TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 12 – HB 242

March 14, 2015

SUMMARY OF BILL: Requires mandatory retirement age requirement for commissioned park rangers, who are members of the Tennessee Consolidated Retirement System (TCRS) and employed by the Department of Environment and Conservation (TDEC), or for those who have been transferred from such activities to a supervisory or administrative position within the Department. Adds the Commissioner of TDEC to the list of positions that may continue in service beyond the mandatory retirement age requirement.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures – Net Impact - $234,000/General Fund

Other Fiscal Impact – The total lump sum pension liability to the Tennessee Consolidated Retirement System (TCRS) is estimated to be $4,888,000.

Assumptions relative to TDEC:

- TDEC confirmed that 24 commissioned park rangers (including administrative positions) will be at least 60 years of age or older before July 1, 2015, that would be required to retire under the provisions of this bill.
- TDEC indicated the average monthly salary and benefits for these 24 park rangers are $4,263 and $1,959 respectively for a current total monthly cost of $6,222 ($4,263 + $1,959).
- The recurring decrease in state expenditures resulting from the mandatory retirement of these 24 park rangers is estimated to be $1,791,936 ($6,222 monthly x 24 park rangers x 12 months).
- TDEC will replace the retired park rangers with 24 new entry-level positions.
- TDEC indicated that over the past 12 months (from February 1, 2014 through February 1, 2015), the department has employed four new park ranger positions (three were Park Ranger I positions and one was a Park Ranger II positon). Therefore, it's assumed the ratio for new hires will be 75 percent Park Ranger I positions and 25 percent Park Ranger II positions.
- Based on this ratio, it is estimated that 18 of the 24 new hires will be employed as a Park Ranger I positions and 6 of the 24 will be employed as Park Ranger II positions.
- Based on information provided by TDEC, the monthly salary and benefits for an entry level Park Ranger I is estimated to be $2,256 and $860 respectively for a total monthly cost of $3,116; and the monthly salary and benefits for an entry level Park Ranger II is estimated to be $3,027 and $1,469 respectively for a total monthly cost of $4,496.

- The recurring increase in state expenditures for employing the 24 new replacement park rangers is estimated to be $996,768 [(18 x $3,116 x 12 months) + (6 x $4,496 x 12 months)].
- The net recurring decrease in state expenditures for TDEC is estimated to be $795,168 ($1,791,936 - $996,768). It is assumed TDEC will either revert this amount of funding back to the General Fund, or the department will be appropriated less from the General Fund. For the purpose of this fiscal note, the impact has been characterized as a recurring decrease in state expenditures from the General Fund of $795,168 per year.

Assumptions relative to TCRS and total net impact:

- TCRS provides retirement benefits for retired state employees, retired teachers, and retired local government employees.
- Based upon information provided by TCRS, and relative to the TDEC employees covered by the bill, this bill is estimated to increase the lump sum pension liability of TCRS by approximately $4,888,000.
- TCRS typically utilizes a 20-year horizon, pursuant to Tenn. Code Ann. § 3-9-103(b), and a 7.5 percent interest rate, pursuant to Tenn. Code Ann. § 8-34-505, when estimating annual amortized payments of pension benefits. The estimated annual amortized payment derived from these assumptions is used when TCRS cannot reasonably determine the specific members impacted by the proposed bill.
- According to TCRS, staff was able to determine the specific TDEC employees that will be impacted by this bill. As a result, a more accurate estimate for the annual amortized payment of pension benefits can be obtained. TCRS indicates that the annual amortized payment of pension benefits will be approximately $561,200 relative to these specific TDEC park ranger employees.
- Retirement benefits for retired state employees are normally funded 75 percent with state funds and 25 percent with federal funds. However, TCRS has indicated that TDEC confirmed there is no federal funding related to the costs of park rangers. TCRS further indicates that all TCRS costs related to this bill would be a 100 percent state obligation.
- An annual appropriation from the General Fund would be required to fund this state obligation. As a result, the recurring increase in state expenditures from the General Fund is estimated to be $561,200.
- The total net impact for the bill is estimated as a recurring decrease in state expenditures for the General Fund of $233,968 ($795,168 - $561,200).

CERTIFICATION:

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

Jeffrey L. Spalding, Executive Director

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