

Fiscal Note

BILL # SB1468

TITLE: DPS; pension liability; supplemental appropriation

SPONSOR: Livingston

STATUS: As Introduced

PREPARED BY: Molly Murphy

Description

The bill appropriates \$300 million from the state General Fund in FY 2021 to the Public Safety Personnel Retirement System (PSPRS) to be deposited in the employer account of the Department of Public Safety (DPS) PSPRS Group to reduce the unfunded liability.

Estimated Impact

The PSPRS employer contribution rate has 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 reduce the DPS PSPRS employer group unfunded liability, which would reduce the employer contribution rate paid by DPS. Given the timing of PSPRS actuarial valuations, the DPS employer contribution rate would be reduced beginning in FY 2023.

The bill would increase General Fund spending by \$300 million one-time in FY 2021. Beginning in FY 2023, we estimate that annual DPS PSPRS employer contributions would be reduced by \$(39.9) million, with \$31.9 million of those savings accruing to the General Fund and \$8.0 million of those savings accruing to DPS non-General Fund sources.

Analysis

Based on data provided by PSPRS, by appropriating \$300 million to the DPS employer group, the DPS employer contribution rate would be reduced by (38.25)% in FY 2023. Applying this contribution rate change to the DPS PSPRS salary base, we estimate that annual DPS PSPRS employer contributions would be reduced by \$(39.9) million starting in FY 2023. Any estimate of savings beyond FY 2023 would depend on the long-term actuarial performance of the PSPRS plan, such as annual investment returns.

As of June 30, 2020, the funded status of the DPS PSPRS Group is 32.0% (excluding health benefits). PSPRS estimates that after the bill's appropriation, the funded status of the DPS PSPRS Group would be 56.6% at the end of FY 2021.

Local Government Impact

None, as the bill's appropriation would only impact the DPS PSPRS employer group and would not impact local government PSPRS contribution rates.

2/26/21

JLBC