Multiple Agency Fiscal Note Summary

Bill Number: 2391 E HB	**Title:** Retirement system/pension

Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Total $						

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of the State Actuary	.0	(98,500,000)	(107,100,000)	.0	(26,500,000)	(16,300,000)	.0	(36,300,000)	(27,800,000)
Washington State Health Care Authority	Fiscal note not available								
Department of Retirement Systems	Fiscal note not available								
Total	0.0	$(98,500,000)	$(107,100,000)	0.0	$(26,500,000)	$(16,300,000)	0.0	$(36,300,000)	$(27,800,000)

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

Prepared by: Jane Sakson, OFM	**Phone:** 360-902-0549	**Date Published:** Preliminary 4/24/2007

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 18094

Individual State Agency Fiscal Note

Bill Number: 2391 E HB	Title: Retirement system/pension	Agency: 035-Office of State Actuary

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND					
Total $					

Estimated Expenditures from:

		FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund						
All Other Funds-State	000-1	(10,700,000)	2,100,000	(8,600,000)	10,200,000	8,500,000
General Fund-State	001-1	(59,500,000)	(39,000,000)	(98,500,000)	(26,500,000)	(36,300,000)
	Total $	(70,200,000)	(36,900,000)	(107,100,000)	(16,300,000)	(27,800,000)

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Sasha Doney	Phone: 360-902-0544	Date: 04/23/2007
Agency Preparation:	Robert Baker	Phone: 360-786-6144	Date: 04/24/2007
Agency Approval:	Matthew M. Smith	Phone: 360-786-6140	Date: 04/24/2007
OFM Review:	Jane Sakson	Phone: 360-902-0549	Date: 04/24/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
Total:	$0	$0	$0	$0	$0

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

FISCAL NOTE

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	4/23/07	EHB 2391

REQUEST NO.

INTENDED USE

This actuarial fiscal note was prepared by the Office of the State Actuary in accordance with RCW 44.44.040(4) and is intended to support the legislative process during the 2007 Legislative Session only.

Any third party recipient of this fiscal note is advised to seek professional guidance concerning its content and interpretation and should not rely upon this communication in the absence of such professional guidance. The options and analysis presented in this fiscal note should be read as a whole. Distributing or relying on only portions of this fiscal note could result in misuse and may be misleading to others.

SUMMARY OF BILL

This bill impacts the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), and the School Employees' Retirement System (SERS), by:

- Limiting gain-sharing eligibility to members hired prior to July 1, 2007;
- Repealing Plan 1 and Plan 3 gain-sharing after the 2008 event;
- Providing up to a 20 cent adjustment to the PERS 1 and TRS 1 annual increase amount on July 1, 2009, should the 2008 gain-sharing event result in less than a 40 cent adjustment to the annual increase amount (this benefit is non-contractual);
- Providing TRS and SERS members hired on or after July 1, 2007, the choice of joining either Plan 2 or Plan 3 of their respective systems;
- Providing members of PERS 2/3 (beginning July 1, 2008), TRS 2/3, and SERS 2/3 (beginning September 1, 2008) who have completed at least thirty service credit years and have attained age fifty-five, an alternate early retirement allowance reduced as follows:

Retirement Age	Percent Reduction
55	20%
56	17%
57	14%
58	11%
59	8%
60	5%
61	2%
62	0%
63	0%
64	0%

- Prohibiting Plan 2/3 members who retire under the improved alternate early retirement provisions from engaging in post-retirement employment until sixty-five years of age; and
- Providing for supplemental contribution rate increases in support of the Plan 2/3 alternate early retirement benefits beginning on the effective date of the benefits.

Contingent Benefits

The subsidized reductions for alternate early retirement were intended by the legislature as replacement benefits for gain-sharing. Until there is legal certainty with respect to the repeal of gain-sharing, the right to retire under these subsidized reductions is non-contractual. If the repeal of gain-sharing is held to be invalid, and gain-sharing is reinstated, then alternate early retirement benefits shall be reduced by three percent for each year a member is younger than age sixty-five.

Providing new TRS and SERS members the choice to enter either Plan 2 or Plan 3 was also intended by the legislature as a replacement benefit for gain-sharing. Until there is legal certainty with respect to the repeal of gain-sharing, the right to make such a choice is non-contractual. If the repeal of gain-sharing is held to be invalid, and gain-sharing is reinstated, then new hires into TRS and SERS will automatically become members of Plan 3 of their respective systems.

The adjusted increase in the Annual Increase Amount for the Plan 1 Uniform COLA was likewise intended by the legislature as a replacement benefit for gain-sharing. If the repeal of gain-sharing is held to be invalid, and gain-sharing is reinstated, then the adjustment to the annual increase amount will be eliminated from future annual increase amounts paid on or after the date of such reinstatement.

Effective Date: Section 1 (member eligibility for gain-sharing), section 3 (TRS Plan 2/3 choice), and section 7 (SERS Plan 2/3/ choice) of the bill are effective July 1, 2007; other sections are effective 90 days after session.

CURRENT SITUATION

Currently, gain-sharing applies to the Plans 1 of PERS and TRS, and the Plans 3 of PERS, TRS, and SERS. Gain-sharing is a mechanism that increases benefits; the increases are not automatic, but are contingent on the occurrence of "extraordinary investment gains." Extraordinary gains occur when the compound average of investment returns on pension fund assets exceeds 10% for the previous four state fiscal years. When this occurs, a calculation is performed to determine a dollar amount that will be distributed to eligible members. Gain-sharing calculations are currently made once each biennium with potential distributions occurring in January of even-numbered years.

Plan 1 gain-sharing

When a gain-sharing event occurs, one-half of the gain for PERS 1 and TRS 1 is used to fund a permanent increase in the PERS 1 and TRS 1 Uniform COLA for current and future retirees. The monthly Uniform COLA is determined by multiplying each member's years of service by the "Annual Increase Amount". The most recent Annual Increase Amount was $1.29; an eligible member with 30 years of service received a monthly COLA of $38.70 (30 years of service times $1.29). The Annual Increase Amount increases each year by at least 3%. Gain-sharing is also used to boost the Annual Increase Amount; 38 cents of the current amount compounded at 3% is a result of past gain-sharing. The Annual Increase Amount is scheduled to increase to $1.33 on July 1, 2007.

In the absence of a gain-sharing payment on January 1, 2008, the Annual Increase Amount would increase to $1.37 on July 1, 2008. It is estimated that there will be a gain-sharing increase on January 1, 2008. This amount, subject to change until the event occurs, is currently projected to be $0.26. Under current provisions, the July 1, 2008 increase amount will be ($1.33 + GS increase) x 1.03. Using the $0.26 as an example, the July 2008 increase amount would be $1.63.

Plan 3 gain-sharing

In the Plans 3, active, retired, and terminated vested members receive gain-sharing distributions as a lump sum dollar amount that is deposited directly into their defined contribution accounts based on years of service credit. A member will qualify for gain-sharing by having a balance of at least $1,000 in their account. There have been two gain-sharing distributions since the inception of gain-sharing: one in 1998 and one in 2000. Under current provisions, a gain-sharing event for Plan 3 members is expected to occur in January 2008. The total payout for this event, subject to change until the event occurs, is currently projected to be $228 million.

