



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2015 Biennium

**Bill #** HB0096

**Title:** Provide actuarial funding for PERS, HPORS, GWPORS, SRS retirement systems

**Primary Sponsor:** Wilmer, Franke

**Status:** As Introduced

**Retirement Systems Affected:**

<input type="checkbox"/> Teachers	<input checked="" type="checkbox"/> Public Employees	<input checked="" type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input checked="" type="checkbox"/> Sheriffs	<input type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input checked="" type="checkbox"/> Game Wardens
			<input type="checkbox"/> Judges

Check the box if "Yes".

- Has this legislation been reviewed by the legislative interim committee?
- Has the cost of this legislation been calculated by the system's actuary?
- Does this legislation include full funding for any benefit revisions?

PERS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$5,661,281,000	\$5,661,281,000	\$0
Present Value of Actuarial Assets	\$3,816,920,000	\$3,816,920,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,844,361,000	\$1,844,361,000	\$0
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	11.80%	11.80%	0.00%

PERS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contr Rate prior 7/1/2011	6.90%	6.90%	6.90%	6.90%	6.90%
Employee Contr Rate 7/1/2011	7.90%	7.90%	7.90%	7.90%	7.90%
State and MUS Contribution Rat	7.17%	7.42%	7.67%	7.92%	8.17%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Local Govt Contribution Rate	7.07%	7.32%	7.57%	7.82%	8.07%
State Contribution Rate	0.10%	0.10%	0.10%	0.10%	0.10%
School District Contribution Rat	6.80%	7.05%	7.30%	7.55%	7.80%
State Contribution Rate	0.37%	0.37%	0.37%	0.37%	0.37%
<b>TOTAL Contribution Rate</b>	<b>15.07%</b>	<b>15.32%</b>	<b>15.57%</b>	<b>15.82%</b>	<b>16.07%</b>

HPORS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$167,824,000	\$167,824,000	\$0
Present Value of Actuarial Assets	\$96,655,000	\$96,655,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$71,169,000	\$71,169,000	\$0
Amortization Period (years) of UAAL	49.70	49.70	0.00
Change in normal costs	23.60%	23.60%	0.00%

HPORS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contribution Rate	9.050%	9.050%	9.050%	9.050%	9.050%
Employer Contribution Rate	26.150%	26.400%	26.650%	26.900%	27.150%
State Contribution Rate	10.18%	10.18%	10.18%	10.18%	10.18%
<b>TOTAL Contribution Rate</b>	<b>45.38%</b>	<b>45.63%</b>	<b>45.88%</b>	<b>46.13%</b>	<b>46.38%</b>

SRS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$284,559,000	\$284,559,000	\$0
Present Value of Actuarial Assets	\$211,535,000	\$211,535,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$73,024,000	\$73,024,000	\$0
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	18.73%	18.73%	0.00%

SRS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contribution Rate	9.245%	9.245%	9.245%	9.245%	9.245%
Employer Contribution Rate	10.115%	10.365%	10.615%	10.865%	11.115%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL Contribution Rate</b>	<b>19.36%</b>	<b>19.61%</b>	<b>19.86%</b>	<b>20.11%</b>	<b>20.36%</b>

GWPORS	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$128,927,000	\$128,927,000	\$0
Present Value of Actuarial Assets	\$97,691,000	\$97,691,000	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$31,236,000	\$31,236,000	\$0
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	18.98%	18.98%	0.00%

GWPORS	FY 2013 July 1, 2012	FY 2014 July 1, 2013	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016
Employee Contribution Rate	10.560%	10.560%	10.560%	10.560%	10.560%
Employer Contribution Rate	9.000%	9.250%	9.500%	9.750%	10.000%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL Contribution Rate</b>	<b>19.56%</b>	<b>19.81%</b>	<b>20.06%</b>	<b>20.31%</b>	<b>20.56%</b>

### FISCAL SUMMARY

	FY 2014 <u>Difference</u>	FY 2015 <u>Difference</u>	FY 2016 <u>Difference</u>	FY 2017 <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$516,888	\$1,075,128	\$1,677,202	\$2,325,718
MUS General Fund	\$228,144	\$474,542	\$740,286	\$1,026,529
State Special Revenue	\$459,474	\$955,707	\$1,490,905	\$2,067,386
Federal Special Revenue	\$273,256	\$568,372	\$886,660	\$1,229,503
Proprietary	\$157,327	\$327,240	\$510,495	\$707,886
MUS Tuition/Other	\$231,840	\$482,227	\$752,275	\$1,043,155
Other - SRS counties	\$153,026	\$318,295	\$496,540	\$688,535
Other - Local Govt	\$1,099,167	\$2,286,267	\$3,566,575	\$4,945,652
Other - School Dist	\$380,952	\$792,380	\$1,236,114	\$1,714,076
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other - Pensions	\$3,500,075	\$7,280,159	\$11,357,052	\$15,748,441
<b>Net Impact-General Fund Balance:</b>	<b><u>(\$745,032)</u></b>	<b><u>(\$1,549,670)</u></b>	<b><u>(\$2,417,488)</u></b>	<b><u>(\$3,352,247)</u></b>

