

Fiscal Note

BILL # SB 1467

TITLE: elected officials' retirement plan; appropriations

SPONSOR: Livingston

STATUS: As Introduced

PREPARED BY: Molly Murphy

Description

The bill would increase the annual statutory appropriation from the state General Fund to the Elected Officials' Retirement Plan (EORP) Fund. Currently, the EORP fund receives an annual appropriation \$5 million through FY 2043. The bill would increase the appropriation incrementally over five fiscal years to \$10 million in FY 2026. The \$10 million appropriation would continue through the same end date of FY 2043.

Estimated Impact

The bill would increase the cumulative amount of state General Fund appropriations to the EORP Fund by \$100 million through FY 2043.

However, by increasing the statutory appropriation to the EORP Fund, the EORP employer contribution rate will be lower than under current PSPRS projections. These lower contribution rates being applied to state elected officials is estimated to decrease state spending by \$30.4 million.

Combined, these impacts would result in a cumulative net increase in state spending of \$69.6 million.

Local governments would experience savings from lower EORP employer contribution rates. We estimate the cumulative amount of local government savings to be \$80.3 million.

Analysis

Laws 2013, Chapter 217 established an annual statutory appropriation of \$5 million from the state General Fund to the EORP Fund through FY 2043. The EORP General Fund appropriation serves to lower the employer contribution rate calculated by plan actuaries each year.

SB 1467 increases the EORP statutory General Fund appropriation as follows:

Table 1				
SB 1467 Increased General Fund Appropriations				
(\$ in Millions)				
	Current	SB 1467	Net	
<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Appropriation</u>	<u>Change</u>	
FY 22	\$ 5.0	\$ 6.0	\$	1.0
FY 23	5.0	7.0		2.0
FY 24	5.0	8.0		3.0
FY 25	5.0	9.0		4.0
FY 26	5.0	10.0		5.0
FY 27 - FY 43	85.0	170.0		85.0
Total	\$ 110.0	\$ 210.0	\$	100.0

(Continued)



In order to calculate the contribution rate savings, we applied the contribution rate change (provided by the Public Safety Personnel Retirement System) to the state and local EORP salary base. We estimate that the increased appropriation to the EORP Fund will reduce cumulative state EORP contributions by \$30.4 million and cumulative local EORP contributions by \$80.3 million (See *Table 2* below).

Table 2

Estimated Contribution Rate Impact of SB 1467				
(\$ in Millions)				
<u>Fiscal Year</u>	<u>Contribution Rate Reduction</u>	<u>State Savings</u>	<u>Local Savings</u>	<u>Total Savings</u>
FY 23	1.38%	\$ 0.3	\$ 0.8	\$ 1.1
FY 24	2.90%	0.6	1.6	2.2
FY 25	4.42%	0.9	2.4	3.3
FY 26	5.93%	1.2	3.3	4.5
FY 27	7.42%	1.6	4.1	5.7
FY 28 - FY 44	Approx. 7.2%	25.8	68.1	93.9
Total		\$ 30.4	\$ 80.3	\$ 110.7

Due to the timing of EORP actuarial valuations, PSPRS has indicated there is a one-year delay in the impact of any change to the EORP appropriation. So while the bill increases the state's EORP appropriation during FY 2022 – FY 2043, the contribution rate savings are realized during FY 2023 – FY 2044. Because of this timing issue, the above analysis displays the cumulative impact of the bill across all relevant fiscal years.

Local Government Impact

To calculate the local government impact, we applied the contribution rate change to the EORP County and City elected official salary base. We estimate the cumulative amount of local government savings to be \$80.3 million. (See *Table 2* above).

2/24/21