FISCAL IMPACT REPORT
2nd Session of the 51st Legislature

Bill No.: **SB 1641**
Version: **Proposed Committee Sub. (10816)**
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Date: **April 2, 2008**
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Impact: **OPERS: Decrease Future Actuarial Loss**

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Summary

The Proposed Committee Substitute for ESB 1641 narrows a loophole in current law that gives higher pension benefits to OPERS members who finish their careers as elected officials. Under SB 1641, individuals entering the OPERS system on or after July 1, 2008 shall have a pension calculation that is bifurcated based on years of ordinary service under OPERS and years of service as an elected official. SB 1641 also provides that elected officials who first enter office on or after July 1, 2008 may not receive a retirement benefit greater than their single highest annual compensation received as a member of OPERS.

Analysis

Under existing law elected officials can pay a 10% contribution rate and elect to receive a 4% multiplier in their pension calculation formula while regular State employees pay a 3.5% contribution rate and receive a 2% multiplier. Currently if a member retires as an elected official, with at least 6 years of elected official service, the member can have his benefit calculated using the 4% multiplier for all years of service, even years the member served as an ordinary OPERS member only paying a 3.5% contribution rate.

For every retiree who has a mixture of elected and unelected service, but gets the higher elected benefit multiplier, OPERS experiences a significant actuarial loss. The bifurcated calculation of benefits proposed by SB 1641 would more closely align pension benefits with contributions made by the member and reduce actuarial loss to the OPERS system.

Long Term Considerations

SB 1641, in its current form would improve the actuarial soundness of OPERS in the future.