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FISCAL IMPACT REPORT

SPONSOR: Martinez DATE TYPED: 02/15/01 HB 459
 SHORT TITLE: State Hazardous Duty Member Coverage Plan SB _____
 ANALYST: Eaton

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		\$ (4,012.0)	\$	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 248

SOURCES OF INFORMATION

LFC files
 Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

House Bill 459 creates a new state hazardous duty member coverage plan for adult correctional officers. Specifically, Hazardous Duty Plan 3, if approved by an election of the affected membership, will allow for retirement at any age after 20 years of service, with a 3.5 percent pension factor. The member must be in the Hazardous Duty Plan 3 for three years prior to being eligible for 20-year retirement and the increased pension factor. Correspondingly, the employer's contribution rate is increased to 38.02% (up from 25.72%). The employee contributions are not increased from Hazardous Duty Plan 2.

Significant Issues

The increase in the contribution rate set forth in the bill constitutes a recurring expense to the general fund. The bill does not contain an appropriation for this added expense.

FISCAL IMPLICATIONS

This bill would have an impact on the general fund because of the increase in the employer contribution rate. The Corrections Department actuarial study indicated that this change would cost \$4,012.0 each fiscal year.

ADMINISTRATIVE IMPLICATIONS

Minimal.

TECHNICAL ISSUES

The Public Employees Retirement Association (PERA) note the following technical issues.

The amendment to the definition of "hazardous duty member" in the PERA Act (page 3, lines 16-17) eliminates juvenile correctional officers from membership in any hazardous duty plan. If passed in its present form, SB 248 will require that the juvenile correctional officers be moved to a different retirement plan, other than Hazardous Duty Plan 2. If this is not the intent, then the amendment on page 3, lines 16-17 should be stricken. Alternatively, the following language could be added:

Page 7, line 1, after the phrase "applicable to" add: "adult correctional officers in"

Page 10, line 4, after the phrase "to submit to" add: "adult correctional"

OTHER SUBSTANTIVE ISSUES

In 1999, the Corrections Department and certain correctional officers worked with the PERA Board on the increase of benefits contained in this bill. The PERA Board authorized an actuarial study regarding the amount of contributions necessary to fund the enhanced benefit. PERA's actuaries determined that a 12.3% increase in contributions in addition to what is currently included in Hazardous Duty Plan 2 was required to adequately fund the enhanced benefits.

JBE/ar:prr