Plan choice

Currently, of the three systems, PERS is the only one that has Plan 2/3 choice at hire. New PERS employees have a period of ninety days to make an irrevocable choice to become a member of Plan 2 or Plan 3. At the end of ninety days, if the member has not made a choice to become a member of Plan 2, he or she automatically becomes a member of Plan 3. In TRS and SERS, new employees automatically become members of Plan 3, and the Plans 2 are closed to new hires. Once a member has entered Plan 3, he or she may not currently transfer to Plan 2.

Plan 2/3 Alternate Early Retirement

Currently, any Plan 2 or Plan 3 member who has completed at least thirty service credit years and has attained age fifty-five may retire and receive an alternate early retirement allowance reduced by three percent per year to reflect the difference in the number of years between age at retirement and the attainment of age sixty-five. These alternate early retirement benefits are a contractual right.

Plan 2/3 Post-Retirement Employment

Currently, a retired Plan 2 or Plan 3 member who has separated from employment for at least one calendar month, may work up to 867 hours per calendar year in any PERS, TRS, SERS, PSERS, or LEOFF eligible position before their retirement benefit is suspended.

Supplemental Contribution Rates

Supplemental contribution rates are calculated by the State Actuary when new retirement benefits are granted to retirement system members. These supplemental rates pay for the cost of new benefits between basic rate-setting periods (or between two-year state budgeting periods). Typically, the supplemental rate is added to the basic employer contribution rates on September 1st of any year in which new retirement benefits are established.

SUMMARY OF MEMBERS IMPACTED

Plan 1 Gain-sharing

Any Uniform COLA increase, the repeal of Plan 1 gain-sharing, and the 2008 gain sharing distribution will impact all 73,590 members of PERS 1 and all 45,184 members of TRS 1.

For a typical Plan 1 member impacted by this bill, the uncertain and irregular adjustment to the Annual Increase Amount provided by gain-sharing is exchanged for a definitely determinable increase consisting of the sum of the Annual Increase amount from the 2008 gain sharing distribution plus an additional Annual Increase Amount of up to $0.20. The additional amount would also be limited so that the total is no more than $0.40, or the amount from the 2008 event, whichever is greater. The 2008 gain sharing distribution is projected to result in an Annual Increase Amount of $0.26. Under this bill, we expect there would be a Uniform COLA increase of $0.13. The expected value of the additional amount using deterministic methods would be $0.14 since $0.26 is $0.14 short of $0.40. We used stochastic methods to develop the $0.13 estimate.

A retiree with 30 years of service would get an estimated initial increase of $0.26 x 30 = $7.80 per month on January 1, 2008. This increase would be followed by the standard Uniform COLA increase amount on July 1, 2008. With a July 1, 2007 increase amount of $1.33 and an estimated $0.26 gain-sharing payment in January 2008, the Annual Increase Amount as of July 1, 2008 would be ($1.3264 + $0.26) x 1.03 = $1.63. If the expected $0.13 Uniform COLA increase occurs on July 1, 2009, the total increase for that date would be the regularly scheduled amount for that date of ($1.63 x 1.03 = $1.68) + $0.13 = $1.81. The amounts presented in this paragraph are estimates. The increases in this bill would become a permanent part of the Uniform COLA Annual Increase Amount, growing by 3 percent per year thereafter.

Plan 3 Gain-sharing

The repeal of Plan 3 gain-sharing could potentially impact all current and future members of PERS 3, TRS 3, and SERS 3, including all of the active Plan 3 members (except those that would not meet the requirement of having a minimum balance of $1,000 in their DC accounts), all of the Plan 3 annuitants, all of the Plan 3 terminated vested members meeting the minimum balance requirement, and any Plan 3 terminated non-vested members who are rehired.

The repeal of gain-sharing benefits eliminates future gain-sharing contributions to members’ DC accounts after the January 2008 event, which is expected to pay a collective $228 million into the DC accounts of eligible members.

Plan 2/3 Choice

The prospective Plan 2/3 choice will impact TRS and SERS members hired on or after July 1, 2007. We estimate that from October 1, 2007 to September 30, 2008, there will be a total of 4,691 new TRS members and 5,512 new SERS members. The number of new members is expected to increase each year. We estimate that 50 percent of these new members would elect to join Plan 2 and 50 percent would elect Plan 3. The experience from 2002 to 2006 shows that about 63 percent of new PERS members elect Plan 2 and 37 percent elect Plan 3.

Additionally, active members in TRS Plan 2 and SERS Plan 2 beginning in 2007 would be affected by this provision through increased contribution rates. We estimate that there will be 6,491 active TRS 2 and 16,286 active SERS 2 members in 2007.

Plan 2/3 Alternate Early Retirement

The following table displays the number of active members who could benefit under this proposal by system:

Number of active members projected to have at least 30 years of service before age 65		
System/Plan	Actives Impacted	Total Active Count
PERS 2/3	72,571	139,616
TRS 2/3	36,626	58,678
SERS 2/3	14,907	50,350

For members impacted by this provision, the increase in benefits would come from the removal and reduction of the ERRFs from their benefits once they attain at least age 55 and have at least 30 years of service. For example, under current law, a 62-year-old member with an average final compensation (AFC) of $50,000 who retires with 30 years of service would receive an initial annual benefit of $27,300 ($50,000 x 2% x 30 x 91%). Under this proposal, the same member would receive an initial annual benefit of $30,000 ($50,000 x 2% x 30). If the member in the example above were 55 years old instead of 62, under current law they would receive an initial annual benefit of $21,000 ($50,000 x 2% x 30 x 70%). Under this proposal, the same member would receive an initial annual benefit of $24,000 ($50,000 x 2% x 30 x 80%).

Additionally, 118,400 PERS Plan 2 members, 7,205 TRS Plan 2 members, and 19,387 SERS Plan 2 members would be affected by this provision through increased contribution rates. Of those members, 58,501 PERS 2 members, 4,239 TRS 2 members, and 14,050 SERS 2 members could not benefit from the provisions in this proposal, but would still pay the resulting higher contribution rates.

Members who enter service at or after age 35 cannot benefit from the unreduced Early Retirement Reduction Factors (ERRFs) because they will not accrue 30 years of service to qualify for this proposed benefit before the normal retirement age of 65.

Replacement Benefits

This bill replaces gain-sharing with certain benefits. The present value of the replacement benefits for current members as a ratio of the present value of gain-sharing is shown below. The replacement benefits for Plan 1 members are the 2008 gain-sharing event plus the Uniform COLA increase. The replacement benefits for current Plan 3 members are the 2008 gain-sharing event plus the improved alternate early retirement provisions.

System/Plan	Value of replacement benefits including Plan 2 as a percent of gain-sharing for current members*	Value of replacement benefits excluding Plan 2 as a percent of gain-sharing for current members*
PERS 1	73%	73%
PERS 2/3	473%	66%
TRS 1	75%	75%
TRS 2/3	88%	77%
SERS 2/3	52%	39%

**The alternate early retirement provision of this bill impacts Plan 2 members as well as Plan 3 members. Plan 2 members do not currently receive gain-sharing benefits, but they will benefit from this improvement. Plan 2 members also share the cost of the benefit improvement according to current funding policy. For purposes of direct replacement comparison, the Plan 3 column on the right of this table should be used. For absolute changes in liabilities, the Plan 2/3 column on the left should be used.*

See the Data section of this fiscal note for more details on members impacted by this bill.

