

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # - 1711/1

INTRODUCTION # S.B. 105

Admin. Rule #

Subject

Classifying Certain Teachers employed by the State as Protective Occupation Participants under the WRS

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate:

S.B. 105 would grant protective occupation employee status to teachers and librarians employed at state correctional and mental health facilities, who are now classified as "general" employees under the WRS. Credited service as a protective employee would begin only after the bill's effective date. Affected employees could retire with higher pensions not reduced for early retirement 10 years earlier than they can now.

The Department of Corrections reports that this bill would affect 344 FTE employees with a payroll of \$13.03 million. The bill would also affect Department of Health and Family Services employees with a \$1.08 million payroll. The affected payroll for both departments combined would be \$14.11 million.

The employers' pension cost generated by this bill would be \$14.11 million times the 2.2% difference between the WRS contribution rates for "general" and "protective" employees:

$$\text{Initial pension cost of bill (before duty disability)} = (\$14.11\text{million}) \times 2.2\% = \$310,420 \text{ annually}$$

Additional 3.3% of payroll contributions would be payable to the Section 40.65 Duty Disability program for these employees, costing an additional $(\$14.1 \text{ million}) \times 3.3\% = \$465,630$ annually.

Using 1999 data, then, the total retirement system related annual cost of the bill would be about ...

$$\$310,420 + \$465,630 = \$776,050$$

Increasing this by 4.8% leads to an estimate of **\$813,300** as the year 2000 WRS-related cost for this bill, all of which would be borne by the two state agencies employing the affected employees.

Many of these employees would retire earlier than otherwise, which would generate costs of hiring and training replacement personnel. It is widely believed that reductions in payroll offset or more than offset these costs, because entry level employees replace senior employees who retire. On the contrary, each such retirement tends to trigger a sequence of rapid promotions with salary increases, so that payroll reduction due to retirement is usually not enough to offset costs of replacing employees who retire.

Long-Range Fiscal Implications:

The initial \$813,000 annual retirement system cost would increase at an assumed 4.8% annually. For example, after 10, 20, and 30 years the cost would be about \$1.3 million, \$2.1 million, and \$3.3 million, respectively. The additional hiring and training cost mentioned above would also be an ongoing cost.

Prepared By: / Phone # / Agency Name
 Joint Survey Committee on
 Retirement Systems

Authorized Signature / Telephone No.

Scott L. Dennison
 Scott L. Dennison 266-5251

Date
 6/8/99

FISCAL ESTIMATE WORKSHEET
Session

Detailed Estimate of Annual Fiscal Effect

1999

- ORIGINAL
 CORRECTED
 UPDATED
 SUPPLEMENTAL

LRB # - 1711/1
INTRODUCTION # S.B. 105

Admin. Rule #

Subject

Classifying Certain Teachers employed by the State as Protective Occupation Participants under the WRS

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 813,300	\$ -
B. State Costs by Source of Funds		
GPR	\$ (?)	\$ -
FED	- 0 -	-
PRO/PRS	(?)	-
SEG/SEG-S	- 0 -	-
State Revenues Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$ - 0 -	\$ - n/a

NET ANNUALIZED FISCAL IMPACT

	STATE	LOCAL
NET CHANGE IN COSTS	\$ 813,300	\$ 0
NET CHANGE IN REVENUES	\$ 0	\$ 0

Prepared By: / Phone # / Agency Name Joint Survey Committee on Retirement Systems	Authorized Signature/Telephone No. <i>Scott L. Dennison</i> Scott L. Dennison 266-5251	Date 6/8/99
--	--	----------------