

FISCAL NOTE

HB 2541 - SB 2663

January 21, 2008

SUMMARY OF BILL: Amends the retirement law by changing the definition of a period of armed conflict to include six additional periods of armed conflict. This will authorize any member or retired member to establish that period of military service in the TCRS without charge, regardless of whether the service interrupted such member's employment. Broadens the time period for active members or retired members who performed peacetime military service to establish retirement credit for such military service.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$985,000 Annual Amortized Cost
Increase Local Gov't. Expenditures* - \$388,000 Annual Amortized Cost
Exceeds \$1,000,000/Permissive
Other Fiscal Impact - Increase Federal/Other Expenditures -
\$135,000 Annual Amortized Cost

Assumptions:

- Total lump sum liability of \$13,308,000 amortized over 20 years of which \$8,872,000 will be for armed conflict and \$4,436,000 will be for peacetime military service.
- Funding ratio for teacher cost at 60% state, 40% local education agencies.
- No data is available on the number of members who have military service on or after August 9, 1990 or the number of members who have past peacetime service. Actuarial information provided in 2003 and increased by five years of interest was used to develop the pension liability and first year cost. One percent of all members hired after August 9, 1991 would receive 36 months of military service credit.
- Permissive costs to local governments will occur if most local entities authorize the provisions of the bill for local employees.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

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