

Fiscal Note

BILL # SB 1087

TITLE: appropriation; unfunded liability; corrections; CORP

SPONSOR: Livingston

STATUS: As Amended by Senate APPROP

PREPARED BY: Molly Murphy

Description

The bill appropriates \$502.8 million from the General Fund and \$15.0 million from non-General Fund sources in FY 2022 to the Public Safety Personnel Retirement System (PSPRS) to be deposited in multiple state PSPRS employer group accounts to eliminate the current unfunded accrued liability. The \$15.0 million of non-General Fund monies is allocated from the Game and Fish Fund to the Game and Fish Department as part of eliminating that agency's unfunded liability.

The bill also appropriates \$548.6 million from the General Fund in FY 2022 to PSPRS to be deposited in several state Corrections Officer Retirement Plan (CORP) employer accounts to eliminate the current unfunded accrued liability.

Estimated Impact

The PSPRS/CORP employer contribution rates have 2 components. The first component is the normal cost, which is the immediate cost associated with the benefit being earned. The second component is the unfunded liability, which represents prior benefits earned by members that are unfunded due to changes in the plan's actuarial performance or assumptions. The bill's appropriation would eliminate the current unfunded liability for various state PSPRS/CORP employer groups, which would reduce the employer contribution rates paid by those state agencies. Given the timing of PSPRS/CORP actuarial valuations, the employer contribution rates would be reduced beginning in FY 2024.

The bill would increase General Fund spending by \$1.05 billion one-time in FY 2022 and increase non-General Fund spending by \$15.0 million one-time in FY 2022. Beginning in FY 2024, we estimate that annual PSPRS/CORP employer contributions would be reduced by \$123.6 million, with \$99.2 million of those savings accruing to the General Fund and \$24.4 million of those savings accruing to non-General Fund sources.

Table 1 includes the deposit by employer group, the resulting contribution rate decrease, and the General Fund and non-General Fund savings by employer group.

Employer Group	General Fund Deposit	Non-General Fund Deposit	Contribution Rate Percentage Change	GF Savings	Non-GF Savings	Total
PSPRS - State Agencies						
DPS	420,559,600		47.71%	41,671,800	11,036,400	52,708,200
Game & Fish	82,243,000	15,000,000	122.89%	-	9,848,200	9,848,200
Total	502,802,600	15,000,000		41,671,800	20,884,600	62,556,400
CORP - State Agencies						
Dept. of Corrections	474,635,300		13.51%	51,979,500	524,100	52,503,600
Juvenile Corrections	73,940,800		47.72%	5,542,100	2,997,600	8,539,700
Total	548,576,100	0		57,521,600	3,521,700	61,043,300

(Continued)



Analysis

Based on data provided by PSPRS, by appropriating a total amount of \$1.07 billion to the various PSPRS/CORP employer groups as listed in *Table 1*, the employer groups' contribution rates would decrease by the percentages listed. These contribution rate changes were then applied to the agencies' PSPRS/CORP salary bases, which reflect the amounts and fund sources as reported in FY 2023 agency budget requests.

Given the timing of PSPRS/CORP actuarial valuations, the employer savings amounts displayed in *Table 1* would occur beginning in FY 2024. Any estimate of savings beyond FY 2024 would depend on the long-term actuarial performance of the PSPRS/CORP plans, such as annual investment returns.

Local Government Impact

None, as the bill's appropriation would only impact the state PSPRS/CORP employer groups listed in *Table 1* and would not impact local government PSPRS/CORP contribution rates.

1/26/22