BILL # HB 2144

TITLE: PSPRS; DROP; employer contributions

SPONSOR: McClure

STATUS: As Amended by House PIR

PREPARED BY: Eric Jorgensen

FISCAL ANALYSIS

Description

This bill changes the payroll base from which employer retirement contributions are collected in the Public Safety Personnel Retirement System (PSPRS). Currently, employers do not make contributions for employees who participate in the Deferred Retirement Option Program (DROP). This bill would include those salaries in the payroll base beginning in FY 2009.

Estimated Impact

This bill has no fiscal impact, as it does not change the level of retirement benefits. The higher salary base will be offset by a lower contribution rate, for no net employer impact.

Analysis

PSPRS offers a DROP wherein a member eligible for retirement can defer that retirement for a specified time period. During that period, the member makes no retirement contributions and receives no retirement benefits. At the conclusion of the period, the member retires and receives a lump sum payment of the benefit that otherwise would have been received, including interest.

Retirement contribution rates are determined by calculating the total contribution necessary to meet the retirement plan's future obligations. This amount is described as a percentage of payroll. Currently, the contribution rate calculation does not include the salaries of employees who are enrolled in the DROP. By requiring that an employer's contribution rate be calculated with the DROP salaries as well, the size of the payroll base is increased. This provision does not change the amount of contributions needed to be collected. Therefore, a lower contribution rate is applied to a larger payroll base to collect the same amount of money from the employer, resulting in no increase to the employer's contributions.

Local Government Impact

None.

2/16/07