METHODS

Gain-sharing

To find the savings from the repeal of gain-sharing benefits, we subtracted the liabilities currently attributable to expected future gain-sharing benefits from the total liabilities of each of the systems. These additional gain-sharing liabilities were determined by finding the difference between the present value of future benefits valued at a gross and net valuation interest rate. Additional information on this method can be found in the September 30, 2005 actuarial valuation report (AVR).

2008 gain-sharing event

Because there will very likely be one last gain-sharing payment on January 1, 2008 under this bill, we estimated the cost of this event, which is an actuarial loss to the affected systems. We began by building the probability distribution for the random value of gain-sharing in 2008. From this distribution we calculated the projected mean value of 2008 gain-sharing. We looked at what the four-year compound rate of return for the Commingled Trust Fund (CTF) would be at that mean value for the time period beginning July 1, 2003 and ending June 30, 2007 and took half of the amount over 10 percent. We spread this rate of return between the Plans 1 and 3 to determine the corresponding liability increase attributable to the respective plans. Below is a table showing current and projected Plan 2 and Plan 3 service. The ratio of Plan 3 eligible service to total Plan 2/3 service determines the percentage of assets available for gain-sharing payments to Plan 3 members.

Development of Plan 3 Gain-Sharing Assets		
	September 30, 2005	Projected to 2007
Plan 2 Eligible Service Years	1,916,475	2,156,899
Plan 3 Eligible Service Years	978,676	1,142,856
Total Plan 2/3 Service Years (Total Service)	2,895,151	3,299,755
Ratio Plan 3 Eligible Service to Total Service	33.8%	34.6%
Plan 2/3 Mean Expected Market Value of Assets*	N/A	$24,653
Assets Available for Gain-Sharing*	N/A	$8,538

**Totals may not agree due to rounding. Dollars in millions.*

The table below illustrates the expected fiscal impact from the gain-sharing payment as of January 1, 2008. We assume that under this bill, the contribution rates to pre-fund the cost of gain-sharing will not be collected in the 2007-09 biennium. Therefore, the net impact in the table below matches the reduction in funded status for all plans.

Preliminary Expected Impact of January 1, 2008 Gain-Sharing Event			
	Reduction in Funded Status	*Less Contributions*	*Net Impact*
Plan 1			
PERS	$288.0	$0.0	$288.0
TRS	244.0	0.0	244.0
Plan 1 Total	$532.0	$0.0	$532.0
Plan 3			
PERS	$45.3	$0.0	$45.3
TRS	119.2	0.0	119.2
SERS	63.4	0.0	63.4
Plan 3 Total	$227.9	$0.0	$227.9
All Plans	$759.9	$0.0	$759.9

Preliminary estimates only. Dollars are in millions.

To determine the contribution rate increases from the expected 2008 gain-sharing benefits we calculated the present value of the liabilities from the expected gain-sharing payments and divided them by the Present Value of Future Salaries of the respective plans. We assumed the increase in contribution rates would become effective in 2009.

Plan 1 Uniform COLA increase

To find the expected value of the Uniform COLA increase in this bill, we used the same probability distribution as for the 2008 gain-sharing event described above, and found the weighted average of the expected Uniform COLA increase amount to be $0.13.

Plan 2/3 choice

To find the cost of plan choice at hire, we determined the Entry Age Normal Cost rate (EANC) for Plan 2 as if every active Plan 2 and Plan 3 member were in Plan 2, and we determined the EANC for Plan 3 as if every active Plan 2 and Plan 3 member were in Plan 3. We calculated the excess of the employer portion of the EANC for Plan 2 over the EANC for Plan 3 and then took 50 percent of the difference to reflect our assumption that 50 percent of new members in TRS and SERS would elect to join Plan 2 and 50 percent would elect Plan 3. We applied the rate increase for plan choice to the projected payroll for new entrants only.

Plan 2/3 Alternate Early Retirement

Increasing the ERRFs for members between the ages of 55 and 64 with at least 30 years of service results in higher liabilities for the affected Plans. The increases in liabilities are a result of the unreduced ERRFs for members who would retire under current law with the lower ERRFs, and the additional members who we expect to retire between age 55 and 64 with at least 30 years of service due to the improved benefit.

To find the cost impact for the unreduced ERRFs we increased the ERRFs for eligible members to 100 percent beginning at age 62. Under current law, members with at least 30 years of service who are at least 55 years of age may take a retirement reduced by 3 percent per year from age 65. A 55-year-old member who qualifies for this alternate early retirement would receive a 30 percent reduction in benefits under current provisions. Under this bill, a 55-year-old member who qualifies for this alternate early retirement would receive a 20 percent reduction in benefits. See the Assumptions section for a comparison of the ERRFs under current law and under this bill.

To model the increase in expected retirements due to the unreduced ERRFs for eligible members, we increased the retirement rates for members between ages 55 and 64 who have at least 30 years of service. See the Assumptions section for the amounts we assumed retirement rates would increase as a result of this provision.

The improved ERRFs under this bill were applied to all applicable benefits (i.e., retirement, survivor, disability, etc.)

The new reduction factors do not go into effect until July 1, 2008 for PERS members and September 1, 2008 for TRS and SERS members under this bill. We assumed any member who would qualify for the new reduction factors before they were effective would wait until the respective effective date or later to retire. Deferring the collection of contributions to fund this benefit until the effective date of the benefit improvement resulted in higher required contribution rates. The higher rates were calculated by setting the present value of the contributions collected beginning in 2007 equal to those beginning in 2008.

Otherwise, costs were developed using the same methods as those disclosed in the AVR.

The methods chosen are reasonable for the purpose of the actuarial calculations presented in this fiscal note. Use of another set of methods may also be reasonable and might produce different results.

Entry age normal cost rate increases are used to determine the increase in funding expenditures for future new entrants. Rate increases calculated under the Aggregate actuarial cost method are used to determine the increase in funding expenditures for current plan members.

ASSUMPTIONS

Gain-sharing

We assumed that the contribution rates to pre-fund gain-sharing would be repealed beginning in the 2007-09 biennium. We further assume that a gain-sharing event will be triggered on June 30, 2007 and occur on January 1, 2008.

The 2008 gain-sharing formula will consider the investment returns over the four years ending on June 30, 2007. The applicable returns to June 30, 2006, are 16.7 percent for the year ending June 30, 2004; 13.3 percent for the year ending June 30, 2005; 16.7 percent for the year ending June 30, 2006; and 10.1 percent for the six months ending December 31, 2006. The accumulated return is 70.0 percent.

In order to trigger gain-sharing, investment returns would have to average 10 percent for each of the four years to June 30, 2007, for a total return of 46.4 percent. The current accumulated return of 70.0 percent exceeds the four-year accumulated return of 46.4 percent required for gain-sharing.

The table below uses investment return simulations from the Washington State Investment Board (WSIB). It shows the expected future annual rate of return for each tenth percentile (the probability of getting a value less than that indicated, based on the distribution of simulated returns). This is combined with past actual returns for three years and six months to estimate the total four-year return to June 30, 2007. The compound average annual rate of return is calculated, along with the excess over 10 percent, and half the excess over 10 percent.

