

Department 192 - Public Employees Retirement System
Senate Bill No. 2023

First Chamber Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 First Chamber Version	\$0	\$12,272,479	\$12,272,479
2023-25 Base Level	0	9,855,296	9,855,296
Increase (Decrease)	\$0	\$2,417,183	\$2,417,183

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

Defined benefit plan closure - Contingent appropriation - Section 3 identifies \$1,006,839 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.

Continuing Appropriations

Public Employees Retirement System - Various sections - For benefit payments, investments, and actuarial and technical consulting for each program area.

Deficiency Appropriations

Transfer to the Public Employees Retirement System fund - The executive budget includes a recommendation to transfer \$250,000 from the general fund to the Public Employees Retirement System (PERS) fund as a 2021-23 biennium supplemental appropriation to reduce the unfunded liability of the main system defined benefit retirement plan.

Significant Audit Findings

The audit for PERS conducted by CliftonLarsonAllen LLP, Certified Public Accountants, for the period ending June 30, 2021, did not identify any significant audit findings.

The *Schedules of Employer Allocations and Pension Amounts by Employer* prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

The other postemployment benefits schedule prepared for PERS and audited by CliftonLarsonAllen LLP, for the period ending June 30, 2021, did not identify any significant audit findings.

Major Related Legislation

House Bill No. 1040 - This bill closes the main system defined benefit plan to new hires beginning January 1, 2026, provides a one-time transfer of \$240 million from the strategic investment and improvements fund to the PERS fund to reduce the unfunded liability of the main system defined benefit plan; provides for a transfer of \$70 million rather than approximately \$48 million from legacy fund earnings to PERS each biennium; creates a defined contribution plan with 4 percent employee and 4.12 percent employer contribution rates; provides for an optional additional 3 percent employee and 3 percent employer matching contributions provided through the PERS 457 deferred compensation plan; increases employer contributions to the main system defined benefit plan by 1 percent from January 1, 2024, until December 31, 2025; and requires employer contribution rates for the defined benefit plan to be based on the actuarially determined employer contribution (ADEC) rates beginning January 1, 2026, of which the state would be responsible for the state and political subdivision employer shares.

House Bill No. 1183 - This bill expands the definition of peace officer to individuals employed by the state, allowing peace officers to transfer from the PERS main system defined benefit retirement plan to the public safety defined benefit retirement plan. This bill does not include peace officers employed by the Highway Patrol who are enrolled in the Highway Patrol defined benefit retirement plan.

House Bill No. 1309 - This bill adjusts retirement vesting and multiplier provisions for peace officers of the public safety defined benefit plan.

House Bill No. 1321 - This bill relates to the PERS Board membership and PERS contracts for health benefits coverage.

House Bill No. 1411 - This bill expands the PERS health insurance plan to provide coverage for prosthetic limbs, sockets, and other related services.

Senate Bill No. 2140 - This bill expands the PERS health insurance plan to provide coverage for insulin drug and medical supplies benefits.

Senate Bill No. 2164 - This bill relates to the PERS Board membership.

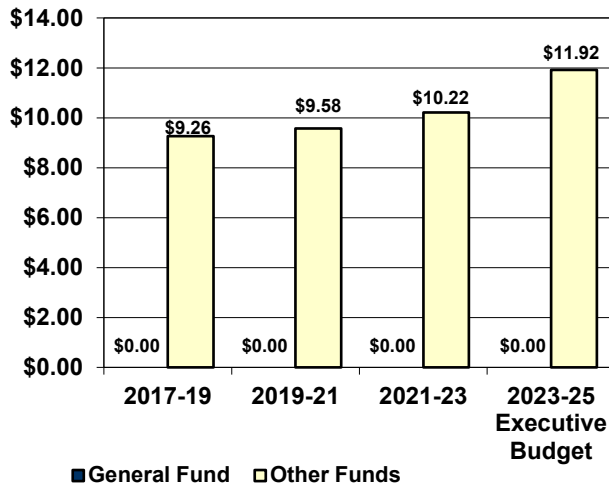
Senate Bill No. 2171 - This bill creates an enhanced coverage option for state employee health insurance plans that cover services mandated by the federal Patient Protection and Affordable Care Act. The bill requires state employees electing this health insurance plan to pay premiums for the plan.

