



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2015 Biennium

**Bill #** HB0336

**Title:** Generally revise highway patrol retirement system laws

**Primary Sponsor:** Gibson, Steve

**Status:** As Introduced

- Retirement Systems Affected:**
- |                                   |   |  |                                       |
|-----------------------------------|---|--|---------------------------------------|
| <input type="checkbox"/> Teachers | <input type="checkbox"/> Public Employees | <input checked="" type="checkbox"/> Highway Patrol | <input type="checkbox"/> Police       |
| <input type="checkbox"/> Sheriffs | <input type="checkbox"/> Firefighters     | <input type="checkbox"/> Volunteer Firefighters    | <input type="checkbox"/> Game Wardens |
|                                   |   | <input 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?

	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
(Dollar Amounts in Thousands)			
Present Value of Actuarial Accrued Liability	\$167,824	\$170,090	\$2,266
Present Value of Actuarial Assets	\$96,655	\$96,655	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$71,169	\$73,435	\$2,266
Amortization Period (years) of UAAL	49.70	47.30	(2.40)
Change in normal costs	45.38%	47.38%	2.00%

	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	9.05%	10.05%	11.05%	12.05%	13.05%
Employer Contribution Rate	26.15%	28.15%	28.15%	28.15%	28.15%
State Contribution Rate	10.18%	10.18%	10.18%	10.18%	10.18%
TOTAL Contribution Rate	45.38%	48.38%	49.38%	50.38%	51.38%

### FISCAL SUMMARY

	<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>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue - HPORS	\$294,577	\$306,360	\$318,615	\$331,359
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other - HPORS from ER	\$294,577	\$306,360	\$318,615	\$331,359
Other - HPORS from EE	\$147,289	\$306,360	\$477,922	\$662,718
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 336 would amend the statutes for HPORS and be effective July 1, 2013. This bill would increase employee contributions 1% each year over the course of four years; it would increase the employer contributions by 2%; the benefit multiplier would be increased for all members; the GABA would be reduced to 1.5% with a 3 year waiting period for new hires and it would increase the years of membership service for a new member to purchase service credit or receive a retirement benefit.

### FISCAL ANALYSIS

**Assumptions:**

1. The following changes would be effective for new members July 1, 2013.
  - a. GABA would be reduced to 1.5% and would not commence until the January 1 following 36 months of retirement.
  - b. The vesting period and eligibility for early retirement would be increased from 5 to 10 years.
2. The following changes would be effective for all members effective July 1, 2013
  - a. Member contribution rates would be increased a total of 4% of compensation in increments of 1% per year beginning FY 2014 and ending FY 2017.
  - b. Employer contributions would be increased by 2% of compensation.
  - c. The multiplier for benefits would be increased from 2.5% to 2.6%
3. A plan that can amortize its unfunded actuarial liability within 30 years is considered to be actuarially sound.
4. The actuary has projected the impacts of the changes out 30 years (to 2043).
5. The amortization period at July 1, 2012 is 49.7 years. With the changes in HB336, the amortization period is projected to be 24.9 in 5 years and a surplus is projected in 30 years.
6. The ARC shortfall of 5.78% becomes an ARC surplus by 2018.
7. The funded ratio grows to be in excess of 100% in 30 years.
8. The fiscal impact presented by the actuary 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.
9. 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.
10. The actuarial calculations are based upon the data, actuarial methods and assumptions as were used in the Actuarial Valuations of the systems as of June 30, 2012.

11. The assumptions are based on the likely future experience of the systems and represent a best estimate for future experience. The results are dependent upon future experience conforming to the assumptions used.

	<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>				
Personal Services	\$294,577	\$306,360	\$318,615	\$331,359
<b>TOTAL Expenditures</b>	<u>\$294,577</u>	<u>\$306,360</u>	<u>\$318,615</u>	<u>\$331,359</u>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$294,577	\$306,360	\$318,615	\$331,359
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$294,577</u>	<u>\$306,360</u>	<u>\$318,615</u>	<u>\$331,359</u>
<b><u>Revenues:</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other-HPORS from ER	\$294,577	\$306,360	\$318,615	\$331,359
Other-HPORS from EE	\$147,289	\$306,360	\$477,922	\$662,718
<b>TOTAL Revenues</b>	<u>\$441,866</u>	<u>\$612,720</u>	<u>\$796,537</u>	<u>\$994,077</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$294,577)	(\$306,360)	(\$318,615)	(\$331,359)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Other- HPORS Trust	\$441,866	\$612,720	\$796,537	\$994,077

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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*