



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2023 Biennium

Bill # HB0059

Title: Revise funding provisions in PERS

Primary Sponsor: Hamilton, Jim

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?

	July 1, 2020 Current System	July 1, 2020 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$8,234,002,983	\$8,234,002,983	↕ \$0
Present Value of Actuarial Assets	\$6,099,398,162	\$6,099,398,162	↕ \$0
Unfunded Actuarial Accrued Liability (UAAL)	\$2,134,604,821	\$2,134,604,821	↕ \$0
Amortization Period (years) of UAAL	35.00	25.00	↕ 10.00
Change in normal costs	9.81%	9.81%	↕ 0.00%

	FY 2021 July 1, 2020	FY 2022 July 1, 2021	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024
Employee Contribution Rate	7.90%	7.90%	7.90%	7.90%	7.90%
State & MUS Employer Contribution R:	8.87%	10.44%	10.44%	10.44%	10.44%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Local Govt Contribution Rate	↕ 8.77%	↕ 10.34%	↕ 10.34%	↕ 10.34%	↕ 10.34%
State Contribution Rate	0.10%	0.10%	0.10%	0.10%	0.10%
School District Contribution Rate	↕ 8.50%	↕ 10.07%	↕ 10.07%	↕ 10.07%	↕ 10.07%
State Contribution Rate	0.37%	0.37%	0.37%	0.37%	0.37%
TOTAL Contribution Rate	↕ 16.77%	↕ 18.34%	↕ 18.34%	↕ 18.34%	↕ 18.34%

FISCAL SUMMARY

	FY 2022	FY 2023	FY 2024	FY 2025
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:				
General Fund	\$4,165,456	\$4,311,247	\$4,462,141	\$4,618,315
State Special Revenue	\$3,410,181	\$3,529,537	\$3,653,071	\$3,780,929
Federal Special Revenue	\$2,311,599	\$2,392,505	\$2,476,243	\$2,562,911
Proprietary	\$1,556,324	\$1,610,796	\$1,667,173	\$1,725,524
Other-University	\$2,022,475	\$2,093,262	\$2,166,526	\$2,242,355
Other	\$12,400,619	\$12,834,640	\$13,283,853	\$13,748,788
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Other-Pension Trust	\$25,866,654	\$26,771,987	\$27,709,007	\$28,678,822
Net Impact-General Fund Balance:	<u>(\$4,165,456)</u>	<u>(\$4,311,247)</u>	<u>(\$4,462,141)</u>	<u>(\$4,618,315)</u>

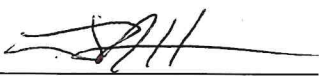

Description of fiscal impact: HB 59 increases the employer contribution rates by 1.57% to improve the actuarial soundness of PERS.

FISCAL ANALYSIS

Assumptions:

1. The actuary performed these calculations based upon the data, actuarial methods and assumptions used in the Actuarial Valuations of PERS as of June 30, 2020.
2. Salary projections are based on the actuarial assumed payroll growth assumption of 3.5%.
3. All actuarial assumptions will be realized, including the investment return assumption of 7.65%
4. There have been no adjustments for actuarial gains or losses or for changes in membership or financial data since the last valuation as of June 30, 2020.
5. The numbers above show the cost of the 1.57% increase based on payroll submitted to MPERA.
6. The amounts above also include the defined contribution plan increase of 1.57% which amount to:
 - a. 2022- \$2,958,175
 - b. 2023- \$3,061,712
 - c. 2024- \$3,168,872
 - d. 2025-\$3,279,782
7. 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.
8. The current employer contribution rate is 8.87%. Per 19-3-316 MCA, employer contribution rate went from 6.9% in 2014 to 8.17% in 2020 with an additional .1% increase each year until 2024.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
TOTAL Expenditures	\$25,866,654	\$26,771,987	\$27,709,007	\$28,678,822
	<u>\$25,866,654</u>	<u>\$26,771,987</u>	<u>\$27,709,007</u>	<u>\$28,678,822</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$4,165,456	\$4,311,247	\$4,462,141	\$4,618,315
State Special Revenue (02)	\$3,410,181	\$3,529,537	\$3,653,071	\$3,780,929
Federal Special Revenue (03)	\$2,311,599	\$2,392,505	\$2,476,243	\$2,562,911
Proprietary	\$1,556,324	\$1,610,796	\$1,667,173	\$1,725,524
Other - University	\$2,022,475	\$2,093,262	\$2,166,526	\$2,242,355
Other- City	\$3,115,276	\$3,224,311	\$3,337,162	\$3,453,962
Other- Consolidated Govt	\$416,774	\$431,361	\$446,459	\$462,085
Other - Counties	\$4,659,698	\$4,822,787	\$4,991,584	\$5,166,290
Other - Local Govt	\$1,216,045	\$1,258,606	\$1,302,658	\$1,348,251
Other - School Dist	\$2,992,826	\$3,097,575	\$3,205,990	\$3,318,200
TOTAL Funding of Exp.	<u>\$25,866,654</u>	<u>\$26,771,987</u>	<u>\$27,709,007</u>	<u>\$28,678,822</u>
<u>Revenues:</u>				
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	\$25,866,654	\$26,771,987	\$27,709,007	\$28,678,822
TOTAL Revenues	<u>\$25,866,654</u>	<u>\$26,771,987</u>	<u>\$27,709,007</u>	<u>\$28,678,822</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(4,165,456)	(4,311,247)	(4,462,141)	(4,618,315)
State Special Revenue (02)	(3,410,181)	(3,529,537)	(3,653,071)	(3,780,929)
Federal Special Revenue (03)	(2,311,599)	(2,392,505)	(2,476,243)	(2,562,911)

 <hr/> Sponsor's Initials	1/6/21 <hr/> Date	 <hr/> Budget Director's Initials	1/4/21 <hr/> Date
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