# HOUSE BILL 272:
# The Sergeant Mickey Hutchens Act.

*2025-2026 General Assembly*

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| **Committee:** | House State and Local Government. If favorable, re-refer to Rules, Calendar, and Operations of the House | **Date:** | April 8, 2025 |
| **Introduced by:** | Reps. Zenger, Chesser, Pyrtle, Miller | **Prepared by:** | Brad Krehely<br>Committee Co-Counsel |
| **Analysis of:** | PCS to Second Edition<br>H272-CSRNp-7 | | |

***OVERVIEW: House Bill 272 would allow law enforcement officers, probation and parole officers, and correctional officers who hold an Advanced Law Enforcement Certificate or an Advanced Corrections Certificate to purchase up to four years of creditable service in the Retirement System.***

***<u>The Proposed Committee Substitute (PCS) does following: (i) allows the adoption of an anti-selection assumption and surcharge to ensure cost neutrality; (ii) requires the State Treasurer to seek a favorable private letter ruling from the Internal Revenue Service to determine that this act does not jeopardize the status of the Teachers' and State Employees' Retirement System (TSERS) and the Local Government Employees' Retirement System (LGERS); (iii) provides instructions on how to handle an unfavorable IRS ruling; and (iv) changes the effective date.</u>***

**BILL ANALYSIS: Section 1.(a)** would amend the service purchase provisions of the Teachers' and State Employees' Retirement System (TSERS) to allow State employees to purchase up to four years of creditable service if they hold an Advanced Law Enforcement or Corrections Certificate and if they have been a member of TSERS for five or more years. Purchase would only be permitted upon, or after, the employee obtains the certificate. Both the employee and his or her employer would be allowed to pay the costs of purchasing the employee's creditable service.

Creditable service would be purchased by paying a lump sum to the Annuity Savings Fund. If the employer pays for all or part of the purchase price, then the amount paid would be credited to the Pension Accumulation Fund. In the instance where both the employee and the employer contribute to the purchase, the portion paid by the employee would be credited to their accumulated contributions and interest in the Annuity Savings Fund.

The cost of purchase would be equal to the full liability increase of the Retirement System due to the purchase, plus a fee that is set by the Board of Trustees. The liability increase to the Retirement System resulting from the purchase would be calculated using the following assumptions:

- The same assumptions that are used for the actuarial valuation of the Retirement System's liabilities.
- The assumption that the allowance would begin at the earliest age that the employee could retire without a reduced retirement allowance.
- An assumption that would reflect annual postretirement allowance increases and have an assumed anti-selection risk and surcharge.

**Section 1.(b)** would exempt purchases of creditable service made under the new subsection from a current limitation that forbids State employees from receiving more than one year of creditable service for one year of service.

**Section 2.(a)** and **2.(b)** would create the same provisions described in Sections 1.(a) and (b) for the Local Government Employees' Retirement System (LGERS).

**Section 3.(a)** would require the State Treasurer to seek a favorable private letter ruling from the Internal Revenue Service (IRS) to determine that this act does not jeopardize the status of TSERS by January 1 of the following calendar year or within 120 days from this act becoming law, whichever is later.

**Section 3.(b)** would provide that if the IRS does not make a private letter ruling or does not respond by 15 days prior to the effective date of the act, then the act is repealed. The State Treasurer would have to notify the Revisor of Statutes that the IRS declined to make a private letter ruling or did not issue a response. Within three business days of notifying the Revisor of Statutes, the State Treasurer would have to notify all employers that this act was repealed and publicly notice the receipt of this information on the Department of State Treasurer's website.

**Section 3.(c)** would provide that if the IRS fails to make a favorable determination that this act does not jeopardize the status of TSERS under the Internal Revenue Code, then this act is repealed on the last day of the month following the month of receipt of that determination by the State Treasurer. Upon receipt of that determination, the State Treasurer would have to notify the Revisor of Statutes of the determination and the date of receipt. Within three business days of not receiving a determination that is favorable, the State Treasurer would have to notify all employers that this act was repealed and publicly notice the receipt of this information on the Department of State Treasurer's website.

**Section 3.(d)** would permit the Retirement Systems Division of the Department of State Treasurer to do the following to pay costs for administering the act: increase receipts from the retirement assets of TSERS or pay costs associated with the administration directly from the retirement assets.

**Sections 4.(a)-4.(d)** would create the same provisions as described in Sections 3.(a)-(d) for LGERS.

**EFFECTIVE DATE:** Sections 1 and 2 of this act would become effective January 1, 2027. The remainder of the act would be effective when it becomes law.

*Stewart Sturkie, Staff Attorney for the Legislative Analysis Division, contributed substantially to this summary.