

# HB 463 – SB 722

## FISCAL NOTE



Fiscal Review Committee  
Tennessee General Assembly

February 26, 2025

Fiscal Analyst: Elizabeth Bransford | Email: [elizabeth.bransford@capitol.tn.gov](mailto:elizabeth.bransford@capitol.tn.gov) | Phone: 615-741-2564

**SUMMARY OF BILL:** Requires the Board of Trustees of the Tennessee Consolidated Retirement System (TCRS) to convert, from the hybrid plan to the legacy plan, a member of the Tennessee General Assembly's retirement participation upon completion of 10 years of service as a member if the person became a member on or after July 1, 2014. Requires TCRS to provide written notification to the member after the conversion to the legacy plan is complete. Requires the Office of Legislative Administration to notify TCRS upon a member completing 10 years of service as a member of the Tennessee General Assembly. Requires the supplemental medical insurance benefit be made available for such members upon completion of 10 years of service as a member. Effective July 1, 2025 and applies to members completing 10 years of service on or after July 1, 2024.

### FISCAL IMPACT:

STATE GOVERNMENT	
EXPENDITURES	General Fund
FY25-26	\$5,565,000
FY26-27 & Subsequent Years	\$65,000

#### Assumptions:

- Pursuant to Tenn. Code Ann. §§ 8-35-109 and 8-36-903:
  - Any person who becomes an elected or appointed official of the General Assembly on or after July 1, 1983 shall not become a member of the retirement system unless such person elects to become a member of the system and is otherwise eligible for membership;
  - Membership in the hybrid plan or the optional retirement program, as applicable, shall not be required for any part-time state employee;
  - Any person who becomes a part-time state employee on or after July 1, 2016, shall upon initial date of hire file an irrevocable election to become or not to become a participant in the hybrid plan or the optional retirement program; and
  - Any person who becomes a member of the General Assembly on or after July 1, 2016 and who has not otherwise maintained membership in the retirement system based on previous service as a state employee or teacher, shall upon the initial date of taking office, file an irrevocable election to become or not to become a participant in the hybrid plan.
- The proposed legislation transfers the retirement plan of eligible members of the General Assembly from the hybrid plan to the legacy plan.

- According to TCRS, the proposed legislation could potentially affect all 132 members of the General Assembly. However, based on historical data, approximately 38 percent, or 50 (132 x 38%) members of the General Assembly, serve 10 years or more.
- As of June 30, 2024, the number of active General Assembly members participating in the hybrid plan is 67.
- The present value of benefits for eligible members is estimated to increase by \$15,000 per member under the proposed legislation.
- The total increase in overall liability is estimated to be \$750,000 (50 x \$15,000).
- Amortized over a 20-year period, the total increase in state expenditures is estimated to be \$65,033 in FY25-26 and subsequent years.
- The Office of Legislative Administration can notify TCRS of members who complete 10 years of service utilizing existing resources.
- Pursuant to Tenn. Code Ann. § 8-27-209:
  - The State Insurance Committee (Committee) may provide a supplemental medical insurance benefit as the Committee deems necessary and reasonable for retired state employees who are covered by Medicare benefits. Such benefit may be made available to eligible retired state employees, employees of the University of Tennessee, and retired employees of the state university and community college system;
  - The supplemental medical insurance benefit shall not be available to any person otherwise qualified whose initial employment with the state or other qualifying employer commenced on or after July 1, 2015; and
  - The rights of election, transfer, and enrollment shall not be available to any person whose initial employment with the state or other governmental agency qualifying the person for plan membership commenced on or after July 1, 2015.
- The proposed legislation requires the supplemental insurance benefit be made available to any retired senator or representative who completes 10 years of service as a member of the General Assembly on or after July 1, 2024.
- According to the Department of Finance and Administration, expanding such benefit to include General Assembly members completing 10 years of service on or after July 1, 2024, will impact the actuarially determined contribution to fund the State Group Insurance Program. Such impact will result in an estimated one-time increase in state expenditures of \$5,500,000 to prefund the benefit.
- The total increase in state expenditures is estimated to be \$5,565,033 (\$5,500,000 + \$65,033) in FY25-26 and \$65,033 in FY26-27 and subsequent years.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Executive Director