2006 WSIB Capital Market Assumptions

Investment Return Percentiles	Expected Future Annual Rate of Return	Total Four-Year Return to 6/30/07	Average Annual Rate of Return	Excess, if any, Over 10%	½ Excess, if any, Over 10%
95%	31.9%	100.0%	18.9%	8.9%	4.5%
85%	22.2%	91.0%	17.6%	7.6%	3.8%
75%	16.8%	85.7%	16.7%	6.7%	3.4%
65%	12.7%	81.6%	16.1%	6.1%	3.0%
55%	9.1%	77.9%	15.5%	5.5%	2.7%
45%	5.7%	74.4%	14.9%	4.9%	2.5%
35%	2.3%	70.8%	14.3%	4.3%	2.2%
25%	-1.3%	66.8%	13.6%	3.6%	1.8%
15%	-5.7%	61.8%	12.8%	2.8%	1.4%
5%	-12.6%	53.7%	11.3%	1.3%	0.7%
Median Return	**7.4%**	**76.1%**	**15.2%**	**5.2%**	**2.6%**
Mean Return	**8.2%**	**77.0%**	**15.3%**	**5.3%**	**2.7%**
Average of ten percentiles	**8.1%**	**76.4%**	**15.2%**	**5.2%**	**2.6%**

The benefits percentile table below lists half the excess over 10 percent returns applicable to the gain-sharing calculation. This is multiplied by the assets attributable to gain-sharing to get the value of the gain-sharing benefits. The Plan 1 value was used to calculate additional Plan 1 benefits. These benefits are granted in the form of an additional Uniform Increase amount.

Benefit Percentiles	½ Excess, if any, Over 10%	Total Gain-Sharing Value*	Plan 1 Value	Plan 3 Value	Plan 1 Benefits (Uniform Inc.)
		($ in Millions)			
95th	4.5%	$ 1,271	$ 890	$ 381	$ 0.44
85th	3.8%	$ 1,076	$ 754	$ 323	$ 0.37
75th	3.4%	$ 960	$ 672	$ 288	$ 0.33
65th	3.0%	$ 866	$ 606	$ 260	$ 0.30
55th	2.7%	$ 782	$ 547	$ 234	$ 0.27
45th	2.5%	$ 699	$ 490	$ 210	$ 0.24
35th	2.2%	$ 614	$ 430	$ 184	$ 0.21
25th	1.8%	$ 518	$ 363	$ 155	$ 0.18
15th	1.4%	$ 397	$ 278	$ 119	$ 0.14
5th	0.7%	$ 191	$ 134	$ 57	$ 0.07
Median Return	**2.6%**	**$ 741**	**$ 518**	**$ 222**	**$ 0.26**
Mean Return	**2.7%**	**$ 760**	**$ 532**	**$ 228**	**$ 0.26**
Average of ten Percentiles	**2.6%**	**$ 737**	**$ 516**	**$ 221**	**$ 0.26**

Projected Market Value of Assets 6/30/07	Total Assets	Gain-Sharing Assets	Plan 1 Assets	Plan 3 Assets
		($ in Millions)		
PERS 1	$ 10,788	$ 10,788	$ 10,788	
TRS 1	$ 9,142	$ 9,142	$ 9,142	
PERS 2/3	$ 16,478	$ 5,707		$ 1,697
TRS 2/3	$ 5,820	$ 2,016		$ 4,467
SERS 2/3	$ 2,355	$ 816		$ 2,374
Total	**$ 44,582**	**$ 28,468**	**$ 19,930**	**$ 8,538**

Totals may not agree due to rounding

Assets applicable to Plan 3 gain-sharing benefits are the assets attributable to Plan 3 participants. These attributable assets are the total assets in Plans 2 and 3, multiplied by the ratio of service in Plan 3 over service in Plans 2 and 3. All Plan 1 assets are attributable to Plan 1 gain-sharing.

The service data was obtained from the 2005 actuarial valuation of the plans and projected to June 30, 2007. The asset data as of December 31, 2006, was obtained from the WSIB, and projected to June 30, 2007.

2006 WSIB Capital Market Assumptions

Investment Type	Expected Returns	Standard Deviation	Current Portfolio Target Allocation	Current Portfolio Expected Return
U.S. Equity	8.50%	17.50%	23%	2.0%
Non-U.S. Equity	8.50%	19.00%	23%	2.0%
Fixed Income	5.00%	5.00%	25%	1.3%
Private Equity	12.50%	33.00%	17%	2.1%
Real Estate	7.75%	14.00%	12%	0.9%
Cash	3.25%	1.50%	0%	0.0%
TIPS	4.75%	5.00%	0%	0.0%
Long Duration FI	5.50%	7.50%	0%	0.0%
Total			**100%**	**8.2%**

The simulated investment returns use the 2006 capital market assumptions provided by the WSIB. The expected future annual rate of return over the next twelve months is shown for each tenth percentile from the fifth percentile to the ninety-fifth percentile. The percentile is the probability of getting a value less than that indicated. The ninety-fifth percentile is an annual rate of return of 31.9 percent. This is interpreted as a 95 percent probability of getting a rate less than 31.9 percent, or a 5 percent probability of getting a rate more than 31.9 percent - based on the distribution of simulated returns.

To estimate the volatility of the six-month rates of return based on the WSIB 2006 capital market assumptions, we prepared a forecast based on a logarithmic best fit line of WSIB capital market assumptions from durations of one year to fifty years for each tenth percentile. A table of the WSIB annual rates of return compared to our estimated range of six-month rates of return can be seen below:

Percentile	Annual Rates	6 Month Rates
95th	31.9%	17.7%
85th	22.2%	12.4%
75th	16.8%	9.3%
65th	12.7%	6.8%
55th	9.1%	4.7%
45th	5.7%	2.6%
35th	2.3%	0.5%
25th	-1.3%	-1.9%
15th	-5.7%	-4.8%
5th	-12.6%	-9.6%
Median Return	7.4%	3.6%
Mean Return	8.2%	4.1%
Average of ten percentiles	8.1%	3.8%

Plan 1 Uniform COLA Increase

We assumed that the Uniform COLA increase would be $0.13 in addition to the Uniform COLA increase from the 2008 gain-sharing event. This is based on the average of the ten percentiles below.

Benefit Percentiles	2008 Event	Additional COLA
95th	$ 0.44	$ 0.00
85th	$ 0.37	$ 0.03
75th	$ 0.33	$ 0.07
65th	$ 0.30	$ 0.10
55th	$ 0.27	$ 0.13
45th	$ 0.24	$ 0.16
35th	$ 0.21	$ 0.19
25th	$ 0.18	$ 0.20
15th	$ 0.14	$ 0.20
5th	$ 0.07	$ 0.20
Median Return	**$ 0.26**	**$ 0.14**
Mean Return	**$ 0.26**	**$ 0.14**
Average of ten Percentiles	**$ 0.26**	**$ 0.13**

Plan 2/3 choice

Since plan choice would only apply to new TRS and SERS members, we assumed no immediate rate increase for choice for the current Plan 2 members, and applied the rate increase for choice to the projected payroll for new entrants only.

We considered making an adjustment for the cost of plan choice based on the age of members who would elect Plan 2 compared to the age of members who would elect Plan 3. However, after reviewing the choices made by new members in PERS over an 18-month period, there was no significant difference in choice based on age.

Alternate Early Retirement

The following table compares the ERRFs for eligible members under current law and under this bill.

