

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 513 – SB 1355

March 16, 2015

SUMMARY OF ORIGINAL BILL: Makes multiple changes to the Tennessee Consolidated Retirement System (TCRS), including but not limited to, the authorization for the TCRS Board of Trustees to delegate the responsibilities of operating and administering the state's retirement system to the State Treasurer; adds the instances of disability and ineligibility to the events in which a member may be appointed to the board to fill the unexpired term; authorizes the executive committee to hear appeals of initial orders and commence litigation or any legal action on behalf of the retirement system. Authorizes a member who receives temporary disability under a workers compensation program to establish retirement credit for the period of disability at any time during or after the period of disability, provided the employer provides certification and the remittance of contributions is remitted in the manner prescribed by the state treasurer.

Authorizes the board to withhold payment of a members accumulated contributions and interest or monthly benefit upon: the filing of criminal charges or a civil suit against a member relating to the members employment; an audit finding from the Comptroller of the Treasury relating to the members employment; or an affidavit submitted by the employer to the director of the retirement system containing the employees actions that the employer asserts could constitute a crime. Authorizes the board to withhold such payments until such time as the charges have been dismissed or the charges have resulted in a determination that the member owes money to the employer. Authorizes the member to appeal the decision to the director of the retirement system if the member is not charged criminally or civilly.

Authorizes employer to satisfy any debt from member's monthly benefit in the retirement system that elects to retire. Requires survivor benefits payable to optional allowances not exceed the maximum amount determined under the applicable incidental death benefits regulations of the Internal Revenue Code, unless the retired member's surviving spouse is the member's sole beneficiary. Eliminates incorrect references in the retirement system statutes; makes other clarifications concerning department and TCRS practices; and makes other updates for the purpose of administering the retirement system in compliance with federal law.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (004257): Adds multiple new sections to the original bill. Requires the deposits of employer contributions into the stabilization reserve trust account be suspended July 1 of any given year following the most recent actuarial valuation for an employer whose stabilization trust accounts equals or exceeds a certain maximum amount that is

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set by the board of trustees. Requires the amounts set to be expressed in dollars, percentage, or other form determined by the board. Requires the board to consult with the actuary in establishing the methodology and procedures used in ascertaining the maximum amount.

Requires deposits to the stabilization reserve trust account be reinstated for employers by July 1 of any given year following the most recent actuarial valuation when the total amount in the employer's stabilization reserve trust account is less than the maximum amount adopted by the board. Authorizes the board to modify the employer contribution rate if the employer contributions attributable to federal funds are not deposited into the stabilization reserve trust account. Requires that no participating employer, participant of a valid claim, cause of action for refund, credit for any sum or sums to be paid to the hybrid plan. Requires the actuary of the retirement system to compute the normal contribution rate and the accrued liability contribution rate payable to the defined benefit component of the plan for each account, provided the computation does not include the stabilization reserve trust account. Requires that the entry age actuarial cost method be used in determining normal costs and contributions for unfunded accrued liabilities.

Requires membership in the retirement system for employees of employers that are admitted to be optional on the date approval is given and mandatory for all eligible employees entering the service of the employer thereafter. Authorizes employer to allow current employees who participate in preexisting plans the choice to maintain membership in the pre-existing plan or join the retirement system, provided that choice meets state and federal requirements, including § 414(h) of the Internal Revenue Code 26 U.S.C. § 414(h), that are necessary to maintain status as a qualified plan. Requires irrevocable election to join the retirement system be on a form prescribed by the retirement system. Authorizes any employer to set contribution rates for its employees at the same rate as required under the employers pre-existing plan. Requires election be made by employer prior to the employer's effective date of participation in the retirement system and be approved by the board of trustees. Requires previous service credit to be credible service by the employer for service rendered to the employer or its predecessor approved by the employer and the board for which the employer is willing to make accrued liability contributions. Requires employee to have been employed on the date the approval is given and continuously for 30 days immediately preceding that date. Requires that employee must have become a member of the retirement system within 30 days after approval is given. Requires that employee pay back any contributions and interest due to establish service that is authorized by the employer. Requires employee to have six months to establish the previous service rendered while a participant in the pre-existing plan by making payment and forfeiting rights to any employer contribution, interest, and service credit in the pre-existing plan if any part was funded through contributions made by the employer. Requires that after becoming a member service contributions are considered creditable service. Requires the four percent employer contribution rate be increased by the percentage difference between five percent and the employee contribution rate, if a political subdivision elects to set the contribution rate at pre-existing plan levels. Requires teachers that are members of the retirement system to have the option to transfer from the retirement system to the hybrid plan. Authorizes the State Treasurer, with approval of the commissioner of finance and administration, to adopt a new feature of the plan that would provide a new alternative social security replacement plan that meets requirements of federal law as may be amended, and any rules promulgated thereunder for any classes of state employees,

including employees of institutions of higher education. Authorizes any such plan to require the withholding as deferred compensation from the wages otherwise payable to those employees up to seven and one-half percent of wages, or other amount as may be required as an alternative to social security contributions.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- Under current law, the Department of Treasury requires TCRS to administer the retirement system for members.
- Based on all information provided by the Department of the Treasury, any change in liability of the retirement system, as well as any other fiscal or operational impact to the department as a result of this bill as amended, is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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