Senate Bill No. 2239 - This bill increases employee contributions to the PERS main system defined benefit retirement plan by 1 percent effective January 1, 2024 to provide a total employee statutory rate of 8 percent. The bill increases employer contributions to the PERS main system defined benefit retirement plan by the ADEC rate, effective January 1, 2024, which is estimated to be 4 percent for the 2023-25 biennium. The total employer statutory rate would be approximately 11.12 percent. The bill appropriates \$250 million from the general fund and transfers the funding to the PERS fund for the purpose of reducing the unfunded liability of the PERS main system defined benefit plan. The bill does not close the PERS main system defined benefit retirement plan to new hires.

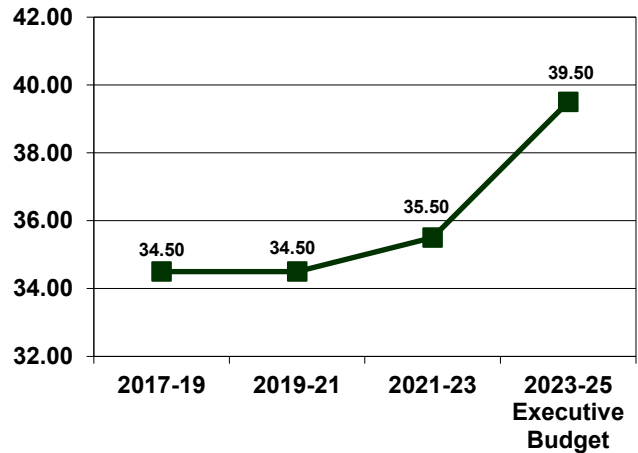
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other fund appropriations	\$9,496,373	\$9,258,390	\$9,346,196	\$9,855,296	\$11,467,516
Increase (decrease) from previous biennium	N/A	(\$237,983)	\$87,806	\$509,100	\$1,612,220
Percentage increase (decrease) from previous biennium	N/A	(2.5%)	0.9%	5.4%	16.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.5%)	(1.6%)	3.8%	20.8%

Major Increases (Decreases) in Ongoing Other Fund Appropriations

2017-19 Biennium

- Underfunded salaries and wages (\$150,000)
- Reduced funding for printing and postage costs for newsletters (\$29,752) and annual benefit statements (\$33,220) (\$62,972)
- Reduced funding for hosting costs for a mobile application (\$43,000)

2019-21 Biennium

- Adjusted funding for information technology (IT) operating expenses (\$230,519)

2021-23 Biennium

- Added funding for an FTE accountant position, of which \$180,926 is for salaries and wages and \$14,365 is for related operating expenses \$195,291
- Added funding for a temporary receptionist position, of which \$139,337 is for salaries and wages and \$15,033 is for related operating expenses \$154,370
- Reduced funding for rent to provide a total of \$272,925. The reduction was due to less space being needed because a number of employees are teleworking. (\$80,865)

2023-25 Biennium (Executive Budget Recommendation)

- Adds funding for 1 FTE retirement processing position, of which \$214,632 is for salaries and wages and \$725 is for operating expenses. \$215,357
- Adds funding for 1 FTE receptionist position, of which \$124,986 is for salaries and wages and \$725 is for operating expenses. \$125,711
- Adds funding for 2 FTE positions to close the main system defined benefit retirement plan to new hires, of which \$478,760 is for salaries and wages and \$2,350 is for operating expenses. \$481,110