ERRFs for members with at least 30 years of service by age		
	Current Law	Proposed
55	0.70	0.80
56	0.73	0.83
57	0.76	0.86
58	0.79	0.89
59	0.82	0.92
60	0.85	0.95
61	0.88	0.98
62	0.91	1.00
63	0.94	1.00
64	0.97	1.00
65	1.00	1.00

We assumed there would be increased retirement activity at earlier ages due to this benefit improvement. We increased the rates of retirement for members between the ages of 55 and 61 by 20 percent. The increased rates for members between the ages of 62 and 64 or "kickers" are shown below:

Unreduced ERRFs for members at least age 62 with at least 30 years of service kickers added to retirement rates*						
	PERS 2/3		TRS 2/3		SERS 2/3	
Age	*Male*	*Female*	*Male*	*Female*	*Male*	*Female*
62	0.29	0.16	0.25	0.20	0.29	0.16
63	0.11	0.16	0.00	0.20	0.11	0.16
64	0.11	0.16	0.00	0.20	0.11	0.16

**The kicker is added to the retirement probability at the rate of 100% at ages 62 and 63, and 25% at age 64. The kickers were only added to rates for members who earn at least 30 years of membership service by the given age.*

We assumed the restrictions on post-retirement employment would not have any effect on the cost of the alternate early retirement provision of this bill.

Otherwise, costs were developed using the same assumptions as those disclosed in the AVR.

The assumptions chosen are reasonable for the purpose of the actuarial calculations presented in this fiscal note. Use of another set of assumptions may also be reasonable and might produce different results.

DATA

Gain-sharing

The following table illustrates the number of current members potentially impacted by current and proposed gain-sharing provisions:

(As of September 30, 2005)	PERS 1	TRS 1	PERS 3	TRS 3	SERS 3
Actives	15,962	8,592	21,216	51,473	30,963
Annuitants	54,795	35,264	343	706	705
Terminated and Vested	2,833	1,328	1,793	3,158	2,491
Total	73,590	45,184	23,352	55,337	34,159

While the exact impact of a 2008 gain-sharing event is not yet known, we based our estimate for the cost of this event on the rates of return provided by the WSIB through December 2006 and the market value of assets, also provided by WSIB, as of December 31, 2006. We projected the value of plan assets from December 2006 to June 30, 2007, using the valuation interest rate assumption and the contribution rates that currently are in effect.

This proposal would also increase the number of retirees eligible for subsidized medical benefits from the Public Employees' Benefit Board (PEBB). The table below shows the number of new non-Medicare eligible retirees by year we expect under this proposal:

Cumulative New retirements with the higher ERRFs by year for members not eligible for Medicare						
System	Plan	2007	2008	2009	2010	2011
PERS	2	0	4	34	85	116
	3	0	1	4	8	13
	All	0	5	38	93	129
TRS	2	0	0	3	7	10
	3	0	2	11	31	54
	All	0	2	14	38	64
SERS	2	0	0	3	6	8
	3	0	1	4	8	11
	All	0	1	7	14	19

Otherwise, costs were developed using the same data and assets as those disclosed in the AVR.

FISCAL IMPACT

Description

While the repeal of gain-sharing in this bill results in fiscal savings for all affected systems, the increases from the 2008 gain-sharing event and all other provisions partially offset these savings. A 2008 gain-sharing payment is expected to impact unfunded liabilities when it occurs in the future, but there is no immediate effect on plan funding. The Plan 2/3 choice benefit improvement likewise affects costs in the future, but has no immediate impact on plan liabilities.

Actuarial Determinations

The bill will impact the actuarial funding of the system by decreasing the present value of benefits payable under the System and decreasing the required actuarial contribution rate as shown below:

(Dollars in Millions)		Current	Increase*	Total
Actuarial Present Value of Projected Benefits	PERS	$30,601	$99	$30,700
(The Value of the Total Commitment to all Current Members)	TRS	$17,119	($461)	$16,658
	SERS	$2,473	($141)	$2,332
Unfunded Actuarial Accrued Liability	PERS 1	$3,567	($366)	$3,201
(The Portion of the Plan 1 Liability that is Amortized at 2024)	TRS 1	$2,147	($284)	$1,863
Unfunded Liability (PBO)	PERS	$828	($91)	$737
(The Value of the Total Commitment to all Current Members	TRS	$969	($347)	$622
Attributable to Past Service)	SERS	($315)	($68)	($383)

**Liability increases for the expected experience loss due to the 2008 gain-sharing event and Plan 2/3 choice are not yet accrued. Projected contribution rate increases are provided in the following section of this fiscal note.*

Increase/(Decrease) in Contribution Rates:
(Effective 09/01/2007 unless indicated otherwise)

	PERS/PSERS	TRS	SERS
Current Members			
Employee (Plan 2)			
Repeal Gain-Sharing	0.00%	0.00%	0.00%
(Effective 7/1/07 for PERS, 9/1/07 for TRS and SERS)			
2008 Gain-Sharing Event	0.00%	0.00%	0.00%
(Effective 7/1/09 for PERS, 9/1/09 for TRS and SERS)			
Uniform COLA Increase	0.00%	0.00%	0.00%
Plan 2/3 Alternate Retirement	0.62%	0.79%	0.36%
(Effective 7/1/08 for PERS, 9/1/08 for TRS and SERS)			
Plan 2/3 Choice *(Effective 9/1/09)*	0.00%	0.00%	0.00%
Total Employee - Current	0.62%	0.79%	0.36%

Increase/(Decrease) in Contribution Rates:

(Effective 09/01/2007 unless indicated otherwise)

	PERS/PSERS	TRS	SERS
Employer/State			
Repeal Gain-Sharing			
(Effective 7/1/07 for PERS, 9/1/07 for TRS and SERS)			
Plan 1 UAAL	(0.40)%	(0.78)%	(0.40)%
Plan 2/3 normal cost	(0.22)%	(1.16)%	(1.78)%
Total Gain-Sharing	(0.62)%	(1.94)%	(2.18)%
2008 Gain-Sharing Event			
(Effective 7/1/09 for PERS, 9/1/09 for TRS and SERS)			
Plan 1 UAAL	0.23%	0.48%	0.23%
Plan 2/3 normal cost	0.07%	0.32%	0.61%
Total 2008 Gain-Sharing Event	0.30%	0.80%	0.84%
Uniform COLA Increase (Plan 1 UAAL)	0.10%	0.19%	0.10%
Plan 2/3 Alternate Retirement (Plan 2/3 normal cost)	0.62%	0.79%	0.36%
(Effective 7/1/08 for PERS, 9/1/08 for TRS and SERS)			
Plan 2/3 Choice (Plan 2/3 normal cost - *Effective 9/1/09*)	0.00%	0.00%	0.00%
Total Employer/State - Current	0.40%	(0.16)%	(0.88)%
New Entrants*			
Employee (Plan 2)			
Repeal Gain-Sharing	0.00%	0.00%	0.00%
(Effective 7/1/07 for PERS, 9/1/07 for TRS and SERS)			
2008 Gain-Sharing Event	0.00%	0.00%	0.00%
(Effective 7/1/09 for PERS, 9/1/09 for TRS and SERS)			
Uniform COLA Increase	0.00%	0.00%	0.00%
Plan 2/3 Alternate Retirement	0.15%	0.24%	0.07%
(Effective 7/1/08 for PERS, 9/1/08 for TRS and SERS)			
Plan 2/3 Choice *(Effective 9/1/09)*	0.00%	0.15%	0.15%
Total Employee - New Entrants	0.15%	0.39%	0.22%
Employer/State (Plan 1 UAAL)	0.00%	0.00%	0.00%
Employer/State (Plan 2/3 normal cost)			
Repeal Gain-Sharing	(0.26)%	(0.83)%	(1.99)%
(Effective 7/1/09 for PERS, 9/1/09 for TRS and SERS)			
2008 Gain-Sharing Event	0.00%	0.00%	0.00%
(Effective 7/1/07 for PERS, 9/1/07 for TRS and SERS)			
Uniform COLA Increase	0.00%	0.00%	0.00%
Plan 2/3 Alternate Retirement	0.15%	0.24%	0.07%
(Effective 7/1/08 for PERS, 9/1/08 for TRS and SERS)			
Plan 2/3 Choice *(Effective 9/1/09)*	0.00%	0.15%	0.15%
Total Employer/State - New Entrants	(0.11)%	(0.44)%	(1.77)%

