

**BILL #** SB 1129

**TITLE:** CORP; members; normal retirement;

**SPONSOR:** Bundgaard

**STATUS:** As Introduced

**REQUESTED BY:** Senate

**PREPARED BY:** Gretchen Logan

**FISCAL YEAR**

**2001**

**2002**

**2003**

**EXPENDITURES**

General Fund	\$-0-	\$-0-	\$-0-
Other Appropriated Funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$-0-	\$-0-	\$-0-

Note: In FY 2004, there will be a total fiscal impact of \$4.4 million, which includes \$4.3 million from the General Fund and \$29,700 from Other Appropriated Funds. Depending on the total number of enacted CORP changes, this cost could be partially offset, because the system is currently collecting 0.64% more than is actuarially required due to the establishment of a 2.0% minimum for employer contributions.

**FISCAL ANALYSIS**

**Description**

SB 1129 would decrease the age for normal retirement from 25 years to 20 years of service for members of the Correctional Officers Retirement Plan (CORP). Members who retire with 20 years of credited service, but less than 25 years, would receive a pension that is equal to 50% of the member's average monthly salary plus 2.0% of the member's average monthly salary multiplied by the marginal number of years above 20 years. Members' retiring with 25 or more years of credit service would receive a pension that is equal to 2.5% of the member's average monthly salary multiplied by the number of years of credited service. SB 1129 also raises the cap on the pension amount that a member can receive from 75% to 80% of final average earnings.

**Estimated Impact**

Contribution rates have been established for FY 2002 and FY 2003; therefore, any fiscal impact associated with this proposal will not occur until FY 2004. Relative to current law, the estimated impact to the General Fund in FY 2004 is approximately \$4.3 million. Other Appropriated Funds would also experience an impact of approximately \$29,700 in FY 2004. Actuaries contracted by the retirement system estimate that SB 1129 would increase the contribution rate by approximately 1.50% (150 basis points) in FY 2004. Employers would therefore need to contribute another 1.50% of employees' salaries to CORP through the Employee Related Expenditure line item in FY 2004. CORP employee contribution rates are set in statute at 8.5% of employees' salaries. It is important to note that the actual cost of the proposed legislation could vary from the estimates provided, which are dependent on the accuracy of the underlying actuarial assumptions.

For informational purposes, we would like to note that the CORP contribution rate for employers has been dropping in recent years as is depicted in the table below:

Year	CORP CONTRIBUTION	
	Employer*	Employee
FY 1999	6.95%	8.5%
FY 2000-2001 biennium	5.00%	8.5%
FY 2002-2003 biennium	2.00%**	8.5%

\* Employer contributions provided reflect the rates paid by the Department of Corrections.

\*\*Without the establishment of the 2% floor, the CORP contribution rate would be 1.36%.

(Continued)

**Estimated Impact (Continued)**

The reduction in the employer contribution rate is due to the better than expected investment performance experienced by the fund. Because the actuarially required rate is 1.36%, or 0.64% (64 basis points) less than the established floor of 2.0%, the system is collecting more than is required, which can be used to offset the cost of benefit enhancements. The collection of employer contributions that are 0.64% (64 basis points) above the actuarially required amount, could provide \$1.8 million to offset the cost of CORP benefit enhancements, however, whether this offset applies against this particular bill depends on the total package of enacted CORP changes.

**Local Government Impact**

The changes proposed by SB 1129 would result in an estimated local government and non-appropriated fund impact of approximately \$3 million.

1/26/00