JBC STAFF FISCAL ANALYSIS
HOUSE APPROPRIATIONS COMMITTEE

CONCERNING A REQUIREMENT THAT THE STATE MAKE AN ADDITIONAL DIRECT DISTRIBUTION TO THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION TO FULLY RECOMPENSE THE ASSOCIATION FOR THE CANCELLATION OF A PREVIOUSLY SCHEDULED JULY 1, 2020, DIRECT DISTRIBUTION.

Prime Sponsors: Reps. Bird and Sandridge
Sens. Kolker and Priola

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Date Prepared: May 9, 2022

Appropriation Items of Note

Appropriation Not Required, Amendments in Packet

Fiscal Impact of Bill as Amended to Date

The most recent Legislative Council Staff Fiscal Note (attached) reflects the fiscal impact of the bill as of 04/26/22.

	No Change: Attached LCS Fiscal Note accurately reflects the fiscal impact of the bill
XXX	**Update:** Fiscal impact has changed due to *new information or technical issues*
	Update: Fiscal impact has changed due to *amendment adopted* after LCS Fiscal Note was prepared
	Non-Concurrence: JBC Staff and Legislative Council Staff disagree about the fiscal impact of the bill

The fiscal note indicates that an appropriation to the Department of the Treasury is required; however the contents of the bill provide the Treasurer with the authority to pay the warrant, therefore no appropriations clause is necessary.

Amendments in This Packet for Consideration by Appropriations Committee

Amendment	Description
L.003	Bill Sponsor amendment - changes fiscal impact
L.004	Bill Sponsor amendment - future fiscal impact

Current Appropriations Clause in Bill

The bill neither requires nor contains an appropriation clause for FY 2022-23.

Description of Amendments in This Packet

L.003 Bill Sponsor amendment **L.003** (attached) increases the additional payment to PERA by

$76.4 million in FY 2022-23, increasing the additional payment from $303.57 million to $380.0 million cash funds from the PERA Payment Cash Fund. The amendment also requires that the State Treasurer make the payment on or as soon as possible after the effective date of the bill.

L.004 Bill Sponsor amendment **L.004** (attached) reduces the scheduled $225.0 million direct distribution payment in FY 2023-24 by $155.0 million to $190.0 million, resulting in a direct distribution payment of $35.0 million to $70.0 million on July 1, 2023. In addition, the amendment reduces the scheduled direct distribution payment in FY 2024-25 by up to $27.6 million in FY 2024-25, resulting in a direct distribution payment of no more than $197.5 million in FY 2024-25.

The net fiscal impact of L.003 and L.004 over three years equates to an overall reduction in direct distribution payments to PERA by up to $141.2 million ($76.4 million - $190.0 million - $27.6 million).

Points to Consider

Related Budget Information and Future Fiscal Impact

Pursuant to S.B. 18-200, a $225.0 million direct distribution payment is required to be made annually to PERA until the unfunded liability is eliminated. The payment required H.B. 22-1029 is in addition to the regularly scheduled $225.0 million payment that will be made on July 1, 2022. The identified $303.57 million additional payment is intended to make up for the suspended direct distribution payment in FY 2020-21, plus the estimate of investment gains foregone due to the suspended payment.

Reductions in future direct distribution payments to PERA, such as those included in amendment L.004:

1. Reduce PERA's funded status,
2. Extend the period until the unfunded liability is eliminated, and
3. Will necessarily require repayment of the reduction amount, plus investment interest earnings over time (estimated at 7.25 percent annually), by the State, state employees, and other PERA members, or in reduced benefits to retirees.