



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 5640

February 28, 2024

SPONSOR (S): Kifowit

SYSTEM: SERS, GARS

FISCAL IMPACT

SERS maintains that in the last 5 years, there have been between 25 and 50 members who have received the free military service credit associated with an active-duty deployment. Additionally, 80-100 SERS members have purchased military service credit. Members in both GARS and SERS must contribute amounts equal to employee contributions, the employer's normal cost, plus interest at 6.5%, compounded annually, from the date of service to the date of payment to establish optional military service credit. Therefore, the cost of expanding military service to include the US Space Force would be minimal.

SUBJECT MATTER: HB 5640 amends the State Employees' Retirement System (SERS) and the General Assembly Retirement System (GARS) articles of the Pension Code to allow the United States Space Force to be included in the definitions of "military service" for purposes of receiving optional military service credit in both retirement systems.

COMMENT: Under current law, SERS and GARS allow for the purchase of optional military service credit. The "military service" definition includes service in the United States Army, Navy, Air Force, Marines or Coast Guard or any women's auxiliary. Service credit under GARS may be from military service during wartime, for which the member need not make any contributions, and the amount of such service credit is unlimited.

In addition, a GARS member can establish up to two years of military service that did not occur during wartime, but the member must make contributions to the system for such service in an amount equal to the employee contribution based on the member's last date as a member of the system before military service commenced, or the employee contribution in effect when the

member rejoined the system after military service, whichever is greater. In addition, the GARS member must contribute an amount equal to the employer's normal cost, plus interest at 6.5%, compounded annually from the date of service to the date of purchase.

Under SERS, a member may receive free, unlimited military service credit with no contributions if all of the following conditions are met: the member was a state employee within six months immediately before entering military service, the member returned as a state employee within 15 months after an honorable discharge, and the member established creditable state service immediately before and after military service. The foregoing provision is available to members for both wartime and peacetime service.

Additionally, a SERS member may receive military service credit for up to 48 months by paying the same employee contributions, employer contributions and interest at 6.5% compounded annually. Under SERS, the service credit purchased cannot exceed five years when combined with the free military credit previously mentioned.

The United States Space Force is a space service branch of the United States Armed Forces and was founded in December of 2019. HB 5640 allows for service in the United States Space Force to be included under the definition of "military service" and therefore, eligible to be considered for the establishment of military service credit under SERS and GARS, as mentioned above.

AO:bs

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