



March 12, 2021

**SUMMARY OF ORIGINAL BILL:** Grants eligibility to a correctional officer employed by a local government retiring after 25 years of service to receive benefits computed as an actuarial equivalent of the retirement allowance that would have been payable under a service retirement allowance. Authorizes the local government for whom the correctional officer is employed to require a correction officer who retires pursuant to this proposed legislation to pay a pro rata share of the cost of any healthcare coverage otherwise provided to members who are 100 percent vested in the service retirement benefit.

**FISCAL IMPACT OF ORIGINAL BILL:**

Other Fiscal Impact - Shifts of payments for retirement benefits from later years to earlier years. The extent and timing of such benefit payment shifts cannot be determined for they are dependent upon unknown factors. However, the net overall impact on retirement plan liability is not significant due to accelerated benefit payments for formative years being offset by equal and reduced benefit payments in later years.

**SUMMARY OF AMENDMENT (004335):** Deletes and replaces all language after the enacting clause such that the only substantive change is to authorize local governments participating in the Tennessee Consolidated Retirement System (TCRS) to adopt a mandatory age of retirement for correctional officers.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase Local Expenditures – Up to \$23,833,200/FY21-22/Permissive**

**Other Fiscal Impact - Shifts of payments for retirement benefits from later years to earlier years. The extent and timing of such benefit payment shifts cannot be determined for they are dependent upon unknown factors. However, the net overall impact on retirement plan liability is not significant due to accelerated benefit payments for formative years being offset by equal and reduced benefit payments in later years.**

Assumptions for the bill as amended:

- The proposed legislation will go into effect January 1, 2022.
- Increasing early retirement options for correctional officers will result in a shift in the overall payment pattern of retirement benefits for correctional officers.
- The precise shift in timing and magnitude of any correctional officers' retirement cannot be reasonably determined.
- Retirement benefits for early retirees will be reduced to the actuarial equivalent resulting in the total benefit collection in a lifetime to be unchanged.
- According to the Department of Treasury no costs have been tracked in association with changes pertinent to Public Chapter 362 of Public Acts 2019, which granted service retirement upon completion of 25 years of creditable service to police officers and firefighters. The Fiscal Review Committee staff cannot confirm that any such costs have been incurred. Therefore, it is assumed that any costs associated with the proposed legislation would be absorbable within existing Department staff and resources.
- Correctional officers will be eligible for supplemental bridge benefits pursuant to Tenn. Code Ann. § 8-36-211.
- According to the United States Bureau of Labor Statistics and the Department of Treasury, there are 1,932 correctional officers participating in the TCRS.
- Local governments may choose to adopt a resolution authorizing additional retirement benefits for local government employees. The permissive increase in local government expenditures would be funded 100 percent by local government.
- 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.
- Furthermore, the number of correctional officers that would be required to retire or choose to retire as a result of this legislation is unknown, but it is estimated that any more experienced correctional officers being replaced by less experienced correctional officers could result in a decrease in expenditures for the local employer of such correctional officers.
- The increase in liability per person from additional benefits as a result of mandatory retirement, should the local employer choose to adopt such, is estimated to be \$12,336.
- It is therefore estimated that up to \$23,833,152 (1,932 x \$12,336) in permissive local government expenditures due to additional retirement benefits being provided.

### **CERTIFICATION:**

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



Bojan Savic, Interim Executive Director

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