



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1416

PRINTER'S NO. 1584

PRIME SPONSOR: Malagari

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	See Fiscal Impact

SUMMARY:

Amends Titles 24 (Education) and 71 (State Government) to provide for supplemental annuities to certain beneficiaries of the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS).

ANALYSIS:

House Bill 1416, Printer's Number 1584 provides for supplemental annuities, also known as cost-of-living adjustments (COLAs), for most beneficiaries of PSERS and SERS who retired prior to July 2, 2001. These COLAs would amount to increases of between 15 and 24.5 percent of the current annuities of eligible beneficiaries, depending on the beneficiary's year of retirement. The benefit increases authorized by the legislation are shown in the chart below:

From	To	Benefit Increase
7/2/2000	7/1/2001	15.0%
7/2/1999	7/1/2000	15.5%
7/2/1998	7/1/1999	16.0%
7/2/1997	7/1/1998	16.5%
7/2/1996	7/1/1997	17.0%
7/2/1995	7/1/1996	17.5%
7/2/1994	7/1/1995	18.0%
7/2/1993	7/1/1994	18.5%
7/2/1992	7/1/1993	19.0%
7/2/1991	7/1/1992	19.5%
7/2/1990	7/1/1991	20.0%
7/2/1989	7/1/1990	20.5%
7/2/1988	7/1/1989	21.0%
7/2/1987	7/1/1988	21.5%
7/2/1986	7/1/1987	22.0%
7/2/1985	7/1/1986	22.5%
7/2/1984	7/1/1985	23.0%
7/2/1983	7/1/1984	23.5%
7/2/1982	7/1/1983	24.0%
Prior	7/1/1982	24.5%

The COLAs authorized by the legislation would commence July 1, 2023, and January 1, 2024, for PSERS and SERS, respectively. The liabilities associated with the supplemental annuities provided for by the legislation would be amortized in equal dollar annual installments over a period of ten years beginning July 1, 2024.

FISCAL IMPACT¹:

In the actuarial analysis performed by the Independent Fiscal Office (IFO), the number of beneficiaries eligible for the COLAs in PSERS and SERS are 43,475 and 25,334, respectively based on data from 2022. According to the actuarial note produced by the Independent Fiscal Office (IFO), this legislation would lead to initial increases in the unfunded actuarial accrued liabilities of PSERS and SERS of \$821.1 million and \$371.0 million, respectively – for a combined total of approximately \$1.19 billion on a present value basis.

These increases in the unfunded liabilities of the pension systems would be amortized over a ten-year period beginning July 1, 2024. For PSERS and SERS respectively, this would represent annual costs of \$125.1 million and \$52.5 million per year for a period of ten years. To fund these annual costs, the employer contribution rates for employers under PSERS would increase by 0.81 percent, from 34.73 percent to 35.54 percent. Employers participating in SERS would see their contribution rates increase by 0.74 percent, from 34.12 percent to 34.86 percent.

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House Appropriations Committee (D)

DATE: November 13, 2023

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.

¹ A more detailed analysis of the fiscal implications of this legislation can be found in the IFO's actuarial note.