

# JLBC Fiscal Note

**BILL #** SB 1270

**TITLE:** correctional officers; supplemental contributions

**SPONSOR:** Gowan

**PREPARED BY:** Jacob Cross Mayhew

**STATUS:** As Amended by House PSLE

## Description

The bill as amended would allow employers of Tier 3 Corrections Officer Retirement Plan (CORP) members to make optional supplemental contributions to those members' defined contribution (DC) accounts. The supplemental contributions would be capped at \$5,000 per employee per year and must be made at service intervals set by the employer.

## Estimated Impact

The bill allows any CORP DC employer to make supplemental contributions. Actual costs would depend on whether and how individual employers choose to implement the program. If all employers opted in at the maximum amount per employee, we estimate that the maximum annual costs would be up to approximately \$29.7 million statewide, of which \$22.9 million would be state costs and \$6.8 million would be local government costs.

In practice, it is unlikely that each CORP DC employer would provide the supplemental contributions allowed under the bill at the maximum amount for every employee for every year; we estimate that the annual cost to provide the maximum supplemental contribution to a single class of CORP DC employees (that is, a group of employees hired within the same year and having the same number of years of service) would be approximately \$3.7 million, including approximately \$2.9 million in state costs and \$800,000 in local costs.

## Analysis

Our estimate assumes the following:

- 1) Tier 3 CORP members are corrections officers hired on or after July 1, 2018
- 2) Based on data from PSPRS, total pensionable salary for Tier 3 CORP DC members is approximately \$327 million.
- 3) Assuming an average correctional officer salary of \$55,000, this represents approximately 5,949 total CORP DC employees, of which an estimated 4,579 are state employees and 1,370 are local government employees.
- 4) Based on data from PSPRS, we assume the average class of employees represents 12.5% of the total pensionable salary for the CORP DC plan; in other words, we assume approximately 743 CORP DC employees (572 state and 171 local) each have the same years of service.
- 5) To the extent employee service duration is not evenly distributed among the total CORP DC population, the actual cost to provide maximum supplemental contributions to a specific group of CORP DC employees would vary depending on the actual size of that group.

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