



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2023 Biennium

<b>Bill #</b>	SB0175	<b>Title:</b>	Generally revise contributions to the judges' retirement system
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<b>Primary Sponsor:</b>	Kary, Douglas (Doug)	<b>Status:</b>	As Introduced
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**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	\$67,934,098	\$67,934,098	\$0
Present Value of Actuarial Assets	\$110,638,941	\$110,638,941	\$0
Unfunded Actuarial Accrued Liability (UAAL)	(\$42,704,843)	(\$42,704,843)	\$0
Amortization Period (years) of UAAL	0.00	0.00	0.00
Change in normal costs	16.86%	16.86%	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	7.00%	7.00%	7.00%	7.00%	7.00%
Employer Contribution Rate	25.81%	0.00%	0.00%	14.00%	14.00%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL Contribution Rate</b>	<b>32.81%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>21.00%</b>	<b>21.00%</b>

### FISCAL SUMMARY

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
<b>Expenditures:</b>				
General Fund	(\$2,159,101)	(\$2,159,102)	(\$1,084,377)	(\$1,122,331)
State Special Revenue	(\$36,826)	(\$36,826)	(\$16,851)	(\$16,851)
Other	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	(\$36,826)	(\$36,826)	(\$16,851)	(\$16,851)
Other - Pension Trust	(\$2,159,101)	(\$2,159,102)	(\$1,084,377)	(\$1,122,331)
<b>Net Impact-General Fund Balance:</b>	<u>\$2,159,101</u>	<u>\$2,159,102</u>	<u>\$1,084,377</u>	<u>\$1,122,331</u>

**Description of fiscal impact:** HB 175 proposes to temporarily suspend the Judges’ Retirement System employer contributions beginning the first full pay period in FY 22 through the last full pay period in FY 23. Beginning July 1, 2023, the state shall pay employer contributions at 14% of compensation.

### FISCAL ANALYSIS


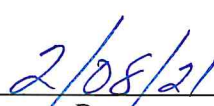


**Assumptions:**

1. The actuary performed these calculations based upon the data, actuarial methods and assumptions used in the actuarial valuations in JRS 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. Employer contributions suspended with the first full pay period of July 1, 2021 thru June 30, 2023 total \$4.4 million.
5. Employer contribution amounts will be reduced to 14% effective July 1, 2023.
6. If funded ratio of the plan drops below 120% based on the most recent available actuarial study, the employer contribution rate must be increased to 25.81%.
7. As of 6/30/2023, the funding ratio will be 161% with the two-year suspension of employer contributions and assuming current assumptions.
8. 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.
9. 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.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	(\$2,159,101)	(\$2,159,102)	(\$1,084,377)	(\$1,122,331)
Transfers	(\$36,826)	(\$36,826)	(\$16,851)	(\$16,851)
<b>TOTAL Expenditures</b>	<u>(\$2,195,927)</u>	<u>(\$2,195,928)</u>	<u>(\$1,101,228)</u>	<u>(\$1,139,182)</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (Judiciary) HB 2	(\$2,122,275)	(\$2,122,276)	(\$1,101,228)	(\$1,139,182)
Gen Fund Transfer (Water Cour	(\$36,826)	(\$36,826)	(\$16,851)	(\$16,851)
State Special Revenue (02)	(\$36,826)	(\$36,826)	(\$16,851)	(\$16,851)
Other	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>(\$2,195,927)</u>	<u>(\$2,195,928)</u>	<u>(\$1,134,930)</u>	<u>(\$1,172,884)</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$36,826)	(\$36,826)	(\$16,851)	(\$16,851)
Other- Pensions	(\$2,159,101)	(\$2,159,102)	(\$1,118,079)	(\$1,156,033)
<b>TOTAL Revenues</b>	<u>(\$2,195,927)</u>	<u>(\$2,195,928)</u>	<u>(\$1,134,930)</u>	<u>(\$1,172,884)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$2,159,101	\$2,159,102	\$1,118,079	\$1,156,033
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	(\$2,159,101)	(\$2,159,102)	(\$1,118,079)	(\$1,156,033)

**Technical Notes:**

1. Budget reductions related to eliminating the contributions to the Judges’ Retirement System for FY 2022 and FY 2023 are included in the Governor’s proposed HB 2 budget for the 2023 biennium and are contingent upon passage of SB 175.
2. The estimates for FY 24 and FY 25 are based on the current elected official salary survey and actuarial estimates. Actual savings in future years may be different from what is shown in this fiscal note depending on the results of the next salary survey and actuarial experience.
3. The proposed reduction in ongoing employer share results in an actuarial estimate that provides for the funded ratio to continue to grow, and an amortization period of no greater than zero.

 _____ Sponsor's Initials	 _____ Date	 _____ Budget Director's Initials	 _____ Date
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