

- Employers (state agencies, boards, commissions, universities and colleges) would incur administrative costs associated with processing payroll deductions for employees/members of the retirement systems.
- Employers would also be required, at the election of the member, to make payroll deductions under a tax deferred plan for the purchase of service credit covered by one of the other systems. Some employers may not currently offer tax deferred payroll deduction plans and would incur additional administrative costs for their establishment. *(Please note that the Department of Administrative Services, DAS, already offers this type of plan. It is not clear, however, how many state colleges and universities may be affected.)*

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1999	FY 2000	FUTURE YEARS
Political Subdivisions			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Minimal administrative costs	Minimal administrative costs	Minimal administrative costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Employers (municipalities, counties, school districts, etc.) would incur administrative costs associated with processing payroll deductions for employees/members of the retirement systems.
- Employers would also be required, at the election of the member, to make payroll deductions under a tax deferred plan for the purchase of service credit covered by one of the other systems. Some employers may not currently offer tax deferred payroll deduction plans and would incur additional administrative costs for their establishment.

Detailed Fiscal Analysis

Provisions of the Bill

Under current law applicable to PERS, STRS, and SERS, service credit earned in a retirement system and refunded can only be purchased directly from the system in which it was earned. House Bill 15 would allow members of PERS, STRS, and SERS to purchase service credit covered by one of the other non-uniformed retirement systems through payroll deduction. Purchases made via these means allow members to spread the cost over a period of time rather than in one lump sum payment. House Bill 15 merely changes the *method* of purchasing the service credit, not the cost of the purchase.

The bill also requires that PERS, STRS, and SERS members are given the opportunity to choose the type (pre-tax or after tax) of payroll deduction plan used for purchase of this credit. If the member requests that deductions be made on a pre-tax basis, income taxes due on the amount deducted are deferred until retirement or refund. Payroll deduction plans established for this purpose must be in compliance with the Internal Revenue Code and IRS regulations.¹

Fiscal Impacts

All three systems currently offer a payroll deduction plan to its members. Each system that receives notification from a current member who wishes to purchase credit earned in another system is required to request certification from the former system of the cost of the purchase to the member and must notify the member of the certified amount. In addition, the PERS, STRS, and SERS boards are required to adopt rules to implement these provisions. The three non-uniformed retirement systems will experience minimal additional administrative costs.

Employers would be required, at the election of the member, to make payroll deductions under a tax deferred plan for the purchase of service credit covered by one of the other systems. Although the Department of Administrative Services currently has a tax deferred prior purchase plan for PERS already established, some employers may not currently offer tax deferred payroll deduction plans and would incur additional administrative costs for their establishment as well as the processing of these payroll deductions.

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¹ See Section 414(h)(2) of the Internal Revenue Code. Commonly referred to as “pick-up” plans, the employer pays or “picks up” the contributions on behalf of the employee.