



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2025 Biennium

Bill information:

HB0569 - Generally revise pension laws (Moore, Terry)

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?

HPORS	July 1, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$273,240,808	\$273,240,808	\$0
Present Value of Actuarial Assets	\$179,360,586	\$179,360,586	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$93,880,222	\$93,880,222	\$0
Amortization Period (years) of UAAL	47.00	25.00	(22.00)
Change in normal costs	0.00%	0.00%	0.00%

GWPORS	July 1, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$320,475,204	\$320,475,204 [▼]	\$0
Present Value of Actuarial Assets	\$266,067,351	\$266,067,351 [▼]	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$54,407,853	\$54,407,853 [▼]	\$0
Amortization Period (years) of UAAL	DNA	25.00	(25.00)
Change in normal costs	0.00%	0.00%	0.00%

SRS	July 1, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$597,118,496	\$597,118,496 [▼]	\$0
Present Value of Actuarial Assets	\$469,548,805	\$469,548,805 [▼]	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$127,569,691	\$127,569,691 [▼]	\$0
Amortization Period (years) of UAAL	33.00	25.00 [▼]	(8.00)
Change in normal costs	0.00%	0.00%	0.00%

JRS

	July 1, 2022 Current System	July 1, 2022 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$72,922,865	\$72,922,865 ▼	\$0
Present Value of Actuarial Assets	\$126,814,789	\$126,814,789 ▼	\$0
Unfunded Actuarial Accrued Liability (UAAL) ▼	(\$53,891,924) ▼	(\$53,891,924) ▼	\$0
Amortization Period (years) of UAAL	0.00	0.00 ▼	0.00
Change in normal costs	0.00%	0.00%	0.00%

HPORS

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	13.05%	13.05%	13.05%	13.05%	13.05%
Employer Contribution Rate	28.15%	43.48%	35.91%	34.75%	38.60%
State Contribution Rate	10.18%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate ▼	51.38% ▼	56.53% ▼	48.96% ▼	47.80%	51.65%

GWPORS

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	10.56%	10.56%	10.56%	10.56%	10.56%
Employer Contribution Rate	9.00%	13.65%	9.58%	9.11%	10.97%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate ▼	19.56% ▼	24.21% ▼	20.14% ▼	19.67% ▼	21.53%

SRS

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	10.495%	10.495%	10.495%	10.495%	10.495%
Employer Contribution Rate	13.115%	13.385%	12.152%	11.629%	13.516%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate ▼	23.61% ▼	23.88% ▼	22.65% ▼	22.12% ▼	24.01%

JRS

	FY 2023 July 1, 2022	FY 2024 July 1, 2023	FY 2025 July 1, 2024	FY 2026 July 1, 2025	FY 2027 July 1, 2026
Employee Contribution Rate	7.00%	7.00%	7.00%	7.00%	7.00%
Employer Contribution Rate	0.00%	14.00%	0.00%	0.00%	0.00%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL Contribution Rate ▼	7.00% ▼	21.00% ▼	7.00% ▼	7.00% ▼	7.00%

FISCAL SUMMARY							
	FY 2024		FY 2025		FY 2026		FY 2027
	<u>Difference</u>		<u>Difference</u>		<u>Difference</u>		<u>Difference</u>
Expenditures:							
General Fund	\$2,219,277		(\$1,630,761)		(\$2,267,442)		(\$98,715)
State Special Revenue	\$3,294,066	▾	\$1,239,764	▾	\$878,551	▾	\$2,361,300
Federal Special Revenue	\$113,511	▾	(\$38,561)	▾	(\$79,353)	▾	\$69,235
Other	\$184,721	▾	(\$65,548)	▾	(\$133,458)	▾	\$113,525
Revenue:							
General Fund	\$0		\$0		\$0		\$0
State Special Revenue	\$0		\$0		\$0		\$0
Federal Special Revenue	\$0		\$0		\$0		\$0
Pension Trust Fund	\$5,811,576	▾	(\$495,105)	▾	(\$1,601,702)	▾	\$2,445,345
Net Impact-General Fund Balan	<u>(\$2,219,277)</u>		<u>\$1,630,761</u>		<u>\$2,267,442</u>		<u>\$98,715</u>

Description of fiscal impact: HB 569 proposes to revise contributions in the Judges Retirement System, Highway Patrol Officers Retirement System, Sheriffs’ Retirement System, and the Game Wardens’ and Peace Officers’ Retirement System to provide for an actuarially determined contribution rate.

