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FISCAL IMPACT REPORT

ORIGINAL DATE 02/21/11

SPONSOR Garcia, T. LAST UPDATED _____ HB 525

SHORT TITLE Hospital Employee Service Credit Purchase SB _____

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Indeterminate	Indeterminate	Indeterminate	Recurring	PERA Affiliated Employers

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 87, SB 248, SB 268, SB 303, and HB 251
 Conflicts with SB 186 and SB 380

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)
 Department of Health (DOH)

SUMMARY

Synopsis of Bill

House Bill 525 amends the Public Employee Retirement Association Act (PERA Act) to expand the definition of those PERA members eligible to purchase up to five years of service credit to any member who is employed by a hospital or medical center that is subsequently taken over by a PERA-affiliated employer. HB 525 requires the employer to pay the cost of the first year of service credit purchased.

FISCAL IMPLICATIONS

HB 525 requires the employer to pay the employer's share of the purchase cost of the first year of service credit purchased for the employees covered under this bill. In a prior analysis, DOH pointed out that if the agency has exercised its authority for "receivership" of a hospital or medical center, this would have a negative fiscal impact on the department, although it is unknown at this time how significant the impact would be. For the PERA General Plan 3, the employer contribution is 15.09 percent, scheduled to revert to 16.59 percent as of July 1, 2011.

Municipal general plan employer contributions rates range from 7 percent to 9.15 percent, with the employer “picking up” up to 75 percent of the employee’s contribution.

PERA maintains that HB 525 will be cost neutral to the PERA Fund, as follows: “The purchase cost of service credit is equal to the member’s final average salary multiplied by the sum of the employee and employer contribution rates under the member coverage plan applicable to the member at the time of purchase. In the case of Colfax Miner's Hospital, the purchase cost of service credit under HB 525 will be based on the current final average salary of the member rather than the pre-1987 salary actually earned. As a result, there should be minimal fiscal impact, if any, to the PERA Fund.”

SIGNIFICANT ISSUES

Currently, the PERA Act allows PERA members who were employed by a utility company, library, museum, transit company or non-profit organization administering federally funded public service programs, which are taken over by a PERA-affiliated public employer, to purchase up to five years of service credit for the period of employment subject to certain conditions. HB 525 expands that list to include members employed by a hospital or medical center subsequently covered under a PERA plan. The bill includes a provision that requires the PERA-affiliated employer to pay the first year of purchased credit for this group.

The primary policy issue is whether it is appropriate to expand the definition of those PERA members eligible to purchase service credit to any member who was employed by a hospital or medical center that is subsequently taken over by a PERA-affiliated employer.

PERA reports that prior to 1987, Colfax Miner’s Hospital offered participation in an alternative private retirement plan to its employees. Service credit cannot be purchased for periods of service for a hospital or medical center that is used to obtain or increase a benefit from another retirement program.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 525 relates to the following bills that propose various rates of contributions for employees and employers in PERA plans:

Senate Bill 87, which schedules an 8 percent contribution increase over four years;

Senate Bill 248, which offers an alternate contribution schedule;

Senate Bill 268, which would start new plans for PERA with reduced benefits and reduced costs; and

Senate Bill 303, which would change the PERA and ERB plans to make them more similar for members entering either plan after December 31, 2013.

House Bill 525 relates to House Bill 251, which amends the Educational Retirement Act and the PERA Act to reduce the PERA cost-of-living adjustment and establish a minimum age requirement.

House Bill 525 might conflict with Senate Bill 186, which amends the PERA Act to prohibit a municipal affiliated employer from electing to be responsible for any portion of an employee’s member contribution to any coverage plan created on or after July 1, 2011.

House Bill 525 conflicts Senate Bill 380, which proposes to include special hospital districts as public employers and provides that the purchase cost of service credit shall be based on the actual actuarial value, not on the final average salary computation.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Members who were employed by a hospital or medical facility that was taken over by a PERA-affiliated public employer will not be eligible to purchase service credit for the period of employment under PERA's "prior service" provisions.

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