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time other funds appropriations	\$177,370	\$0	\$230,000	\$362,100	\$455,000

Major One-Time Other Funds Appropriations

2017-19 Biennium

None

2019-21 Biennium

- 1. IT risk assessment \$40,000
- 2. Upgrade business system software \$190,000

2021-23 Biennium

- 1. Upgrade benefit enrollment software \$104,500
- 2. Upgrade PERSLink business system \$257,600

2023-25 Biennium (Executive Budget Recommendation)

- 1. Temporary staff to close the main system defined benefit retirement plan to new hires \$200,000
- 2. Contract costs for a developer for the closure of the main system defined benefit retirement plan to new hires \$125,000
- 3. Contract costs for a developer to upgrade the PERSLink business system \$125,000

Public Employees Retirement System - Budget No. 192
Senate Bill No. 2023
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	35.50	\$0	\$9,855,296	\$9,855,296	35.50	\$0	\$9,855,296	\$9,855,296
2023-25 Ongoing Funding Changes								
Adds funding for the cost to continue salary increases			\$53,963	\$53,963			\$53,963	\$53,963
Salary increase			508,874	508,874			379,719	379,719
Health insurance increase			210,904	210,904			215,756	215,756
Adds funding for salary equity increases			0	0			258,000	258,000
Adds funding for an FTE retirement processing position	1.00		215,357	215,357	1.00		215,357	215,357
Adds funding for an FTE receptionist position	1.00		125,711	125,711	1.00		125,711	125,711
Adds funding for an FTE member services representative position			0	0	1.00		162,317	162,317
Adds funding for FTE positions to close the defined benefit plan	2.00		481,110	481,110	3.00		643,427	643,427
Reduces funding for temporary salaries			0	0			(110,368)	(110,368)
Adds funding for IT rate increases			16,301	16,301			16,301	16,301
Total ongoing funding changes	4.00	\$0	\$1,612,220	\$1,612,220	6.00	\$0	\$1,960,183	\$1,960,183
One-Time Funding Items								
Adds funding for temporary staff to close the defined benefit plan			\$200,000	\$200,000			\$200,000	\$200,000
Adds funding for a developer for the closure of the defined benefit plan			125,000	125,000			125,000	125,000
Adds funding for a developer to upgrade the PERSLink business system			125,000	125,000			125,000	125,000
Adds funding for new FTE position chairs			5,000	5,000			7,000	7,000
Total one-time funding changes	0.00	\$0	\$455,000	\$455,000	0.00	\$0	\$457,000	\$457,000
Total Changes to Base Level Funding	4.00	\$0	\$2,067,220	\$2,067,220	6.00	\$0	\$2,417,183	\$2,417,183
2023-25 Total Funding	39.50	\$0	\$11,922,516	\$11,922,516	41.50	\$0	\$12,272,479	\$12,272,479
<i>Federal funds included in other funds</i>			\$0	\$0			\$0	\$0
<i>Total ongoing changes as a percentage of base level</i>	11.3%		16.4%	16.4%	16.9%		19.9%	19.9%
<i>Total changes as a percentage of base level</i>	11.3%		21.0%	21.0%	16.9%		24.5%	24.5%

Other Sections in Public Employees Retirement System - Budget No. 192

	Executive Budget Recommendation	Senate Version
Estimated income - Defined benefit plan closure - Contingent appropriation	Section 7 would identify \$809,110 in Section 1 as a contingent appropriation for 2 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.	Section 3 identifies \$1,006,839 in the defined benefit plan closure line item in Section 1 is a contingent appropriation for 3 FTE positions, temporary salaries, and operating expenses that is effective only if the 2023 Legislative Assembly approves legislation to close the main system defined benefit retirement plan to new hires.
Appropriation line item transfers	Section 3 would allow PERS to transfer funding from the contingency line item in Section 1 to other line items and would require PERS to notify the Office of Management and Budget of each transfer made pursuant to this section.	