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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/15

SPONSOR Leavell **LAST UPDATED** _____ **HB** _____

SHORT TITLE Voluntareer Firefighter Retirement SVC. Credit **SB** 4

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY14	FY15	FY16	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				Fire Protection
		NFI				PERA Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Regulation Commission (PRC)

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 4 (SB 4) limits the time period for a volunteer firefighter member to post or adjust service credit earned towards retirement to the preceding two calendar years prior to the filing of a corrected qualification record. Under the current law, a volunteer firefighter member can post or adjust service credit for one or more calendar years beginning on or after January 1, 1979.

FISCAL IMPLICATIONS

Volunteer firefighter retirement benefits are funded by the Legislature from the fire protection fund (fund). The bill does not change the amount transferred from the fund to the volunteer firefighter retirement plan annually, which is currently \$750 thousand. As of June 30, the plan is 140 percent funded, based on current assumptions including investment earnings of 7.75 percent.

Continuing the current practice in law may over time require an increase in contributions from the fire protection fund to the volunteer firefighter retirement plan to keep it actuarially sound.

SIGNIFICANT ISSUES

PERA reports it relies on the 366 volunteer fire departments to submit the service credit eligibility for its volunteer firefighter members by March 31st of each year. Under current law, unlimited service credit can be posted or adjusted for prior calendar years. The purpose of allowing this practice was to provide a “fix” for the volunteer firefighter member who was eligible for service credit for a prior year but did not receive the service credit because the chief of a department failed to file the annual report or failed to file it in a timely or accurate manner.

ADMINISTRATIVE IMPLICATIONS

PERA notes that the bill should reduce the volume of adjusted and corrected qualification records for prior service credit submitted by volunteer firefighter members.

OTHER SUBSTANTIVE ISSUES

There were 7,499 active volunteer firefighters in the plan as of June 30, 2014 which was an increase of 1,038 from the prior fiscal year. Retirees and beneficiaries numbered 893. Of the 127 members that retired in FY14, their average monthly benefit was \$156 and average age was 64.

A volunteer non-salaried firefighter currently earns a year of service credit for each year the member: 1) attends 50 percent of all scheduled fire drills, 2) attends 50 percent of all scheduled business meetings, and 3) participates in at least 50 percent of all emergency response calls. A member may retire with a benefit at age 55 with 25 years of service or with a reduced benefit at age 55 with 10 years of service. The maximum benefit paid under the plan is \$250 per month.

ALTERNATIVES

PERA suggests statutory language requiring the chiefs of volunteer fire departments to report service credit electronically which would be more efficient than the current paper-driven process.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Volunteer firefighter members will still be able to adjust service credit back to 1979.

AHO/je