies that it will incur an underdetermined cost in its operating budget to increase the information technology contracts for updating its computer system, but did not indicate that it would be significant.

### SIGNIFICANT ISSUES

Members with military service currently have to purchase this service credit within the first three years of employment. According to ERB, this amendment will grant more time and flexibility for the members to purchase this service credit. The purchase cost will more accurately reflect the cost to provide this benefit without a negative impact to the fund.

Full payment is required within 60 days of notice. In addition, the bill specifies that a portion of the purchase cost from the employer's part of the contribution shall be credited to the fund and will not be refunded as part of a subsequent refund request.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Members with military service would continue to have to purchase the service credit within the first three years of employment. The cost charged for the service credit would continue to be substantially below the cost of providing the related benefits.

MA/mt