



February 12, 2020

**SUMMARY OF BILL:** Authorizes honorably discharged members who served in the armed forces of the United States during military conflict in Persian Gulf War, Operation Enduring Freedom, or Operation Iraqi Freedom and who are employed by the state or a local municipality as a police officer, wildlife officer, or are commissioned members of the Alcoholic Beverage Commission engaged in law-enforcement activities to establish retirement credit for time spent during deployment if they serve in a position requiring mandatory retirement and the member is within six months of the date of mandatory retirement and is not employed in a supervisory or administrative position that qualifies for an exception to mandatory retirement.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$2,745,700/FY20-21**

**Increase Federal Expenditures – \$915,200/FY20-21**

**Increase Local Expenditures – Up to \$2,793,600/FY20-21/Permissive**

**Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$3,586,000.**

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 \$3,585,976
- Based on information provided by TCRS, the cost for state employees is to be paid during FY20-21.
- 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 FY20-21 for state employees is estimated to be \$2,689,482 ( $\$3,585,976 \times 75\%$ ).
- The one-time increase in federal expenditures in FY20-21 for state employees is estimated to be \$896,494 ( $\$3,585,976 \times 25\%$ ).
- Computer system upgrades will result in a one-time expenditure estimated to be \$75,000. Such expenditures are paid 75 percent by the state and 25 percent by the federal government.

- The one-time increase in state expenditures in FY20-21 is estimated to be \$56,250 (\$75,000 x 75%).
- The one-time increase in federal expenditures in FY20-21 is estimated to be \$18,750 (\$75,000 x 25%).
- The total increase in state expenditures for FY20-21 is \$2,745,732 (\$2,689,482 + \$56,250).
- The total increase in federal expenditures for FY20-21 is \$915,244 (\$896,494 + \$18,750).
- Local governments may choose to adopt a resolution authorizing such additional benefits for local government employees. The permissive increase in local government expenditures would be funded 100 percent by local government.
- Based on information from TCRS, the total increase of liability to the pension system relative to local employees is estimated to be up to \$2,793,600 assuming all local governments adopt the provisions of this legislation.
- Due to the requirements of the proposed legislation that any estimated pension liability be funded by the granting of the credit in either a lump sum, or through an increase in the employer's contribution rate for a period not to exceed 12 months following the adoption of a resolution to adopt the provisions of this legislation, it is assumed that the cost for local government employees is to be paid during FY20-21.

**CERTIFICATION:**

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



Krista Lee Carsner, Executive Director

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