This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 276: Agency Participation Procedures Act of 2015

2015-2016 General Assembly

Committee:	Senate Pensions & Retirement and Aging	**Date:**	July 14, 2015
Introduced by:	Reps. Ross, Gill, Goodman, McNeill	**Prepared by:**	Karen Cochrane-Brown Committee Counsel
Analysis of:	PCS to Third Edition H276-CSRO-24		

SUMMARY: House Bill 276 does the following:

- ***Creates a new procedure for charter schools to participate in the Teachers' and State Employees' Retirement System.***
- ***Directs the Fiscal Research Division to obtain estimate of withdrawal liability for actuarial note on bills that remove an agency from the Retirement System.***
- ***Establishes process and payment calculation for agencies withdrawing from the Retirement Systems.***
- ***Establishes the priority for use of reserved funds in the event of dissolution of a charter school.***
- ***Prohibits granting prior service to new agencies in the Local Governmental Employees Retirement System.***

The Proposed Senate Committee Substitute makes technical corrections and adds a new Section which would amend the contribution based benefit cap purchase provision to allow repayment pursuant to an installment plan.

BILL ANALYSIS:

Section 1 of the bill creates a new procedure for charter schools to participate in the Retirement System by removing the 30-day time limit for charter schools to elect to participate and authorizing the Board of Trustees to approve applications from charter schools. During the first year of operation, charter schools may participate on a provisional basis. After the first year, participation by all charter schools must be approved by the Board of Trustees based on the results of an actuarial and a financial review.

Section 2 of the bill amends the law governing actuarial notes prepared by the Fiscal Research Division in connection with bills that affect a public retirement system. This section directs the Fiscal Research Division to obtain an estimate of cost of the withdrawal liability for any agency if the bill contemplates removing the agency as a participating employer in the Teachers' and State Employees' Retirement System or the Local Governmental Employees' Retirement System.

Section 3 establishes the procedure and payment calculation for agencies withdrawing from the System. The employer must notify its employees and the Board of Trustees, in writing, of its intent to withdraw from the System and the employer must make a lump-sum withdrawal liability payment to the Board. The amount of the payment is the maximum of $1000 or an amount calculated using advice from the consulting actuary to reflect the employer's share of the System's unfunded accrued actuarial liability plus a risk premium to cover the increased actuarial risks for the withdrawing employer's participants until all benefits due these participants have been paid. This section adds new language to statutes governing both the TSERS and LGERS.

Section 4 amends the governing dissolution of a charter school to provide that in the event of a voluntary or involuntary dissolution of a charter school, the funds reserved for closure proceedings shall be applied to pay wages to employees, to funds owed to the Retirement System, and to funds owed to the State Health Plan, in that order.

Section 5 amends the definition of "prior service" in the Local Governmental Employees' Retirement System to disallow service rendered for an employer prior to the time the employer began participation in the Retirement System if the employer's participation began on or after August 1, 2015.

Section 6 limits the requirement that during the first year of his or her employer's participation in the Retirement System, an employee must file a statement of all service rendered to the employer prior to the date of participation in the Retirement System, to employers that began participation in the System prior to November 1, 2015.

Section 7 amends the laws governing the contribution based benefit cap purchase provision (the anti-pension spiking provision) in the TSERS and the LGERS. The change would authorize the Retirement System to allow employers to pay the lump sum amount necessary to restore an affected member's retirement allowance to the pre-cap amount in an installment payment plan.

EFFECTIVE DATE: This act becomes effective January 1, 2016.