



# Senate Finance Committee

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## HOUSE BILL 876, PN 1446

### BILL SUMMARY

#### Summary of Legislation:

This legislation extends the current 4% employer contribution rate floor established in the State Employees' Retirement code to fiscal year 07/08 and each fiscal year thereafter.

Additional language mandates that the SERS board recertify employer contribution rates for the fiscal year beginning July 1, 2007 within 15 days of the effective date of the legislation. SERS certified the fiscal year 07/08 employer contribution rate on April 25, 2007, and currently has no explicit statutory authority to recertify the rate.

This act is effective immediately.

#### Current Law:

**Title 71 (State Government), Section 5508** – sets forth statutory floors for employer contribution rates. For the fiscal year beginning July 1, 2006, the employer contribution rate floor is 4%. This statutory floor is scheduled to expire on June 30, 2007.

Assuming no legislative changes, current law and actuarial projections would provide for employer contribution rates to drop to approximately 1.91% for FY07/08. For FY08/09 and each of the following three years, the employer contribution rate would be 0.0%. In 2012/13, the employer contribution rate would then spike to 10.24%.

#### Companion Legislation:

The Senate finance Committee unanimously reported Senate Bill 826 (Armstrong) from Committee on May 21, 2007. Senate Bill 826 provides that the employer contribution rate on behalf of active members shall be no less than 4% for each fiscal year after 2006.