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

SPONSOR Morales | **ORIGINAL DATE** 02/01/12 | **LAST UPDATED** | **HB**

SHORT TITLE Motor Vehicle Officer Retirement | **SB** 259

ANALYST Smith

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY12	**FY13**	**FY14**		
	Negative		Recurring	PERA Funded Ratio
	(500.0)		Recurring	General Fund
	500.0		Recurring	PERA

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files
PERA

Responses Received From
Public Employees' Retirement Association (PERA)

SUMMARY

Synopsis of Bill

SB 259 provides motor transportation officers employed by the Department of Public Safety the same enhanced retirement benefits as provided under the existing State Police Member and Adult Correctional Officer Member Coverage Plan 1. Currently these employee groups are covered under a 25-year retirement plan, State General Member Coverage Plan 3.

Motor transportation officers if approved by an election of the affected membership, would be eligible for a 20% service credit increase in all past and future credited service, a 3% pension factor and an 80% pension maximum now only available to state police and adult correctional officers and municipal detention officers.

SB 259 requires that motor transportation officers earn 36 months of service credit after January 1, 2013 under the new coverage plan before they are eligible to retire with enhanced benefits.

No actuarial study was performed on the changes proposed by HB 209.

No actuarial cost determination was performed for the requested increase in retirement benefits. SB 259 provides no appropriation for the unfunded accrued actuarial liability ("increased liabilities") that the enhanced retirement benefits will cause. Rather, SB 259 provides for a combined statutory employee and employer contribution rate of 32.70% to amortize the unfunded accrued actuarial liability over 30 years.

FISCAL IMPLICATIONS

The fiscal impact represents increased employer contributions to PERA

SIGNIFICANT ISSUES

PERA opposes any benefit enhancement legislation that is not prospective and that may create an unfunded liability to the retirement systems it administers unless such unfunded accrued liability is pre-funded from sources other than the retirement trust fund. Since the legislation provides no appropriation for the unfunded accrued actuarial liability that will be created by enhancing past service credit, PERA opposes SB 259.

OTHER SUBSTANTIVE ISSUES

This bill may be counter to the LFC tax policy principle of adequacy. According to the LFC staff General Fund Recurring Appropriation Outlook for FY14 and FY15, December 2011 forecasted revenues will be insufficient to cover growing recurring appropriations.

Does the bill meet the Legislative Finance Committee tax policy principles?

1. **Adequacy**: Revenue should be adequate to fund needed government services.
2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
3. **Equity**: Different taxpayers should be treated fairly.
4. **Simplicity**: Collection should be simple and easily understood.
5. **Accountability**: Preferences should be easy to monitor and evaluate

ANA/lj