**Description of fiscal impact:** HB96 improves the actuarial funding of PERS, SRS, GWPORS, and HPORS by providing a temporary increase in employer contributions rates by 1% of payroll phased in over a four-year period. Employer contributions would increase over current rates by 0.25% July 1, 2013; 0.50% July 1, 2014; 0.75% July 1, 2015; 1.0% July 1, 2016 (and later).

## FISCAL ANALYSIS

### Assumptions:

1. The actuary performed these calculations based upon the data, actuarial methods, and assumptions used in the Actuarial Valuations of the PERS, SRS, GWPORS, and HPRS as of June 30, 2012.
2. Salary projections are based on the actuarial assumed payroll growth assumption of 4%.
3. All actuarial assumptions will be realized, including the investment return assumption of 7.75%.
4. There have been no adjustments for actuarial gains and losses or for changes in membership or financial data since the last valuation as of June 30, 2012.
5. The fiscal impact presented in the report assumes that this bill is the only amendment being considered. If other changes are also adopted, the fiscal impact associated with this bill could be different.
6. For PERS and SRS, these additional contributions are in addition to the temporary contributions of 0.27% and 0.58% respectively which are required by current law.
7. If the amortization period for a particular system were to fall below 25 years, then the additional temporary contributions would be discontinued unless the discontinuance would cause the amortization period to exceed 25 years.
8. The projections do not adjust for potential discontinuation of the temporary contribution in the event that the amortization period for a particular system falls below 25 years.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Benefits	\$3,500,075	\$7,280,159	\$11,357,052	\$15,748,441
<b>TOTAL Expenditures</b>	<b>\$3,500,075</b>	<b>\$7,280,159</b>	<b>\$11,357,052</b>	<b>\$15,748,441</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$516,888	\$1,075,128	\$1,677,202	\$2,325,718
MUS General Fund	\$228,144	\$474,542	\$740,286	\$1,026,529
State Special Revenue (02)	\$459,474	\$955,707	\$1,490,905	\$2,067,386
Federal Special Revenue (03)	\$273,256	\$568,372	\$886,660	\$1,229,503
Proprietary	\$157,328	\$327,241	\$510,495	\$707,887
MUS Tuition/Other	\$231,840	\$482,227	\$752,275	\$1,043,155
Other - SRS counties	\$153,026	\$318,295	\$496,540	\$688,535
Other - Local Govt	\$1,099,167	\$2,286,267	\$3,566,575	\$4,945,652
Other - School Dist	\$380,952	\$792,380	\$1,236,114	\$1,714,076
<b>TOTAL Funding of Exp.</b>	<b>\$3,500,075</b>	<b>\$7,280,159</b>	<b>\$11,357,052</b>	<b>\$15,748,441</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other - Pensions	\$3,500,075	\$7,280,159	\$11,357,052	\$15,748,441
<b>TOTAL Revenues</b>	<b>\$3,500,075</b>	<b>\$7,280,159</b>	<b>\$11,357,052</b>	<b>\$15,748,441</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	(\$745,032)	(\$1,549,670)	(\$2,417,488)	(\$3,352,247)
State Special Revenue (02)	(\$459,474)	(\$955,707)	(\$1,490,905)	(\$2,067,386)
Federal Special Revenue (03)	(\$273,256)	(\$568,372)	(\$886,660)	(\$1,229,503)
Proprietary (06)	(\$157,328)	(\$327,241)	(\$510,495)	(\$707,887)

**Effect on Local Governments:**

1. Local government and school districts estimated contributions over the next four years are as follows:

Fiscal Year	2014	2015	2016	2017
Employer Contributions	\$ 1,633,145	\$ 3,396,942	\$ 5,299,229	\$ 7,348,263

**Long-Term Impacts:**

1. Even though there is little if no impact on current valuation results, the longer term effects of the amendment will have a positive impact on the funded status of the plan.

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Sponsor's Initials

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Date

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Budget Director's Initials

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Date