

PRELIMINARY FISCAL NOTE
SR 36/HR 31

Appropriations Committee
Meeting

May 11, 2015



OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building
Hartford, CT 06106 • (860) 240-0200

E-Mail: ofa@cga.ct.gov
www.cga.ct.gov/ofa

SR 36 and HR 31 - Resolutions Proposing Approval of an Agreement between the State of Connecticut and the State Employees Bargaining Agent Coalition (SEBAC).

Total General Fund (GF) estimated costs associated with this agreement are \$340,000 annually starting in FY 16. However, increased costs to the pension plan attributable to the agreement will not be recognized in the state's actuarially determined employer contribution (ADEC) until FY 18, as the FY 16 and FY 17 ADEC are set based on the June 30, 2014 actuarial valuation.

General Fund (GF) Cost Estimate of Agreement

	FY 16 \$	FY 17 \$	FY 18 \$
State Employee Retirement System (SERS) ¹	340,000	340,000	340,000

¹The increased costs to the pension plan will not be recognized until FY 18.

Member Overview – There are estimated to be 246 members eligible to purchase up to three years of service credit.

State Employee Retirement System – The agreement allows Judicial Marshals to purchase up to three years of past service credit for years prior to 1999, as long as the individual served as a Special Deputy Sheriff¹ for the state for at least one year prior to July 1, 1999. The agreement requires the employee to make all applicable employee contributions based upon their retirement tier and current salary. Eligible members are in Tier II or Tier IIA of SERS. The current employee contribution rate for hazardous duty SERS employees is 4% and 5% of salary respectively. The purchased service will count towards the amount of the individual's benefit and not to years of services for the purposes of eligibility. The benefit formula utilizes years of services as a component of the benefit calculation (provided on the following page). The estimated annual fiscal impact is \$340,000.² The estimated annual fiscal impact reflects the total estimated increase in liability, amortized over the remaining amortization period, or 19 years (as of June 30, 2012).

¹Based on legislative changes enacted in 2000, the Judicial Department must employ judicial marshals for prisoner transport and custody and courthouse security. All special deputy sheriffs performing these functions were allowed to continue their service as Judicial Department employees. The department is required to recognize the bargaining unit of special deputy sheriffs for collective bargaining with the judicial marshals. (OLR Report 2000-R-0534)

²Source: *Actuarial Impact Study*. Cavanaugh Macdonald, February 12, 2013.

Tier II and Tier IIA Hazardous Duty Benefit Formula¹:

50% (.50) for 20 years hazardous duty service	X	Average Salary
PLUS		
2% (.02) X all service over 20 years (which could include service for state jobs not classified as hazardous duty as well as other credited service)	X	Average Salary

¹Source: Office of the State Comptroller <http://www.osc.ct.gov/empret/tier2summ/tier2summ.htm> and <http://www.osc.ct.gov/empret/tier2asumm/tier2asumm.htm>

For example:

Employee retirees with 23 years of hazardous duty service with an average salary of \$48,000.

.50 (for the first 20 years)	X	\$48,000 = \$24,000
PLUS		
.02 X 3 (number of years over 20)	X	\$48,000 = \$2,880
TOTAL ANNUAL BENEFIT	=	\$26,880

¹Source: Office of the State Comptroller <http://www.osc.ct.gov/empret/tier2summ/tier2summ.htm> and <http://www.osc.ct.gov/empret/tier2asumm/tier2asumm.htm>

Under the terms of this agreement the above formula is not altered. The employee may purchase up to 3 years of services for the purposes of calculating the pension benefit only. Therefore any purchased time will be factored into the benefit formula at a rate of 20%.

Funding Availability - SERS costs associated with this agreement do not modify the FY 16 and FY 17 SERS ADEC and therefore additional funding is not required in the FY 16 and FY 17 budget. For FY 18 and thereafter, increase costs to SERS will be reflected in the SERS ADEC, which is required to be funded at the amount calculated by the SERS actuaries and reported in the SERS valuation every two years.