

OFFICE OF FISCAL ANALYSIS

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SR-6

RESOLUTION PROPOSING APPROVAL OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE STATE OF CONNECTICUT AND THE STATE EMPLOYEES BARGAINING AGENT COALITION (SEBAC).

OFA Fiscal Note

State Impact: See Below

Municipal Impact: None

Explanation

The resolution proposes approval of a memorandum of understanding (MOU) between the State of Connecticut and the State Employees' Bargaining Agent Coalition (SEBAC), which extends the amortization period of the statutory portion of the State Employees' Retirement System's (SERS) unfunded accrued liability (UAL) from 2032 to 2047 to be consistent with the transitional UAL.¹ Provisions 1, 2 and 3(b) of the MOU do not result in a fiscal impact as they were previously adopted in 2017 and were incorporated thereafter into SERS' actuarial assumptions. The MOU remains in effect through 2047, the end of the SERS UAL amortization period.

The MOU results in a savings to the state in the near term from an average reduction in the actuarial determined employer contribution

¹SR 7 and HR 8 in 2017 made various funding changes to SERS, including splitting the UAL into two pieces: the statutory UAL and transitional UAL. The transitional UAL's amortization period was extended 15 years, until 2047. The statutory UAL's amortization period was maintained, ending in FY 32. In general, the statutory portion of the UAL is the portion accrued prior to December 31, 1983 and the transitional UAL is the UAL accrued thereafter. As of the June 30, 2019 SERS valuation the statutory UAL represents approximately \$4 billion of the \$22.3 billion UAL.

(ADEC) of approximately \$164.2 million each fiscal year beginning in FY 20 through FY 32. After which the average annual increase in the ADEC is \$363.9 million more than it would be without the MOU through the end of the amortization period in FY 47. The total increase in the state's SERS contributions towards the UAL for the period FY 20 to FY 47 is approximately \$3.3 billion, from \$47 to \$50 billion.

PA 19-117 included savings to the General Fund and Special Transportation Fund related to the MOU. In FY 20, a holdback of \$115.8 million was applied to the General Fund (GF) SERS- UAL account and \$15.7 in the Special Transportation Fund (STF)'s SERS- UAL account. In FY 21, a savings of \$121.2 million is assumed in the GF and \$19.7 in the STF related to the MOU.²

The chart on the following page reflects the projected ADEC for SERS with the MOU and without the MOU.

²The SERS ADEC is funded out of three sources: General Fund, Special Transportation Fund and Other Funds (e.g. other appropriated funds, federal funds, etc.). The impact to the state will impact all three funding sources.

Fiscal Year	Projected ADEC Without Agreement (\$ - in millions)			Projected ADEC With Agreement (Reflects assumptions in PA 19-117 and the 6/20/2018 Revised and 6/30/2019 Valuations) (\$ - in millions)			Change
	Normal Cost	UAAL Amortization	Total ADEC	Normal Cost	UAAL Amortization	Total ADEC	
2020	\$235.4	\$1,538.0	\$1,773.4	\$235.4	\$1,380.8	\$1,616.2	(\$157.2)
2021	\$206.9	\$1,699.7	\$1,906.6	\$206.9	\$1,531.4	\$1,738.3	(\$168.3)
2022	\$202.6	\$1,855.3	\$2,057.9	\$202.6	\$1,688.2	\$1,890.8	(\$167.1)
2023	\$198.4	\$2,005.0	\$2,203.4	\$198.4	\$1,841.2	\$2,039.6	(\$163.8)
2024	\$192.0	\$2,026.3	\$2,218.3	\$192.0	\$1,862.4	\$2,054.4	(\$163.9)
2025	\$188.6	\$2,030.8	\$2,219.4	\$188.6	\$1,866.7	\$2,055.3	(\$164.1)
2026	\$186.3	\$2,033.5	\$2,219.8	\$186.3	\$1,869.2	\$2,055.5	(\$164.3)
2027	\$183.4	\$2,035.0	\$2,218.4	\$183.4	\$1,870.6	\$2,054.0	(\$164.4)
2028	\$180.2	\$2,035.5	\$2,215.7	\$180.2	\$1,871.1	\$2,051.3	(\$164.4)
2029	\$177.3	\$2,035.0	\$2,212.3	\$177.3	\$1,870.7	\$2,048.0	(\$164.3)
2030	\$174.2	\$2,033.6	\$2,207.8	\$174.2	\$1,869.3	\$2,043.5	(\$164.3)
2031	\$171.9	\$2,031.1	\$2,203.0	\$171.9	\$1,866.9	\$2,038.8	(\$164.2)
2032	\$170.0	\$2,027.7	\$2,197.7	\$170.0	\$1,863.7	\$2,033.7	(\$164.0)
2033	\$169.2	\$1,539.4	\$1,708.6	\$169.2	\$1,859.9	\$2,029.1	\$320.5
2034	\$168.5	\$1,493.6	\$1,662.1	\$168.5	\$1,855.4	\$2,023.9	\$361.8
2035	\$169.1	\$1,486.4	\$1,655.5	\$169.1	\$1,850.5	\$2,019.6	\$364.1
2036	\$170.3	\$1,480.0	\$1,650.3	\$170.3	\$1,845.2	\$2,015.5	\$365.2
2037	\$171.2	\$1,473.9	\$1,645.1	\$171.2	\$1,839.9	\$2,011.1	\$366.0
2038	\$172.4	\$1,467.8	\$1,640.2	\$172.4	\$1,834.3	\$2,006.7	\$366.5
2039	\$173.9	\$1,461.5	\$1,635.4	\$173.9	\$1,828.1	\$2,002.0	\$366.6
2040	\$175.7	\$1,454.9	\$1,630.6	\$175.7	\$1,821.4	\$1,997.1	\$366.5
2041	\$177.7	\$1,448.0	\$1,625.7	\$177.7	\$1,814.2	\$1,991.9	\$366.2
2042	\$179.8	\$1,440.9	\$1,620.7	\$179.8	\$1,806.5	\$1,986.3	\$365.6
2043	\$182.1	\$1,433.4	\$1,615.5	\$182.1	\$1,798.1	\$1,980.2	\$364.7
2044	\$184.8	\$1,425.8	\$1,610.6	\$184.8	\$1,789.4	\$1,974.2	\$363.6
2045	\$187.7	\$1,368.7	\$1,556.4	\$187.7	\$1,730.2	\$1,917.9	\$361.5
2046	\$190.7	\$1,327.6	\$1,518.3	\$190.7	\$1,705.0	\$1,895.7	\$377.4
2047	\$193.6	\$1,292.3	\$1,485.9	\$193.6	\$1,673.9	\$1,867.5	\$381.6
2048	\$196.2	\$0.0	\$196.2	\$196.2	\$0.0	\$196.2	\$0.0
2049	\$198.5	\$0.0	\$198.5	\$198.5	\$0.0	\$198.5	\$0.0

*Projections based on original June 30, 2018 SERS valuation

The Out Years

The MOU remains in effect through 2047, the end of the State Employees' Retirement System (SERS) unfunded accrued liability (UAL) amortization period and results in the fiscal impact stated above.

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.