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FISCAL IMPACT REPORT

ORIGINAL DATE 1-25-07
 SPONSOR Rodella LAST UPDATED 3-05-07 HB 243/aSPAC
 SHORT TITLE Volunteer Firefighter Service Credits SB _____
 ANALYST Aubel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	Indeterminate	Recurring	Fire Protection Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
	Indeterminate		Recurring	Volunteer Firefighters Retirement Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$20.0	\$20.0	\$40.0	Recurring	Public Employees Retirement Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of SPAC Amendment

The Senate Public Affairs Committee Amendment corrects the dates as specified under Technical Issues, by replacing “2006” with “2007”.

Synopsis of Original Bill

House Bill 243 would allow a volunteer firefighter member, or former member who was a member at any time on or after June 20, 2003, to post or adjust unlimited service credit already earned, but not posted, by filing with PERA no later than December 31, 2006. Current law requires the posting of service credit for the preceding year on or before March 31st of each year. (See Technical Issues for a discussion of dates.)

FISCAL IMPLICATIONS

The Volunteer Firefighters Retirement Plan (“Plan”), passed by the Legislature in 1983, is unlike any other PERA plan because it is not funded by salary contributions. 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 with an annual appropriation of \$750,000. This amount is supplemented, as required, to meet unfunded obligations.

In general, adding new liabilities to any fund may increase the annual contribution required to keep the fund actuarially sound. However, due to the recent favorable experience of members retiring less frequently than anticipated, the Plan is currently 175 percent funded for the year ending June 30, 2006. Thus PERA does not anticipate that this legislation, which will allow posting of additional service credit, will impact the current contribution to the fund. There is the possibility that unfunded liability will be generated in the future, which would require additional contribution funding.

If HB 243 is enacted, PERA noted it will incur operating costs for printing and disseminating information associated with department procedures and reporting forms. In addition, PERA staff will have increased workload for reviewing reporting records and posting eligible service credit.

SIGNIFICANT ISSUES

House Bill 243 allows a member, or former member who was an active member on the rolls of a volunteer fire department at any time on or after June 20, 2003, to post unlimited years of service credit earned prior to January 1, 2006 by filing with the PERA no later than December 31, 2006. This bill proposes that volunteer firefighters should be given an opportunity to post and/or adjust service credit earned for one or more calendar years of service prior to January 1, 2006.

Prior to 2003, certain members were statutorily ineligible to post prior earned 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. Firefighters who had been excluded from membership based upon age were unable to post service credit for any year prior to 2003. Another amendment in 2005 partially

addressed this issue by allowing an active member in 2005 to post or adjust up to 5 years of service credit already earned prior to 2005.

House Bill 243 broadens this group and removes the five-year cap by allowing any member who has been active since the effective date of the removal of the age limitation (June 20, 2003) to post unlimited prior service credit. As was done in 2005, HB 243 again places the responsibility for reporting service credit corrections upon the member, rather than upon the chief of the respective fire department.

PERA stated that HB 243 will not address the issue of those individuals whose service as an active volunteer firefighter ended prior to June 20, 2003 and who were not on the active rolls of a volunteer fire department on that date. These individuals remain ineligible for retirement benefits for their past volunteer firefighter service.

PERFORMANCE IMPLICATIONS

HB 243 should not affect PERA's performance measures.

ADMINISTRATIVE IMPLICATIONS

PERA stated that it cannot assess the precise administrative impact of this legislation because it does not have sufficient information regarding the number of persons who will seek to post or adjust additional service credit under the provisions of this bill. PERA did report, however, that the 2005 legislation significantly impacted PERA's staff. Volunteer fire departments statewide reported or adjusted past service credit for approximately 1,300-1,500 individual volunteer firefighters, requiring PERA staff to absorb the additional service credit reporting and auditing. Furthermore, it has been PERA's experience that significant follow-up with volunteer fire departments is required to ensure correct reporting for individual firefighter members. Currently, PERA has 1 FTE posting volunteer firefighter service credit, which is in addition to the regular fulltime duties.

TECHNICAL ISSUES

Since the date for reporting has already passed, PERA recommended replacing "2006" with some future date, such as following technical changes:

Page 2, line 24 – replace "2006" with "2007"

Page 3, line 1 – replace "2006" with "2007"

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, 2006 that was not reported to PERA will not be able to correct their service credit histories for retirement benefits purposes.