



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5797**

May 8, 2024

SPONSOR (S): Yednock

SYSTEM: SURS

FISCAL IMPACT

HB 5797 would have no impact upon SURS, as the bill only makes clarifying technical changes to allow all community college employees who retire under the defined contribution option to have access to health insurance after retirement. It is not known if any community college annuitants are being denied access to the State Employees Group Health Insurance Act by virtue of not having their defined contribution (DC) benefit “annuitized.” More information will be added to this impact note as it becomes available.

SUBJECT MATTER: HB 5797 amends the State Employees Group Health Insurance Act and the SURS Article of the Pension Code to allow community college retirees under the defined contribution option, known as the Retirement Savings Plan, to qualify for health insurance benefits in retirement regardless of whether or not their retirement benefit is “annuitized” or paid as a lump sum.

COMMENT: Under current law, the State Employees Group Health Insurance Act requires community college retirees to be in receipt of a “monthly retirement annuity” in order to qualify for health insurance benefits. SURS maintains that a literal interpretation of the Group Health Insurance Act serves to exclude certain community college members who retire under the Retirement Savings Plan (RSP), the DC option in SURS. The exclusion arises because some RSP members may not have exercised the option to “annuitize” their retirement benefit; i.e., some may opt for a lump-sum payout at retirement.

In order to circumvent this particular statutory construction, HB 5797 amends the State Employees Group Health Insurance Act to stipulate that an SURS community college member who retires under RSP need not “annuitize” their benefit in order to qualify for retiree health

insurance. The bill also makes a conforming technical change under the SURS Article of the Pension Code to clarify that an RSP retirement annuity commences when the member begins receiving “retirement income,” rather than solely an “annuity payment,” as current law dictates.

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