



Temporary Emergency Rules Implementing HB 454

- ❖ As enacted, HB 454(Chapter 390) provides funding for PERS through increased employee and employer contributions, coal tax monies, and the reduction of the GABA for all PERS members, whether retired or active.
- ❖ HB 454 contains two triggers: one for eliminating the increased employee contributions and employer contributions; the other for adjusting the GABA for all PERS members.
- ❖ The increased employee and employer contributions terminate when the fund can become actuarially sound in less than 25 years, without the additional contributions.

19-3-315 ***

(2) Each member's contribution must be reduced to 6.9% on January 1 following the system's annual actuarial valuation if the valuation determines that reducing the employee contribution pursuant to this subsection and reducing the employer contribution pursuant to 19-3-316(4) would not cause the system's amortization period to exceed 25 years.

19-3-316 ***

(3) (a) Subject to subsection (4), each employer shall contribute to the system an additional employer contribution equal to the percentage specified in subsection (3)(b) of the compensation paid to all of the employer's employees, except for those employees properly excluded from membership.

(b) The percentage of compensation to be contributed under subsection (3)(a) is 1.27% for fiscal year 2014 and increases by 0.1% each fiscal year through fiscal year 2024. For fiscal years beginning after June 30, 2024, the percentage of compensation to be contributed under subsection (3)(a) is 2.27%.

(4) (a) The board shall annually review the additional employer contribution provided for under subsection (3) and recommend adjustments to the legislature as needed to maintain the amortization schedule set by the board for payment of the system's unfunded liabilities.

(b) The employer contribution required under subsection (3) terminates on January 1 following the board's receipt of the system's actuarial valuation if the actuarial valuation determines that terminating the additional employer contribution pursuant to this subsection (4)(b) and reducing the employee contribution pursuant to 19-3-315(2) would not cause the amortization period as of the most recent actuarial valuation to exceed 25 years."

- ❖ Once the amortization period is under 40 years, the GABA is lowered .1% for each 2% the funding percentage falls below 90%

19-3-1605

(4) (a) Subject to subsection (5), the applicable percentage rate is 1.5% for benefit recipients hired or assuming office:

(i) before July 1, 2007;

(ii) on or after July 1, 2007, and prior to [the effective date of this act] if the benefit recipient is an existing member of a benefit plan for which the applicable percentage before [the effective date of this act] was either 3% or 1.5%; or

(iii) on or after [the effective date of this act].

(b) The applicable percentage rate for a contingent annuitant described in subsection (2)(c) is the same as the applicable percentage rate applicable to the original payee under subsection (4)(a).

(5) (a) Except as provided in subsection (5)(b), if the most recent actuarial valuation of the retirement system shows that retirement system liabilities are less than 90% funded, the applicable percentage rate in subsection (4) must be reduced by 0.1% for each 2% below that 90% funding level.

(b) If the amortization period is 40 years or greater, the applicable percentage rate is 0% and the retirement allowance may not be increased.

- ❖ Because HB 454 provides for a changing GABA, it is necessary to tell the actuary the GABA rate to use when conducting the FY2013 valuation
- ❖ The Board determined to use 1.5% for the test GABA rate as that is the highest future GABA rate possible and thus reflects the largest possible unfunded liability.
- ❖ A GABA rate lower than 1.5% would result in a shorter amortization period (trigger 1) and a larger funded percentage (trigger 2). Therefore, the employer and employee contributions would still terminate and the projected GABA rate would increase above the currently estimated rate of 0.9%.
- ❖ The larger GABA might then result in a larger unfunded liability, a decrease in the funding status percentage, and thus a decrease in a member's GABA for the next fiscal year.