



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 2497

PRINTER'S NO: 3730

PRIME SPONSOR: D. Evans

As amended A07318

FISCAL IMPACT SUMMARY	FY 2009/10	FY 2010/11
Expenditure Increase/(Decrease):		
General Fund	\$0	(\$211,000,000)

OVERVIEW:

The bill amends Title 24 for the Public School Employees' Retirement System (PSERS) and Title 71 for the State Employees' Retirement System (SERS) by making changes to the current actuarial assumptions/methodologies, implementing employer contribution collars, and setting a permanent minimum employer contribution rate. As requested by SERS and amended in committee, the existing multiple service election deadline is changed from 30 days to 365 days. This technical change corrects an error in current law. An additional technical change is made to the PSERS section pertaining to the "experience adjustment factor" in calculating the final contribution rate. This technical change would mirror language contained within the SERS section and was recommended in the actuarial note for this bill.

This act shall take effect immediately.

ANALYSIS:

While the actuarial cost method applied to both PSERS and SERS will remain as currently set in law at entry-age normal, the following changes are made to other areas of the retirement code:

- Fresh start re-amortization of unfunded accrued liability for both PSERS and SERS.
- Maintains the current 5 year asset smoothing for SERS; changes the asset smoothing for PSERS from 5 years to 10 years.
- Changes the amortization methodology from level dollar in current law to level percent of pay.
- Institutes collars on the contribution rate for both systems. The collar represents the maximum percentage amount that the employer contribution rate could increase in the given fiscal year and is expressed as a percentage of payroll. The collars are listed below and represent the percentage that the employer contribution rate will increase over the prior fiscal year. Percent increases are the same for both PSERS and SERS.
 - FY 2010-11 1%
 - FY 2011-12 3%
 - FY 2012-13 3.5%
 - FY 2013-14 and all future years 4.5%

The collars are set to permanently expire in the first fiscal year in which they are no longer necessary. That will occur during the first fiscal year in which the actuarially calculated contribution rate is less than the collared rate.

- A permanent minimum contribution rate is set for each system at the employer normal cost rate. This normal cost is the cost of accrued benefits by active members in the given fiscal year. As of fiscal year 2009-2010, the normal cost for PSERS is 8% and the normal cost for SERS is 9.51%.

The following table provides an estimated projection comparing the employer contribution rate and General Fund expenditures for both current law and House Bill 2497, along with combined PSERS/SERS savings to the General Fund upon enactment of this bill.

(\$ amounts in millions)

FY	CURRENT LAW				HOUSE BILL 2497				GENERAL FUND SAVINGS
	Employer Rate		State Share		Employer Rate		State Share		
	PSERS	SERS	PSERS	SERS	PSERS	SERS	PSERS	SERS	
2010-11	8.22%	5.64%	\$610.8	\$167.5	5.64%	5.00%	\$419.1	\$148.4	\$211
2011-12	10.59%	7.98%	\$810.8	\$244.5	8.72%	8.00%	\$667.6	\$245.3	\$142
2012-13	29.22%	26.66%	\$2,305.4	\$844.2	12.22%	11.50%	\$964.2	\$364.2	\$1,821
2013-14	32.09%	29.22%	\$2,611.7	\$955.9	16.71%	16.00%	\$1,360.0	\$523.5	\$1,684
2014-15	33.60%	27.72%	\$2,823.8	\$936.8	21.20%	20.50%	\$1,781.7	\$692.8	\$1,286
General fund state share assumes 55% of total for PSERS and 50% of total for SERS									
PSERS quarter lag is not part of calculations									

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DATE: June 7, 2010

General Note and Disclaimer: *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*