



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2015 Biennium

<b>Bill #</b>	HB0175	<b>Title:</b>	Include dispatchers in the sheriffs' retirement system
<b>Primary Sponsor:</b>	Wilmer, Franke	<b>Status:</b>	As Introduced

**Retirement Systems Affected:** ☐ Teachers ☒ Public Employees ☐ Highway Patrol ☐ Police  
☒ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ 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	\$5,642,303,000	(\$18,978,000)
Present Value of Actuarial Assets	\$3,816,920,000	\$3,805,908,000	(\$11,012,000)
Unfunded Actuarial Accrued Liability (UAAL)	\$1,844,361,000	\$1,836,395,000	(\$7,966,000)
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	11.80%	11.80%	0.00%

<b>PERS</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
	<b>July 1, 2012</b>	<b>July 1, 2013</b>	<b>July 1, 2014</b>	<b>July 1, 2015</b>	<b>July 1, 2016</b>
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%	7.17%	7.17%	7.17%	7.17%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Local Govt Contribution Rate	7.07%	7.07%	7.07%	7.07%	7.07%
State Contribution Rate	0.10%	0.10%	0.10%	0.10%	0.10%
School District Contribution Rat	6.80%	6.80%	6.80%	6.80%	6.80%
State Contribution Rate	0.37%	0.37%	0.37%	0.37%	0.37%
<b>TOTAL Contribution Rate</b>	<b>15.07%</b>	<b>15.07%</b>	<b>15.07%</b>	<b>15.07%</b>	<b>15.07%</b>

<b>SRS</b>	<b>July 1, 2012</b>	<b>July 1, 2012</b>	<b>Increase/</b>
	<b>Current System</b>	<b>With Changes</b>	<b>(Decrease)</b>
Present Value of Actuarial Accrued Liability	\$284,559,000	\$304,755,000	\$20,196,000
Present Value of Actuarial Assets	\$211,535,000	\$223,475,000	\$11,940,000
Unfunded Actuarial Accrued Liability (UAAL)	\$73,024,000	\$81,280,000	\$8,256,000
Amortization Period (years) of UAAL	dna	dna	0.00
Change in normal costs	18.73%	18.73%	0.00%

<b>SRS</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
	<b>July 1, 2012</b>	<b>July 1, 2013</b>	<b>July 1, 2014</b>	<b>July 1, 2015</b>	<b>July 1, 2016</b>
Employee Contribution Rate	9.245%	9.245%	9.245%	9.245%	9.245%
Employer Contribution Rate	10.115%	10.115%	10.115%	10.115%	10.115%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL Contribution Rate</b>	<b>19.36%</b>	<b>19.36%</b>	<b>19.36%</b>	<b>19.36%</b>	<b>19.36%</b>

**FISCAL SUMMARY**

	<b><u>FY 2014 Difference</u></b>	<b><u>FY 2015 Difference</u></b>	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>
<b>Expenditures:</b>				
General Fund-0.1% for LG	(\$14,785)	(\$15,376)	(\$15,991)	(\$16,631)
State Special Revenue - MHP	\$40,937	\$42,574	\$44,277	\$46,048
Federal Special Revenue	\$0	\$0	\$0	\$0
Other-MUS	\$17,367	\$18,062	\$18,784	\$19,536
Other-Local Governments	\$450,204	\$468,212	\$486,941	\$506,418
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other-PERS	(\$1,202,036)	(\$1,250,118)	(\$1,300,122)	(\$1,352,127)
Other-SRS	\$1,695,760	\$1,763,590	\$1,834,133	\$1,907,499
<b>Net Impact-General Fund Balance:</b>	<b><u>\$14,785</u></b>	<b><u>\$15,376</u></b>	<b><u>\$15,991</u></b>	<b><u>\$16,631</u></b>

**Description of fiscal impact:** HB 175 will allow Public Safety Communications Officers (911 dispatchers) employed on July 1, 2013 to elect to remain in the Public Employee Retirement System (PERS) or transfer from PERS to the Sheriff's Retirement System (SRS) and requires all new hires as of the same date to become members of SRS. All current dispatchers would have 90 days to make the election.

