

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2479 - SB 2689**

February 22, 2018

**SUMMARY OF BILL:** Authorizes honorably discharged members who served in the armed forces of the United States during military conflict in Operation Desert Storm/Shield, Operation Enduring Freedom, or Operation Iraqi Freedom to establish retirement credit for each day of deployment.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$3,010,900/FY18-19  
\$2,030,400/FY19-20**

**Increase Federal Expenditures – \$941,400/FY18-19**

**Increase Local Expenditures – \$124,400/FY18-19\*  
\$1,353,600/FY19-20\***

**Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$7,360,700.**

**In the event local governments adopt a resolution to grant such benefits to local government employees, there will be a permissive increase in local government expenditures. Any such permissive increase is dependent upon multiple factors and cannot be reasonably determined.**

Assumptions:

- Based on information from the Tennessee Consolidated Retirement System (TCRS), the total increase of liability to the pension system relative to eligible state employees is estimated to be \$3,665,704.
- Based on information provided by TCRS, the cost for state employees is to be paid during FY18-19.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The one-time increase in state expenditures in FY18-19 for state employees is estimated to be \$2,749,278 ( $\$3,665,704 \times 75\%$ ).

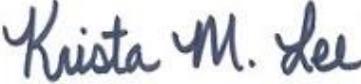
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- The one-time increase in federal expenditures in FY18-19 for state employees is estimated to be \$916,426 ( $\$3,665,704 \times 25\%$ ).
- Based on information from TCRS, the total increase of liability to the pension system relative to eligible teachers is estimated to be \$3,695,040.
- The cost for teachers by LEAs will be funded over a two-year period (FY18-19 and FY19-20).
- Based on time-value-of-money calculations using a 20-year amortization and a 7.5 percent interest rate for estimating the FY18-19 impact relative to eligible teachers, the first year increase in expenditures is estimated to be \$311,030.
- The remaining liability to be paid in FY19-20 is estimated to be \$3,384,010 ( $\$3,695,040 - \$311,030$ ).
- Retirement benefits for retired teachers are funded 60 percent with state funds and 40 percent local government funds, all of which will be a mandatory increase in local government expenditures.
- A one-time increase in state expenditures in FY18-19 of \$186,618 ( $\$311,030 \times 60\%$ ).
- A one-time mandatory increase in local expenditures in FY18-19 of \$124,412 ( $\$311,030 \times 40\%$ ).
- A one-time increase in state expenditures in FY19-20 of \$2,030,406 ( $\$3,384,010 \times 60.0\%$ ).
- A one-time mandatory increase in local expenditures in FY19-20 of \$1,353,604 ( $\$3,384,010 \times 40.0\%$ ).
- Based on information provided by TCRS, computer system upgrades will be required in FY18-19 in order to account for the military conflict period retirement credit.
- Computer system upgrade will result in a one-time expenditure estimated to be \$100,000. Such expenditures are paid 75 percent by the state and 25 percent by the federal government.
- The total one-time increase in state expenditures in FY18-19 is estimated to be \$3,010,896 [ $(\$2,749,278 + \$186,618) + (\$100,000 \times 75\%)$ ].
- The total one-time increase in federal expenditures in FY18-19 is estimated to be \$941,426 [ $\$916,426 + (\$100,000 \times 25\%)$ ].
- The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$7,360,744 ( $\$3,665,704 + \$3,695,040$ ).
- Local governments may choose to adopt a resolution authorizing such additional benefits for local government employees.
- Any permissive increase in local government expenditures for the additional liability is dependent on the number of local governments adopting such resolution and the number of applicable employees within those local governments.
- The permissive increase in local government expenditures would be funded 100 percent by local government and the precise amount cannot be reasonably determined.

*\*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:**

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

Handwritten signature of Krista M. Lee in cursive script.

Krista M. Lee, Executive Director

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