

**NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.**

**Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.**

## FISCAL IMPACT REPORT



SPONSOR: Sanchez DATE TYPED: 02-8-02 HB \_\_\_\_\_

SHORT TITLE: Relating to Retirement for Adult Correctional Officers SB 195

ANALYST: Neel

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY02	FY03			
	See Narrative		Non-Recurring	Public Employee Retirement Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC files  
Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 195 amends statute to take adult correctional officers out of retirement plan State Hazardous Duty Plan 2 and puts them into State Police Member Coverage Plan 1. SB 195 also requires that a vote be held of adult correctional officers to approve the adoption of the proposed change.

#### Significant Issues

According to PERA provision in SB 195 would increase the service credit for adult correctional officers by 20%. The 20% enhanced service credit means that for every year served, members receive 1.2 years of service credit. The members in the plan are eligible to retire after 20 years and 10 months. The employee contributions in the proposed State Police/Correctional Officer Plan would be the same as that currently paid by the State Police. The adult correctional officers contributions (employee) would increase from 4.78% of salary to 7.6%. The employer, contributions are slightly reduced from 25.72% of salary to 25.1%.

## **FISCAL IMPLICATIONS**

SB 195 does not contain an appropriation, however, PERA's Actuaries studied the benefits that are provided in SB 195 and stated that "internal sources of funding" is a reasonable approach to funding the 20% enhanced benefit for the adult correctional officers. "Internal sources of funding" are proportional assets currently in the State Hazardous Duty Plan 2 that would be transferred to the State Police Plan to fund past benefits for the affected members who have earned service credit in State Hazardous Duty Plan 2.

## **ADMINISTRATIVE IMPLICATIONS**

PERA will be required to conduct the election for affected membership on the plan change and would be required to perform administrative function requiring the creation of a new retirement plan.

## **OTHER SUBSTANTIVE ISSUES**

PERA notes the following:

The increase in contributions (from Hazardous Duty Plan 2 to State Police Plan 1) will fund the enhanced future benefits created for adult correctional officers in SB 195. However, it is the past service credit that will need additional funding. PERA's most recent actuarial cost determination stated that as of June 30, 2000, the cost of past benefits (to provide all past service credit earned in Hazardous Duty Plan 2 by adult correctional officers) was \$15,746,609 lump sum or an additional contribution increase of 8.33% over the current rate in State Police Plan 1. Nonetheless, PERA's Actuaries went on to state that since Hazardous Duty Plan 2 enjoys a strong financial position, it is reasonable to fund past service credit enhancement with a pro-ration of assets and liabilities of the affected employees. If SB 195 is enacted and no additional funding sources, PERA will take steps to ensure that the changes will not affect the viability of State Police Members in State Police Plan 1.