Pension Fund Fiscal Note 2015 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	HB0476	**Title:**	Add cost of living adjustment for volunteer firefighters
Primary Sponsor:	Curtis, Amanda	**Status:**	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?

(Dollar Amounts in Thousands)	July 1, 2012 Current System	July 1, 2012 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	$36,644	$42,652	$6,008
Present Value of Actuarial Assets	$26,531	$26,531	$0
Unfunded Actuarial Accrued Liability (UAAL)	$10,113	$16,121	$6,008
Amortization Period (years) of UAAL	10.00	26.20	16.20
Change in normal cost amount	$ 199.00	$ 234.00	$ 35.00

	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016
Employee Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Employer Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
State Contribution Rate	5.00%	5.00%	5.00%	5.00%	5.00%
TOTAL Contribution Rate	5.00%	5.00%	5.00%	5.00%	5.00%

FISCAL SUMMARY

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Other - VFCA additional benefits	$55,383	$59,165	$57,747	$59,461
Revenue:				
General Fund	$0	$0	$0	$0
Other - VFCA Trust	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	$0	$0

Description of fiscal impact: Effective July 1, 2013, HB 476 provides for a 2% annual post retirement benefit adjustment for Volunteer Firefighters' Compensation Act (VFCA) retirees based on the preceding January benefit.

FISCAL ANALYSIS

Assumptions:

1. HB 476 would increase the amortization period above 20 years initially, although it again falls below 20 years within 5 years of implementation of the bill.
2. Current law provides that when the amortization period is more than 20 years, then benefits are to be based upon a maximum of 30 years of service. This adjustment has not been reflected in the reductions in benefits to this maximum service period within these calculations since the amortization period would be expected to return to under 20 years within a five year period.
3. 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.
4. Prior to calculating the effects of HB 476, the 2012 actuarial valuation was adjusted for the changes in data related to the Crossman lawsuit.
5. 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.
6. The active plan members will remain demographically similar to the June 30, 2012 actuarial valuation.
7. All actuarial assumptions will be exactly realized including the assumption that plan assets will earn 7.75% per annum on market value.
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. The state is the only contributor to VFCA, which results in the use of alternate amortization methods as compared to other retirement systems. For VFCA, the UAAL is amortized over 20 years (not the standard 30 years) and the amortization method is level dollar amount (instead of level percent of pay).
10. The COLA is calculated as a compounded adjustment every year as opposed to being calculated on the base benefit every year.

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Fiscal Impact:				
Expenditures:				
VFCA Benefits	$55,383	$59,165	$57,747	$59,461
TOTAL Expenditures	$55,383	$59,165	$57,747	$59,461
Funding of Expenditures:				
Other - VFCA Trust	$55,383	$59,165	$57,747	$59,461
TOTAL Funding of Exp.	$55,383	$59,165	$57,747	$59,461
Revenues:				
Other - VFCA Trust	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
Other - VFCA Trust	($55,383)	($59,165)	($57,747)	($59,461)

Technical Notes:

1. MPERA recommends codification of the COLA in part 7 rather than within part 4. This is similar to other chapters administered by MPERA in that the post retirement benefit is in a separate part.
2. HB 476 is not consistent with current law and ARM 2.43.5004. Currently, the November benefit is adjusted in relation to the actuarial valuation results of the plan being over or under 20 years. HB 476 requires the COLA to be calculated based on the prior January benefit.

Sponsor's Initials *Date* *Budget Director's Initials* *Date*