FISCAL ANALYSIS

Assumptions:

1. This bill introduces a layered amortization approach for JRS, HPORS, SRS and GWPORS.
 - a. The actuarial determined employer contribution rate will be based on a level percentage basis.
 - b. The contemporary unfunded liability will be over a closed 10-year period.
 - c. The legacy unfunded liability will be over a closed 25-year period.
 - d. The actuarial determined contribution rate effective FY2025 will be based on the plan’s annual actuarial valuation from the prior calendar year.
2. This fiscal note assumes that a bill will be passed with proposed one-time infusions to determine actuarial rates in this bill to be paid June 30, 2023.
 - a. HPORS- One-time payment of \$27.6 million from general fund to Highway Patrol Officers retirement system
 - b. GWPORS- One-time payment of \$41.2 million from general fund to the Game Wardens’ and Peace Officers’ retirement system
 - c. SRS- One-time payment of \$26.8 million from general fund to Sheriffs’ Retirement system
3. JRS- The surplus was assumed to be the legacy base which was used in the below projection of employer contribution rates below.
 - a. For FY2024, the state shall contribute from the national resources operations state special revenue account 14% of the compensation paid to the chief water court judge. It is assumed based on our 2022 Valuation a judge makes on average \$142,511.

Fiscal Year	Plan Provisions	Proposal	Change	\$ Change
2023	0%	0%	0.00%	\$0.00
2024	14.00%	14.00%	0.00%	\$19,951
2025	14.00%	0%	-14.00%	\$(1,295,685)
2026	14.00%	0%	-14.00%	\$(1,337,794)
2027	14.00%	0%	-14.00%	\$(2,490,294)

4. HPORS- For 2023, there is a statutory appropriation of 10.18% from the general fund that will be eliminated in FY2024. The rate remains at proposed 38.60% starting in 2027 going forward.

Fiscal Year	Plan Provisions	Proposal	Change	\$ Change
2023	38.33%	38.33%	0.00%	\$0.00
2024	28.15%	43.48%	15.33%	\$2,823,150
2025	28.15%	35.91%	7.76%	\$1,475,514
2026	28.15%	34.75%	6.60%	\$1,295,734
2027	28.15%	38.60%	10.45%	\$2,118,255

5. SRS- The rate remains at proposed 13.516% starting in 2027 going forward.

Fiscal Year	Plan Provisions	Proposal	Change	\$ Change
2023	13.115%	13.115%	0.00%	\$0.00
2024	13.115%	13.385%	0.27%	\$227,387
2025	13.115%	12.152%	(0.963%)	(\$1,021,503)
2026	13.115%	11.629%	(1.486%)	(\$1,627,505)
2027	13.115%	13.516%	.401%	\$453,459

6. GWPORS- The rate remains at proposed 10.97% starting in 2027 going forward.

Fiscal Year	Plan Provisions	Proposal	Change	\$ Change
2023	9.00%	9.00%	0.00%	\$0
2024	9.00%	13.65%	4.65%	\$2,691,087
2025	9.00%	9.58%	0.58%	\$346,571
2026	9.00%	9.11%	0.11%	\$67,865
2027	9.00%	10.97%	1.97%	\$1,254,906

7. The tables above show a contribution decrease in fiscal years 2025 and 2026 due to one-time additional contribution, then increases in fiscal years 2027+ due to recognition of the unrecognized asset losses that are built into the asset smoothing method.
8. All actuarial assumptions will be realized, including the investment return assumption of 7.30%. If assumptions are not met, the financial impact would change. Salary projections are based on the actuarial assumed payroll growth assumption of 3.25%.

Fiscal Note Request – As Introduced

(continued)

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Fiscal Impact:				
Funding of Expenditures:				
General Fund (01)	\$2,219,277	(\$1,630,761)	(\$2,267,442)	(\$98,715)
State Special Revenue (02)	\$3,294,066	\$1,239,765	\$878,551	\$2,361,301
Federal Special Revenue (03)	\$113,511	(\$38,560)	(\$79,353)	\$69,235
Other	\$184,722	(\$65,546)	(\$133,457)	\$113,527
TOTAL Funding of Exp.	<u>\$5,811,577</u>	<u>(495,102)</u>	<u>(1,601,701)</u>	<u>\$2,445,347</u>
Revenues:				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Pension Trust Fund	\$5,811,577	(495,102)	(1,601,701)	\$2,445,347
TOTAL Revenues	<u>\$5,811,577</u>	<u>(495,102)</u>	<u>(1,601,701)</u>	<u>\$2,445,347</u>
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	(2,219,277)	1,630,761	2,267,442	98,715
State Special Revenue (02)	(3,294,066)	(1,239,765)	(878,551)	(2,361,301)
Federal Special Revenue (03)	(113,511)	38,560	79,353	(69,235)
Other	\$5,626,855	(429,556)	(1,468,244)	2,331,821

Technical Notes:

1. The bill does not reference a legacy portion in the JRS section of the bill.

NOT SIGNED BY SPONSOR

_____	_____	_____	_____
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>