FISCAL NOTE

Bill #:	HB0063	**Title:**	Disability benefits plan for defined contribution retirement plan
Primary Sponsor:	Tom Dell	**Status:**	As Introduced

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Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:	$0	$0
Revenue:	$0	$0
Net Impact on General Fund Balance:	**$0**	**$0**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:
1. All Public Employee Retirement System (PERS) Defined Benefit (DB) plan members who transfer to the PERS Defined Contribution (DC) plan will be eligible for the disability benefits.
2. This analysis is based on the data, methods, and assumptions contained in the actuarial valuation of the PERS DB system performed as of June 30, 2000.
3. These calculations were made under the assumption that this is the only provision being considered. If other provisions are enacted, the cost associated with this provision may be different.

4. For purposes of this fiscal impact report only, the actuary assumed that members who transfer to the PERS DC plan will have the same demographic characteristics as the average current DB plan. This may be conservative, because members who join the PERS DC plan may be somewhat younger and may have less service than the average current PERS member. As a result they would be expected to have fewer disabilities.
5. The actuarial liability associated with the members that transfer has not been estimated. For example, if a member with ten years of service transfers to the PERS DC plan and immediately becomes disabled, the temporary disability benefit would be based on ten years of service. The actuarial liability associated with these first ten years would not be funded and would need to be amortized over some reasonable time period. The actuarial liability will not be known until the number and demographic characteristics of the PERS DC plan members is determined.
6. The unfunded actuarial liability for the average current PERS DB plan member was estimated assuming this provision applied to the PERS DB plan. The average unfunded actuarial liability was then amortized over a 15-year period. 15 years was chosen because, for a new start-up program, it would be prudent to amortize the unfunded actuarial liability over a period close to the average remaining working lifetime of the members.
7. These cost estimates are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable. Thus, the emerging cost may vary from those presented in this fiscal note to the extent actuarial experience differs from that projected by the actuarial assumptions
8. The normal cost rate for the disability is estimated to be 0.13% of PERS DC plan salaries. In addition, the rate to amortize the average unfunded actuarial liability over a 15-year period is 0.11% of PERS DC plan salaries. The total contribution required to adequately fund the proposed disability provision is 0.24% of PERS DC plan salaries.
9. The PERS DC plan will become effective on July 1, 2002, so this bill will have no affect during FY 2002.
10. The cost for FY 2003 and beyond will be paid from employer contribution and will reduce the amount of employer contribution deposited in the retirement account for each PERS DC member rather than increase the total employer contribution.