**Rate change applied to future new entrant payroll and used for fiscal budget determinations only. A single supplemental rate increase, equal to the increase for current members, would apply initially for all members or employers.*

Fiscal Budget Determinations:

As a result of the higher/(lower) required contribution rate, the increase/(decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	($5.1)	($1.1)	($70.5)	($21.8)	($98.5)
Non-General Fund	(8.6)	0.0	0.0	0.0	(8.6)
Total State	(13.7)	(1.1)	(70.5)	(21.8)	(107.1)
Local Government	(20.9)	(1.5)	(46.6)	(33.2)	(102.2)
Total Employer	(34.6)	(2.6)	(117.1)	(55.0)	(209.3)
Total Employee	$38.8	$0.0	$6.3	$2.4	$47.5
2009-2011					
General Fund	$6.4	($0.3)	($16.1)	($16.5)	($26.5)
Non-General Fund	10.2	0.0	0.0	0.0	10.2
Total State	16.6	(0.3)	(16.1)	(16.5)	(16.3)
Local Government	25.4	(0.3)	(7.8)	(24.2)	(6.9)
Total Employer	42.0	(0.6)	(23.9)	(40.7)	(23.2)
Total Employee	$69.3	$0.0	$11.3	$4.5	$85.1
2007-2032					
General Fund	($8.0)	($4.4)	($581.3)	($537.9)	($1,131.6)
Non-General Fund	(13.4)	0.0	0.0	0.0	(13.4)
Total State	(21.4)	(4.4)	(581.3)	(537.9)	(1,145.0)
Local Government	(33.7)	(5.4)	(292.5)	(788.9)	(1,120.5)
Total Employer	(55.1)	(9.8)	(873.8)	(1,326.8)	(2,265.5)
Total Employee	$786.1	$0.0	$307.1	$92.7	$1,185.9

The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.

Sensitivity Analysis

2008 gain-sharing event

The expected January 1, 2008 gain-sharing distributions were determined by finding the mean distribution amounts from a probability distribution. The total expected payout for this event is $759.9 million, an amount that could go as low as $191 million or lower or as high as $1.3 billion or higher at the extreme ends of this particular model. A more likely result will be that the gain-sharing payout will fall between $518 million, at the 25th percentile, and $960 million, which marks the 75th percentile of the model. The following table summarizes results for the 25th percentile, the expected payout, and the 75th percentile.

Range of Expected Gain-Sharing Values on January 1, 2008						
(Dollars are in millions)	PERS		TRS		SERS	
	Payout	*Contribution Rate Increase*	*Payout*	*Contribution Rate Increase*	*Payout*	*Contribution Rate Increase*
Plan 1						
25th Percentile	$196.3	0.16%	$166.4	0.33%	N/A	N/A
Expected Value	$288.0	0.23%	$244.0	0.48%	N/A	N/A
75th Percentile	$363.7	0.29%	$308.2	0.61%	N/A	N/A
Plan 3						
25th Percentile	$30.9	0.05%	$81.3	0.22%	$43.2	0.41%
Expected Value	$45.3	0.07%	$119.2	0.32%	$63.4	0.61%
75th Percentile	$57.2	0.09%	$150.6	0.40%	$80.0	0.77%

Preliminary estimates of payouts as of January 1, 2008. Rate increases are effective 7/1/2009 for PERS, 9/1/2009 for TRS and SERS.

Plan 1 Uniform COLA Increase

The Plan 1 Uniform COLA increase amount, beyond the amount provided by the 2008 gain-sharing event, is estimated at $0.13 for this bill. We estimate that this increase amount could be as low as $0.07, or go as high as $0.20 under the terms of the bill. The table below illustrates the low, expected, and high estimates for this benefit improvement:

Range of Expected Plan 1 Uniform COLA Increases*				
(Dollars are in millions)	PERS		TRS	
	Liability Increase	*Contribution Rate Increase*	*Liability Increase*	*Contribution Rate Increase*
Low Estimate	$64	0.05%	$53	0.10%
Expected Value	$119	0.10%	$99	0.19%
High Estimate	$184	0.15%	$152	0.29%

Totals may not agree due to rounding.
**Present value of fully projected benefits.*

Alternate early retirement benefit

The Plan 3 alternate early retirement benefit could cost more or less than we have estimated, depending on how many members actually take advantage of this benefit. To represent the low end of the range of possible impact for this benefit improvement, we priced this benefit assuming retirement rates would not change at all as a result of the new ERRFs. To estimate the high end of the range of costs for this benefit, we assumed everybody would retire as soon as they were eligible for the benefit (i.e. 100 percent retirement rates). The table below illustrates this range:

Range of Expected Plan 2/3 Alternate Early Retirement Benefit Increases*						
(Dollars are in millions)	PERS		TRS		SERS	
	Liability Increase	*Contribution Rate Increase*	*Liability Increase*	*Contribution Rate Increase*	*Liability Increase*	*Contribution Rate Increase*
Low Estimate	$541	0.52%	$253	0.70%	$37	0.30%
Expected Value	$610	0.62%	$271	0.79%	$41	0.36%
High Estimate	$598	0.92%	$198	0.89%	$39	0.50%

Totals may not agree due to rounding.
**Present value of fully projected benefits.*

It is important to note that with earlier retirements, sometimes liabilities actually decrease. This can stem from lower retirement benefit accruals on an individual basis, resulting in lower lifetime payment amounts. This decrease in liabilities does not, however, necessarily translate to lower contribution rate increases. Consider the TRS high estimate liability increase in the table above. The present value of fully projected benefits increases $198 million, a full $73 million less than the increase for the expected value of this benefit, at $271 million. With these earlier retirements, the present value of future salaries also declines. Contribution rates increase when there is a decrease in the present value of future salaries (all else being equal). In this case, the increase from the change in the present value of salaries had more influence on the contribution rate than did the decrease from the change in liabilities.

As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the AVR or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial accrued liability: Computed differently under different funding methods, the actuarial accrued liability generally represents the portion of the present value of fully projected benefits attributable to service credit that has been earned (or accrued) as of the valuation date.

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions (i.e. interest rate, rate of salary increases, mortality, etc.)

