

**FISCAL NOTE**

This bill contains an appropriation of \$55,000,000 from the GENERAL FUND to the proposed Fire A legislative reserve account. This appropriation is effective on April 1, 2022.

This bill contains an appropriation of \$20,000,000 from the LEGISLATIVE STABILIZATION RESERVE ACCOUNT to the proposed Fire A legislative reserve account. This appropriation is effective on April 1, 2022.

DETAIL OF APPROPRIATION

Agency #: 072                      Agency Name: Retirement System  
 Unit: Fire A legislative reserve account

<b>EXPENDITURE BY SERIES AND YEAR</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
Total Expenditure Per Year:	\$0	\$0	\$0
Grand Total Expenditure:			
Total Appropriated to Agency:	\$75,000,000		
Total Appropriated by Fund:			
GENERAL FUND	\$55,000,000		
LEGISLATIVE STAB. RES. ACCT.	\$20,000,000		

DETAIL OF APPROPRIATION

Agency #: 072                      Agency Name: Retirement System  
 Unit: Fire A legislative reserve account

Section 2 of this bill creates a new account - the Fire A legislative reserve account and appropriates \$55,000,000 from the general fund and \$20,000,000 from the legislative stabilization reserve account (which is structured as an interest-free loan to employers) to the new account. The bill permits the Retirement System to invest the Fire A legislative reserve account and for the fund to keep its investment earnings. The account shall be used to pay for Fire A pension benefits if funds in the existing Paid Firemen Pension A account are insufficient to make those payments. It is estimated the Paid Firemen Pension A account will have sufficient assets to make pension payments during the three year period analyzed for this fiscal note and no expenditures will be made from the Fire A legislative reserve account until approximately FY 2026. Any remaining funds in the Fire A legislative reserve account will revert to the general fund when there are no longer beneficiary obligations; estimated to be in 2082.

	FY 2023	FY 2024	FY 2025
<b>NON-ADMINISTRATIVE IMPACT</b>			
Anticipated Revenue increase/(decrease)			
Fire A LEGISLATIVE RESERVE ACCOUNT(1)	\$6,600,000	\$5,700,000	\$6,100,000
Fire A LEGISLATIVE RESERVE ACCOUNT(2)	\$2,577,500	\$2,109,000	\$2,156,000
Fire A LEGISLATIVE RESERVE ACCOUNT(3)	\$135,319	\$337,527	\$512,074
PAID FIREMEN PENSION A(*)	\$4,234,000	\$8,301,000	\$12,162,000
VOL. FIREMEN PENSION FUND(2)	(\$2,577,500)	(\$2,109,000)	(\$2,156,000)
VOL. FIREMEN PENSION FUND(3)	(\$135,319)	(\$337,527)	(\$512,074)

Source of revenue increase(decrease):

There are three sources of revenue increases to the Fire A legislative reserve account starting on April 1, 2022. (Note the amounts attributable to April through June of 2022 are included in the column for FY 2023.)

1) The \$75,000,000 appropriation to the Fire A legislative reserve account will be invested in a diversified portfolio and the assumed rate of return is 7 percent annually.

2) A revenue diversion of 40% of the annual amount of fire insurance premium tax will be transferred from the Volunteer Firefighter, EMT, and Search and Rescue Pension Plan; a corresponding decrease in revenue for the Volunteer Firemen Pension Fund is shown in the table. These amounts are derived using the Retirement System's spreadsheet calculator.

3) Investment earnings on the fire insurance premium taxes assumed at 7 percent annual rate of return; a corresponding decrease in revenue for the Volunteer Firemen Pension Fund is shown in the table.

\*) Furthermore, it is assumed the Retirement System Board will adjust the asset allocation of the existing Paid Firemen's Pension A account on April 1, 2022 and achieve an annual 7 percent rate of return as compared to 1 percent annual rate of return in the current derisked portfolio. This increases revenue to the paid Firemen Pension A account.

Additionally, a loan from the legislative stabilization reserve account of \$20,000,000 to nine employers will be paid back over twenty years without interest. This results in an estimated revenue reduction of \$453,600 from April 1, 2022 through FY 2023 and the amount declines to \$340,200 in FY 2025 due to repayment by employers. However, consistent with past practice, this reflects a more "dynamic" impact to the State, and, therefore, is not included in the above table.

Assumptions:

The assumptions adopted by the Retirement System Board for actuarial analysis were used to develop this fiscal note.

The Retirement System Board will adjust the asset allocation of the existing Paid Firemen's Pension A account on April 1, 2022 and achieve an annual 7 percent return.

WRS estimated the fire insurance premium tax based on current receipts with a 2.2 percent growth rate.

Annual yield for the legislative stabilization reserve account is 1.89 percent throughout this period.

	FY 2023	FY 2024	FY 2025
<b>NON-ADMINISTRATIVE IMPACT</b>			
Anticipated Expenditure(decrease)			
PAID FIREMEN PENSION A	736,000	\$1,226,000	\$1,714,000

Source of Expenditure Decrease:

Section 2 of this bill reduces the cost of living adjustment (COLA) payments to retirees from 3 percent to zero percent. The next COLA award would be on July 1, 2022 and this bill results in no COLA increase starting in FY 2023 and thereafter.

Assumptions:

These amounts are derived using the Retirement System's spreadsheet calculator.

The State Treasurer's Office indicates there will be additional legal duties associated with making the loans as well as potential delinquency actions in district court under the changes to W.S. 15-5-203. The State Treasurer's Office intends to absorb these indeterminable costs with current staff.

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