

Fiscal Note

BILL # SB 1148

SPONSOR: Payne

PREPARED BY: Gordon Robertson

TITLE: CORP; defined contribution; membership election
S/E: CORP; defined contribution; contribution rates

STATUS: As Amended by Senate PS

Description

The bill would set a graduated employer contribution rate for all county detention officers enrolled in Public Safety Personnel Defined Contribution Retirement Plan (DC plan) beginning in FY 2027. The bill would also set the default employee contribution for the DC plan at 7.5% for county detention officers hired after July 1, 2026.

Estimated Impact

Based on information provided to us by the Public Safety Personnel Retirement System (PSPRS), which manages the Corrections Officer Retirement Plan (CORP) and the DC plan, we estimate the bill will increase costs for 14 of the 15 counties by a total of \$3.9 million in FY 2027.

Analysis

With the exception of probation officers in the Administrative Office of the Courts (AOC) employer group, any employee of a CORP employer hired on or after July 1, 2018 is automatically enrolled in the DC plan. Under current law, an employee has a default contribution rate of 7% and is authorized to make an irrevocable election to set their contribution anywhere from 5% to 40%. Under current law, the employer contributes an additional 5% to the employee's DC plan.

In terms of employee contributions, the bill increases the default DC plan employee contribution rate to 7.5% for county detention officers hired after July 1, 2026. This provision is not expected to have a fiscal impact.

The bill increases the DC plan employer contribution rate for all county detention officers to the following amounts: 10% for the first 3 years of service with a CORP employer, 17.5% for 3-10 years of service, 20% for 10-15 years of service, and 22.5% for 15 or more years of service. Given that the DC plan opened in July 2018, no employee currently has more than 7 years of credited service under the DC plan, so the immediate maximum employer contribution rate under the bill would be 17.5%, or a marginal increase of 12.5% above current law.

Table 1 below outlines the FY 2024 salary base for each county, the cost of the current 5% employer contribution rate, and the cost of the new graduated employer contribution rate. This analysis excludes Greenlee county, as Greenlee has no county detention officers enrolled in the DC plan. The estimated cost under SB 1148 is calculated based on total salary amounts provided by PSPRS, which are sorted by years of experience and by county, to determine how much of each county's detention salary base would require the new 10% employer contribution, and how much would require the new 17.5% employer contribution rate.



Table 1

SB 1148 - Cost of Increased Employer Contribution Rates
\$ in Thousands

County	FY 2024		Cost of		SB 1148		Change
	DC Salary	5% Rate	Rate Cost				
Apache	\$ 447.3	\$ 22.4	\$ 44.7	\$ 22.3			
Cochise	1,229.1	61.5	134.9	73.4			
Coconino	1,927.6	96.4	232.8	136.4			
Gila	1,344.2	67.2	179.7	112.5			
Graham	1,245.2	62.3	143.4	81.1			
Greenlee	-	-	-	-			
La Paz	571.9	28.6	67.8	39.2			
Maricopa	17,002.0	850.1	2,371.9	1,521.8			
Mohave	3,166.1	158.3	368.7	210.4			
Navajo	1,586.3	79.3	209.8	130.5			
Pima	11,786.5	589.3	1,318.8	729.5			
Pinal	2,455.2	122.8	273.1	150.3			
Santa Cruz	1,017.0	50.9	104.6	53.7			
Yavapai	5,007.5	250.4	596.7	346.3			
Yuma	3,867.7	193.4	461.0	267.6			
Total	\$ 52,653.6	\$ 2,632.9	\$ 6,507.9	\$ 3,875.0			

To the extent that the DC plan will continue to receive new entrants, and as existing plan members accrue additional years of service (and therefore receive a higher contribution rate), the actual cost of the bill would increase as county employers increase their contributions based on the schedule outlined in the bill.

Besides county detention officers, the DC plan is also open to new employees of the Arizona Department of Corrections (ADC) and the Arizona Department of Juvenile Corrections (DJC), along with specified county probation officer positions at the Administrative Office of the Courts (AOC). However, the bill does not modify the employer and employee contribution rates for those groups, so there is no state cost to those agencies or associated AOC county costs.