

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill Number: HB 272

50th Legislature, 1st Session, 2011

Tracking Number: .183747.1

Short Title: Public Employee & Education Retirement Acts

Sponsor(s): Representative Mimi Stewart

Analyst: Craig J. Johnson

Date: February 9, 2011

Bill Summary:

HB 272 amends the *Public Employees Retirement Act* and the *Educational Retirement Act* to require the retirement boards to provide actuarial and other solvency-related reports to the Legislature or legislative committees upon request.

Fiscal Impact:

HB 272 does not contain an appropriation.

Fiscal Issues:

- The Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB) currently provide annual valuation reports and experience studies to the legislature.
- The impact of HB 272 on agency budgets will depend on the extent to which legislative bodies request actuarial and pension-solvency reports in addition to the reports currently provided.
- According to the ERB bill analysis:
 - the ERB covers the cost of actuarial and other solvency-related reports that it provides to the Legislature and its committees under the existing contract with its outside actuaries; and
 - to the extent that there is not a significant increase in the number of reports requested, ERB does not anticipate incurring additional costs.
- The bill analysis from the PERA noted the following:
 - HB 272 will have an estimated fiscal impact of \$25,000 on PERA's operating budget in FY 12. During the 2010 interim session, the Investment Oversight Committee asked PERA to provide information under no less than 15 different scenarios. Many of the scenarios presented addressed how to reduce benefits and provide cost savings

to the State General Fund. PERA's actuary estimated that the cost to answer this request would be approximately \$25,000;

- PERA's professional services agreement with its actuaries covers an annual valuation and experience studies for each of its five retirement funds. In addition, PERA has negotiated actuarial analyses of up to five legislative proposals annually at PERA's request;
- Historically, it has been PERA's policy that employer or employee groups requesting actuarial studies to determine the impact of benefit enhancements are responsible for their costs;
- PERA trust fund monies can only be expended for the benefit of the members, retirees, and their beneficiaries. PERA does not believe it is appropriate that Trust Fund monies be used to pay for actuarial studies requested by the legislature. Such requests will need to be paid for by the Legislative Council Service; and
- PERA's actuarial contract does not contemplate or provide funding for these kinds of "what if" scenarios. PERA's actuaries can certainly provide this information to legislative and interim committees contemplating changes to PERA's benefit plans as long as the legislative group is willing to pay for the studies requested.

Related Bills:

HB 131 *Public Employee Retirement Info Disclosure*