**FISCAL ANALYSIS****Assumptions:**

1. 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.
2. Most dispatchers will move from a 30-year to a 20-year system and will pay a higher employee contribution rate in SRS than was paid in PERS.
3. Employers will pay a higher contribution rate in SRS.
4. The 0.1% general fund supplemental contribution made to PERS by the state for local governments will no longer occur for those employees that move from PERS to SRS. The state does not make a supplemental contribution to SRS so there will be a reduced cost for those that move from PERS to SRS.
5. The employer contribution is higher for SRS than PERS. Most dispatchers that work for the state at the Department of Justice would opt to move to the SRS causing an increase in state special revenue expenditures for employer contributions.
6. 911 dispatchers who are in PERS as of July 1, 2013 may elect to become members of SRS by filing an election by October 1, 2013.
7. Each 911 dispatcher who is a member of PERS as of July 1, 2013, will have four options:
  - 1) Elect to remain in PERS,
  - 2) Leave the PERS member account in PERS and commence participation in SRS for future service only,
  - 3) Transfer the PERS member account to SRS and receive proportional service in SRS, or
  - 4) Transfer the PERS member account to SRS and make an out-of-pocket purchase of all PERS service in SRS.

8. If the PERS member account is transferred to SRS, an employer asset transfer will also be made.
9. All future new 911 dispatchers will participate in SRS.
10. MPERA provided the actuary a current census of 911 dispatchers in PERS which included 382 member records from 41 employers that submitted data out of a total of 53 employers. Because a substantial number of employers did not provide data, the actuary started with the results from the analysis performed for HB 328 during the 2011 legislative session. The results were then adjusted with the data that was supplied this year by the 41 employers.
11. The demographics of the 911 dispatcher population were assumed to remain relatively similar to those of the population used for the actuarial analysis performed for HB 328 in 2011.
12. For each member who matched the valuation file for the June 30, 2012 valuation, the actuary ran four valuations corresponding to the four choices available as described above. The actuary assumed that each member would choose the option providing the best economic outcome to the member and then summarized the results. The PERS and SRS valuation results were adjusted to reflect asset and liability transfers as well as any expected out-of-pocket payments to SRS for service purchases. For the great majority of members, Option 3 was used. To the extent that actual elections are different than assumed, the transferred amounts could be substantially different.
13. The total payroll for the dispatchers is estimated to be \$15.5 million. Therefore, to project dollar results, covered payroll was assumed to decrease in PERS by this amount and increase in SRS by the same amount.
14. The total payroll will increase at the actuarial assumed rate of 4%.
15. 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.
16. For PERS it has been assumed that the additional contributions of 0.27% of payroll that became fully effective on July 1, 2009 will continue to be in effect. For SRS, it has been assumed that the additional contributions of 0.58% of payroll that became fully effective on July 1, 2009 will continue to be in effect.
17. The actuarial valuations are available on the MPERA website <http://mpera.mt.gov/actuarialValuations.asp>
18. This legislation assumes that the employers will finance the entire cost of the proposal.

	<b><u>FY 2014 Difference</u></b>	<b><u>FY 2015 Difference</u></b>	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$493,723	\$513,472	\$534,011	\$555,371
<b>TOTAL Expenditures</b>	<b>\$493,723</b>	<b>\$513,472</b>	<b>\$534,011</b>	<b>\$555,371</b>

<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	(\$14,785)	(\$15,376)	(\$15,991)	(\$16,631)
State Special Revenue (02)	\$40,937	\$42,574	\$44,277	\$46,048
Other-MUS	\$17,367	\$18,062	\$18,784	\$19,536
Other-Local Governments	\$450,204	\$468,212	\$486,941	\$506,418
<b>TOTAL Funding of Exp.</b>	<b>\$493,723</b>	<b>\$513,472</b>	<b>\$534,011</b>	<b>\$555,371</b>

<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other-MUS	\$0	\$0	\$0	\$0
Other-PERS	(\$1,202,036)	(\$1,250,118)	(\$1,300,122)	(\$1,352,127)
Other-SRS	\$1,695,760	\$1,763,590	\$1,834,133	\$1,907,499
<b>TOTAL Revenues</b>	<b>\$493,724</b>	<b>\$513,472</b>	<b>\$534,011</b>	<b>\$555,372</b>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$14,785	\$15,376	\$15,991	\$16,631
State Special Revenue (02)	(\$40,937)	(\$42,574)	(\$44,277)	(\$46,048)
Other - MUS	(\$17,367)	(\$18,062)	(\$18,784)	(\$19,536)
Other-PERS Trust	(\$1,202,036)	(\$1,250,118)	(\$1,300,122)	(\$1,352,127)
Other-SRS Trust	\$1,695,760	\$1,763,590	\$1,834,133	\$1,907,499

**Effect on Local Governments:**

- For local governments that employ dispatchers that transfer to SRS, the employer rate would increase by 3.045% (10.115% - 7.07% = 3.045%).

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Counties	325,789	338,820	352,373	366,468
Cities	124,415	129,392	134,568	139,950

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