Aggregate Funding Method: The Aggregate Funding Method is a standard actuarial funding method. The annual cost of benefits under the Aggregate Method is equal to the normal cost. The method does not produce an unfunded liability. The normal cost is determined for the entire group rather than an individual basis.

Entry Age Normal Cost Method (EANC): The EANC method is a standard actuarial funding method. The annual cost of benefits under EANC is comprised of two components:

- Normal cost; plus
- Amortization of the unfunded liability

The normal cost is determined on an individual basis, from a member's age at plan entry, and is designed to be a level percentage of pay throughout a member's career.

Normal Cost: Computed differently under different funding methods, the normal cost generally represents the portion of the cost of projected benefits allocated to the current plan year.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Projected Benefits: Pension benefit amounts which are expected to be paid in the future taking into account such items as the effect of advancement in age as well as past and anticipated future compensation and service credits.

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Unfunded Actuarial Accrued Liability (UAAL): The excess, if any, of the actuarial accrued liability over the actuarial value of assets. In other words, the present value of benefits earned to date that are not covered by plan assets.

Supplement to EHB 2391

(April 23, 2007)

Fiscal Budget Determinations (Repeal plan 1 gain-sharing only):

As a result of the lower required contribution rates, the decrease in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	($9.9)	($1.5)	($42.1)	($4.8)	($58.3)
Non-General Fund	(16.3)	0.0	0.0	0.0	(16.3)
Total State	(26.2)	(1.5)	(42.1)	(4.8)	(74.6)
Local Government	(40.1)	(1.9)	(25.9)	(7.4)	(75.3)
Total Employer	(66.3)	(3.4)	(68.0)	(12.2)	(149.9)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	($11.1)	($1.7)	($51.1)	($5.8)	($69.7)
Non-General Fund	(18.2)	0.0	0.0	0.0	(18.2)
Total State	(29.3)	(1.7)	(51.1)	(5.8)	(87.9)
Local Government	(44.9)	(2.1)	(24.6)	(8.4)	(80.0)
Total Employer	(74.2)	(3.8)	(75.7)	(14.2)	(167.9)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	($134.1)	($20.5)	($597.5)	($68.9)	($821.0)
Non-General Fund	(219.2)	0.0	0.0	0.0	(219.2)
Total State	(353.3)	(20.5)	(597.5)	(68.9)	(1,040.2)
Local Government	(541.0)	(25.1)	(293.3)	(101.1)	(960.5)
Total Employer	(894.3)	(45.6)	(890.8)	(170.0)	(2,000.7)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Allow 2008 Plan 1 Gain-Sharing Event):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.0
Total Employer	0.0	0.0	0.0	0.0	0.0
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	$6.4	$1.0	$31.5	$3.3	$42.2
Non-General Fund	10.5	0.0	0.0	0.0	10.5
Total State	16.9	1.0	31.5	3.3	52.7
Local Government	25.9	1.2	15.2	4.9	47.2
Total Employer	42.8	2.2	46.7	8.2	99.9
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	$71.5	$11.0	$341.7	$36.8	$461.0
Non-General Fund	116.7	0.0	0.0	0.0	116.7
Total State	188.2	11.0	341.7	36.8	577.7
Local Government	288.2	13.4	164.5	53.9	520.0
Total Employer	476.4	24.4	506.2	90.7	1,097.7
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Plan 1 $0.13 Uniform COLA Increase):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$2.3	$0.4	$10.3	$1.3	$14.3
Non-General Fund	3.7	0.0	0.0	0.0	3.7
Total State	6.0	0.4	10.3	1.3	18.0
Local Government	9.3	0.4	6.3	1.9	17.9
Total Employer	15.3	0.8	16.6	3.2	35.9
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	$2.8	$0.4	$12.5	$1.4	$17.1
Non-General Fund	4.5	0.0	0.0	0.0	4.5
Total State	7.3	0.4	12.5	1.4	21.6
Local Government	11.3	0.6	6.0	2.1	20.0
Total Employer	18.6	1.0	18.5	3.5	41.6
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	$33.4	$5.1	$145.6	$17.3	$201.4
Non-General Fund	54.5	0.0	0.0	0.0	54.5
Total State	87.9	5.1	145.6	17.3	255.9
Local Government	134.7	6.3	71.3	25.3	237.6
Total Employer	222.6	11.4	216.9	42.6	493.5
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Plan 1 All Changes):

As a result of the higher (lower) required contribution rates, the increase (decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	($7.6)	($1.1)	($31.8)	($3.5)	($44.0)
Non-General Fund	(12.6)	0.0	0.0	0.0	(12.6)
Total State	(20.2)	(1.1)	(31.8)	(3.5)	(56.6)
Local Government	(30.8)	(1.5)	(19.6)	(5.5)	(57.4)
Total Employer	(51.0)	(2.6)	(51.4)	(9.0)	(114.0)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	($1.9)	($0.3)	($7.1)	($1.1)	($10.4)
Non-General Fund	(3.2)	0.0	0.0	0.0	(3.2)
Total State	(5.1)	(0.3)	(7.1)	(1.1)	(13.6)
Local Government	(7.7)	(0.3)	(3.4)	(1.4)	(12.8)
Total Employer	(12.8)	(0.6)	(10.5)	(2.5)	(26.4)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	($29.2)	($4.4)	($110.2)	($14.8)	($158.6)
Non-General Fund	(48.0)	0.0	0.0	0.0	(48.0)
Total State	(77.2)	(4.4)	(110.2)	(14.8)	(206.6)
Local Government	(118.1)	(5.4)	(57.5)	(21.9)	(202.9)
Total Employer	(195.3)	(9.8)	(167.7)	(36.7)	(409.5)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Repeal plan 3 gain-sharing current members only):

As a result of the lower required contribution rates, the decrease in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	($5.4)	$0.0	($62.6)	($20.8)	($88.8)
Non-General Fund	(9.0)	0.0	0.0	0.0	(9.0)
Total State	(14.4)	0.0	(62.6)	(20.8)	(97.8)
Local Government	(22.1)	0.0	(38.5)	(31.3)	(91.9)
Total Employer	(36.5)	0.0	(101.1)	(52.1)	(189.7)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	($4.3)	$0.0	($59.0)	($16.7)	($80.0)
Non-General Fund	(7.0)	0.0	0.0	0.0	(7.0)
Total State	(11.3)	0.0	(59.0)	(16.7)	(87.0)
Local Government	(17.3)	0.0	(28.4)	(24.5)	(70.2)
Total Employer	(28.6)	0.0	(87.4)	(41.2)	(157.2)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	($38.4)	$0.0	($606.6)	($131.3)	($776.3)
Non-General Fund	(62.7)	0.0	0.0	0.0	(62.7)
Total State	(101.1)	0.0	(606.6)	(131.3)	(839.0)
Local Government	(155.0)	0.0	(300.1)	(192.7)	(647.8)
Total Employer	(256.1)	0.0	(906.7)	(324.0)	(1,486.8)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Repeal plan 3 gain-sharing new entrants only):

