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F I S C A L   I M P A C T   R E P O R T

SPONSOR: Martinez DATE TYPED: 1-29-02 HB 272

SHORT TITLE: Thirty Day Break in Educational Employment SB

ANALYST: Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	($0.1 Substantial)	($0.1 Substantial)	Recurring	Educational Retirement Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
Educational Retirement Board

SUMMARY

Synopsis of Bill

House Bill 272 amends provisions in the Educational Retirement Act (ERA) to allow ERA members to return to work after retirement with an ERA employers after a 30 day break-in-service. Currently, law requires a 12 month break-in-service. HB 272 also changes the sunset clause included with the "return to work" provisions in ERA to June 30, 2005 from January 1,2012.

Significant Issues

According to staff with the ERB, HB 272 violates the break of service requirement in the Internal Revenue Code as it relates to public pension plans. Thirty days is not enough of a break to comply with the IRS, according to the ERB's tax counsel. Additionally, provisions in HB 272 would require additional funding in order to avoid an adverse impact to the Educational Retirement Fund (ERF). Absence of such an appropriation, ERF may not meet Federal and GASB standards for public pension funds.

FISCAL IMPLICATIONS

HB 272 does not contain an appropriation, however ERB states that there will be a substantial impact to the ERF if HB 272 provisions are enacted without an appropriation or funding source. The ERB analysis indicates that provisions in HB 272 would cost the ERF "tens of millions" annually.

OTHER SUBSTANTIVE ISSUES

The 2001 Legislature passed Senate Bill 716 that amended the ERA to allow ERA members who are retired, or eligible to retire, to receive retirement benefits and a salary simultaneously. SB 716 requires a one year break in service and its provisions become effective January 1, 2002.

ERA members returning to work cannot acquire or purchase service credit and are not required to pay contributions to the Educational Retirement Fund (ERF). The employer however, will continue to make contributions to the ERF.

According to the ERB, the one year break in service would ensure that this program would have very little or no cost to the ERF.

SN/prr