

Passage of this bill will allow any employing unit the option to pay the Retirement Office 95 percent of the actuarially determined cost for employees on the state non contributory system to retire after 25 years of service. The employee would contribute the remaining five percent. The bill also provides a window for conversion from the contributory system to the non contributory system. Since these provisions are an option to the employing unit to pay out of existing budgets, there is no fiscal impact on new state funds. However, the Retirement Office has determined a 1.72 percent rate increase in the non contributory system would be required to actuarially fund this benefit. This rate increase equates to the following costs from all funding sources: State - \$7,144,400 Higher Ed. - \$1,571,500 Public Ed. - \$16,127,200. It is also noted that this rate increase is based on the assumption that all employers choose the early retirement plan and that all eligible employees switch to the non contributory system. Rates will vary depending on the number of units that participate. Local governments would require a rate increase of 1.95 percent.

Office of the Legislative Fiscal Analyst