As a result of the lower required contribution rates, the decrease in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.0
Total Employer	0.0	0.0	0.0	0.0	0.0
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	($2.2)	$0.0	($12.2)	($9.1)	($23.5)
Non-General Fund	(3.6)	0.0	0.0	0.0	(3.6)
Total State	(5.8)	0.0	(12.2)	(9.1)	(27.1)
Local Government	(8.8)	0.0	(5.9)	(13.4)	(28.1)
Total Employer	(14.6)	0.0	(18.1)	(22.5)	(55.2)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	($122.5)	$0.0	($770.7)	($512.3)	($1,405.5)
Non-General Fund	(199.9)	0.0	0.0	0.0	(199.9)
Total State	(322.4)	0.0	(770.7)	(512.3)	(1,605.4)
Local Government	(493.9)	0.0	(371.2)	(749.6)	(1,614.7)
Total Employer	(816.3)	0.0	(1,141.9)	(1,261.9)	(3,220.1)
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Allow 2008 Plan 3 Gain-Sharing Event):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.0
Total Employer	0.0	0.0	0.0	0.0	0.0
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	$1.4	$0.0	$16.3	$5.7	$23.4
Non-General Fund	2.2	0.0	0.0	0.0	2.2
Total State	3.6	0.0	16.3	5.7	25.6
Local Government	5.5	0.0	7.8	8.3	21.6
Total Employer	9.1	0.0	24.1	14.0	47.2
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2007-2032					
General Fund	$10.5	$0.0	$149.9	$37.8	$198.2
Non-General Fund	17.2	0.0	0.0	0.0	17.2
Total State	27.7	0.0	149.9	37.8	215.4
Local Government	42.3	0.0	72.1	55.3	169.7
Total Employer	70.0	0.0	222.0	93.1	385.1
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0

Fiscal Budget Determinations (Plan 2/3 Choice):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$0.0	$0.0	$0.0	$0.0	$0.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	0.0	0.0	0.0
Local Government	0.0	0.0	0.0	0.0	0.0
Total Employer	0.0	0.0	0.0	0.0	0.0
Total Employee	$0.0	$0.0	$0.0	$0.0	$0.0
2009-2011					
General Fund	$0.0	$0.0	$2.2	$0.7	$2.9
Non-General Fund	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	2.2	0.7	2.9
Local Government	0.0	0.0	1.1	1.0	2.1
Total Employer	0.0	0.0	3.3	1.7	5.0
Total Employee	$0.0	$0.0	$1.6	$0.9	$2.5
2007-2032					
General Fund	$0.0	$0.0	$139.2	$38.8	$178.0
Non-General Fund	0.0	0.0	0.0	0.0	0.0
Total State	0.0	0.0	139.2	38.8	178.0
Local Government	0.0	0.0	67.3	56.4	123.7
Total Employer	0.0	0.0	206.5	95.2	301.7
Total Employee	$0.0	$0.0	$98.7	$47.6	$146.3

Fiscal Budget Determinations (Plan 2/3 Alternate Retirement ERRFs):

As a result of the higher required contribution rates, the increase in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$7.9	$0.0	$23.9	$2.5	$34.3
Non-General Fund	13.0	0.0	0.0	0.0	13.0
Total State	20.9	0.0	23.9	2.5	47.3
Local Government	32.0	0.0	11.5	3.6	47.1
Total Employer	52.9	0.0	35.4	6.1	94.4
Total Employee	$38.8	$0.0	$6.3	$2.4	$47.5
2009-2011					
General Fund	$13.4	$0.0	$43.7	$4.0	$61.1
Non-General Fund	21.8	0.0	0.0	0.0	21.8
Total State	35.2	0.0	43.7	4.0	82.9
Local Government	53.7	0.0	21.0	5.8	80.5
Total Employer	88.9	0.0	64.7	9.8	163.4
Total Employee	$69.3	$0.0	$9.7	$3.6	$82.6
2007-2032					
General Fund	$171.6	$0.0	$617.1	$43.9	$832.6
Non-General Fund	280.0	0.0	0.0	0.0	280.0
Total State	451.6	0.0	617.1	43.9	1,112.6
Local Government	691.0	0.0	296.9	63.6	1,051.5
Total Employer	1,142.6	0.0	914.0	107.5	2,164.1
Total Employee	$786.1	$0.0	$208.4	$45.1	$1,039.6

Fiscal Budget Determinations (Plan 2/3 All Changes):

As a result of the higher (lower) required contribution rates, the increase (decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	$2.5	$0.0	($38.7)	($18.3)	($54.5)
Non-General Fund	4.0	0.0	0.0	0.0	4.0
Total State	6.5	0.0	(38.7)	(18.3)	(50.5)
Local Government	9.9	0.0	(27.0)	(27.7)	(44.8)
Total Employer	16.4	0.0	(65.7)	(46.0)	(95.3)
Total Employee	$38.8	$0.0	$6.3	$2.4	$47.5
2009-2011					
General Fund	$8.3	$0.0	($9.0)	($15.4)	($16.1)
Non-General Fund	13.4	0.0	0.0	0.0	13.4
Total State	21.7	0.0	(9.0)	(15.4)	(2.7)
Local Government	33.1	0.0	(4.4)	(22.8)	5.9
Total Employer	54.8	0.0	(13.4)	(38.2)	3.2
Total Employee	$69.3	$0.0	$11.3	$4.5	$85.1
2007-2032					
General Fund	$21.2	$0.0	($471.1)	($523.1)	($973.0)
Non-General Fund	34.6	0.0	0.0	0.0	34.6
Total State	55.8	0.0	(471.1)	(523.1)	(938.4)
Local Government	84.4	0.0	(235.0)	(767.0)	(917.6)
Total Employer	140.2	0.0	(706.1)	(1,290.1)	(1,856.0)
Total Employee	$786.1	$0.0	$307.1	$92.7	$1,185.9

Fiscal Budget Determinations (All Plans, All Changes):

As a result of the higher (lower) required contribution rates, the increase (decrease) in funding expenditures is projected to be:

Costs (in Millions):	PERS	PSERS	TRS	SERS	Total
2007-2009					
General Fund	($5.1)	($1.1)	($70.5)	($21.8)	($98.5)
Non-General Fund	(8.6)	0.0	0.0	0.0	(8.6)
Total State	(13.7)	(1.1)	(70.5)	(21.8)	(107.1)
Local Government	(20.9)	(1.5)	(46.6)	(33.2)	(102.2)
Total Employer	(34.6)	(2.6)	(117.1)	(55.0)	(209.3)
Total Employee	$38.8	$0.0	$6.3	$2.4	$47.5
2009-2011					
General Fund	$6.4	($0.3)	($16.1)	($16.5)	($26.5)
Non-General Fund	10.2	0.0	0.0	0.0	10.2
Total State	16.6	(0.3)	(16.1)	(16.5)	(16.3)
Local Government	25.4	(0.3)	(7.8)	(24.2)	(6.9)
Total Employer	42.0	(0.6)	(23.9)	(40.7)	(23.2)
Total Employee	$69.3	$0.0	$11.3	$4.5	$85.1
2007-2032					
General Fund	($8.0)	($4.4)	($581.3)	($537.9)	($1,131.6)
Non-General Fund	(13.4)	0.0	0.0	0.0	(13.4)
Total State	(21.4)	(4.4)	(581.3)	(537.9)	(1,145.0)
Local Government	(33.7)	(5.4)	(292.5)	(788.9)	(1,120.5)
Total Employer	(55.1)	(9.8)	(873.8)	(1,326.8)	(2,265.5)
Total Employee	$786.1	$0.0	$307.1	$92.7	$1,185.9