FISCAL IMPACT REPORT

		ORIGINAL DATE	02/10/14		
SPONSOR	Ingle	**LAST UPDATED**	02/14/14	**HB**	
SHORT TITLE	Legislative Retirement to Judicial Retirement			**SB**	304
				ANALYST	Hanika Ortiz

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY14	**FY15**	**FY16**		
	$960.0	$960.0	Recurring	Magistrate
	$240.0	$240.0	Recurring	Judicial
	($1,200.0)	($1,200.0)	Recurring	Legislative

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Employees Retirement Association (PERA)

SUMMARY

Synopsis of Bill

Senate Bill 304 amends the Tax Administration Act to provide a temporary distribution in each of 36 consecutive months of $80 thousand for a total of $2.9 million to the Magistrate Retirement Fund, and $20 thousand for a total of $720 thousand to the Judicial Retirement Fund, that would otherwise be included in the monthly distribution to the Legislative Retirement Fund.

The bill is contingent on enactment of solvency legislation during the current legislative session.

FISCAL IMPLICATIONS

The PERA reports that the bill if passed and signed into law would increase the projected funded ratio of the Magistrate Fund to 113.6 percent and the Judicial Fund to 105.9 percent.

The Tax Administration Act, Section 7-1-6.43, provides a distribution to the Legislative Fund of either $200 thousand per month or one-twelfth of the amount necessary to fund the benefits if the required contribution needed is larger. For FY13, the distribution of $2.4 million to the Legislative Fund exceeded the amount necessary to fund the benefits by about $1.6 million.

The State Legislator Member Coverage Plans are not funded based on contributions from salary. Members pay annual contributions of $600 per year of service on a non-actuarial basis. In turn, the Legislature transfers $2.4 million annually to cover the costs on an actuarial reserve basis.

For the year ending June 30, 2013, the Legislative Retirement Fund:

Funded Ratio	115.2%
Unfunded Actuarial Accrued Liability	($3,811,992)
Total Normal Cost	$661,821
Expected Annual Member Contribution	$71,400
Annual Funding Contribution	$2,400,000
Surplus Annual Funding Year Ending 2013	**$1,600,000**

SIGNIFICANT ISSUES

Pension plans of this relatively small size are sensitive to changes in assumptions. For instance, according to the actuarial valuation as of June 30, 2013, the Legislative plan's funded ratio increased from 91.8 percent in FY12 to 115.2 percent in FY13, due to multiple factors that included a 10.45 percent investment return which represented a 2.8 percent increase to the funded ratio; a decrease in the assumed per diem rate which represented a 4.3 percent increase to the funded ratio; $1.8 million more in contributions that expected which represented a 6.2 percent increase to the funded ratio; and Senate Bill 27 that decreased the annual cost-of-living adjustment from 3 to 2 percent which represented an 8.9 percent increase to the funded ratio.

For the year ending June 30, 2013, the Judicial Retirement Fund had a funded ratio of 55.7 percent and is projected to become insolvent by the year 2036; and the Magistrate Retirement Fund had a funded ratio of 58.4 percent and is projected to become insolvent by the year 2029.

RELATIONSHIP

SB 160/SJCS and HB 216/HJCS, solvency legislation for the Magistrate Retirement Fund
HB 33/HJCS, pension solvency legislation for the Judicial Retirement Fund

OTHER SUBSTANTIVE ISSUES

The average age of a legislator retiree is 64 years and their average annual pension is $13,272. The average age of a JRA retiree is 70 years of age and their average annual benefit is $65,966. The average age of a MRA retiree is 70 years of age and their average annual benefit is $40,775.

ALTERNATIVES

Postpone the effective date of the legislation one year to assess the impact to the funded ratio of the Judicial and Magistrate Funds from the passage of pension solvency legislation during 2013.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The judicial retirement funds will continue to deteriorate in the absence of periodic cash infusions or changes to the core benefit structure and cost-of-living adjustment for members.

AHO/ds:svb