FISCAL NOTE

	FY 2021	FY 2022	FY 2023
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase			
RETIREMENT FUND	$0	$0	$13,000,000

Source of revenue increase:
The Public Employee Plan will receive increased employer and employee contributions, (increased contributions paid 0.33% from employees and 0.33% from employers in FY 2023 and FY 2024 and 0.34% from employees and 0.34% from employers in FY 2025). The increases total 2.00% (paid 1.00% from employees and 1.00% from employers) by FY 2025. With only these contribution increases, the plan is projected to be 90.7% funded in 30 years versus a projected 71.5% funded status using the baseline contribution. Even though the plan does not reach full funding within a 30-year period, these increases bring significant improvement in the funded status relative to the basis. Furthermore, additional contributions reduce overall downside funded ratio risk.

The revenue increases to the Public Employee Plan are estimated at $13.0 million in FY 2023, $27.0 million in FY 2024 and $39.0 million in FY 2025.

Assumptions:
- The amounts shown above represent the estimated additional revenue generated by the contribution increases in each fiscal year from all applicable employers, and from all funding sources, to the Public Employee Plan. These amounts assume flat payroll growth during the phase-in period.
- The analysis was prepared based on member data, financial information, and the actuarial methods used in preparing the most recently completed Actuarial Valuation Report as of January 1, 2019, dated April 8, 2019, and is subject to all the disclosures contained therein.
- WRS has indicated that the January 1, 2020 Actuarial Valuation Report will be available sometime in April or May, 2020. However, WRS now knows that investment earnings will equal or exceed 18% for CY 2019. WRS had their actuary project the funding status assuming the 2% contribution increase and the anticipated 18% return for 2019. With only these contribution increases, the plan approaches a projected funded status of 100% by 2042 and projected funded status of 120% in 30 years.

	FY 2021	FY 2022	FY 2023
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure (decrease)			
RETIREMENT FUND	($3,000,000)	($3,000,000)	($3,000,000)

Source of expenditure (decrease):
Changing retirement eligibility for current and future members results in an immediate decrease to both the unfunded accrued liability (UAL) and the total normal cost as a percent of payroll. The UAL as of the measurement date decreases by $110.6 million to $2.44 billion and the normal cost decreased by 0.54% of payroll. The long-term normal cost also decreased by 0.36% of payroll. With only this change in retirement eligibility, the projected funded ratio in 30 years increases from 71.5% in the baseline projections to 82.1%.

Assumptions:

- Actuarial analysis prepared based on member data, financial information, and the actuarial methods used in preparing the Jan. 1, 2019 actuarial report.
- Since retirement eligibility for Tier 1 members changed from age 50 to 55, we have lowered the termination rates to 0.5% for members age 50 to 54 with four or more years of service in the impact runs.
- To estimate the impact of phasing in a change to the normal retirement age and the increase in the “rule of” requirements, we have increased the retirement rates for members upon first eligibility as follows:
  - No change to rates if the member is currently eligible for retirement.
  - 1.33 times the currently assumed rate at first eligibility for members within five years of being eligible for retirement.
  - 2.00 times the currently assumed rate at first eligibility for members more than five years from being eligible for retirement and all Tier 2 members.

Based on the changes in the provisions and the assumptions, on average, members who are not currently eligible to retire are assumed to retire approximately 1.5 years later than under the baseline.

In addition to the separate valuations of the contribution increases and retirement eligibility changes, WRS actuaries also analyzed the impact of applying both of these plan changes together. The application of the contribution increases and retirement eligibility changes would bring the projected funded status of the plan up to 101.6% funded in 30 years, based on the most recently completed Actuarial Valuation Report as of January 1, 2019. Based on the anticipated investment earnings of 18% in CY 2019, the application of both changes to the plan results in a projected funded status of 100% by 2039 and a projected funded status of 131.7% in 30 years.

NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED

This bill has administrative impact that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.

The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:

Retirement System

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