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FISCAL IMPACT REPORT

SPONSOR Padilla ORIGINAL DATE 3/11/19
 LAST UPDATED _____ HB _____

SHORT TITLE Study Representation on PERA Board SJM 19

ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY19 | FY20 | FY21 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|------|---------|------|----------------------|------------------------------|------------------|
| Total | | Minimal | | | | |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Joint Memorial 19 requests the Public Employees Retirement Association (PERA) to convene a task force and conduct a listening tour with retirees and other key stakeholder groups to study representation on the PERA board and report findings to the Legislature.

FISCAL IMPLICATIONS

PERA will have to pay any costs associated with conducting this study out of its existing budget. PERA's budget is comes from retirement funds that, if not used for PERA operations, are paid to retirees as benefits. During 2018, PERA conducted 15 statewide outreach meetings regarding pension solvency. Costs related to these outreach meetings exceeded \$23,000, including travel and lodging and material printing costs.

SIGNIFICANT ISSUES

Executive Order 2019-005, creates a nineteen-member Public Employees Retirement Association task force to provide recommendations to the Office of the Governor regarding solvency proposals that include recommendations regarding the governance structure of PERA, including the composition of the PERA Board of Trustees.

Retirees make up 42 percent of PERA membership and 67 percent of fund liabilities.

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PERA offers one of the richest pension benefits in the country, providing 90 percent income replacement after a 30 year career *in addition to social security benefits* for those who began service prior to July 1, 2013. Due to severe underfunding of the state's pension benefit, pension reform legislation was passed in 2013. Among other changes, the reforms reduced the cost-of-living-adjustment (COLA) paid to retirees from 3 percent to 2 percent and reduced the benefit paid to new hires by 17 percent while maintaining member contributions to the fund. The changes improved funded status, but the state pension plan remains significantly underfunded.

CJ/al