



**151st GENERAL ASSEMBLY
FISCAL NOTE**

BILL:	SENATE BILL NO. 14
SPONSOR:	Senator Ennis
DESCRIPTION:	AN ACT TO AMEND TITLE 29 OF THE DELAWARE CODE RELATING TO THE STATE EMPLOYEES' PENSION PLAN.

Assumptions:

1. This Act becomes effective upon signature by the Governor.
2. This Act requires that an amount equal to or greater than 3% of the total projected covered payroll of the State Employee Pension Plan, the State Judiciary Plan and the new State Police Pension plan be deposited annually to the Post Retirement Fund established in 29 Del. C. §5548.
3. This Act further requires that pensioners in those plans be provided a post retirement increase every two years with the first increase to be provided July 1, 2021. The amount of each increase is not set in this Act; however, the bill provides that any increase granted shall not exceed the funding of the Post Retirement Fund.
4. This Act also requires that any increase granted to pensioners be structured such that those pensioners who retired more than 20 years prior to the date of the pension increase be granted an increase that is two times the increase granted to pensioners who retired less than 20 years prior to the date of the pension increase.
5. The Act requires each increase granted to be amortized over a two-year period.
6. Covered payroll for these three plans is approximately \$2.4 billion for Fiscal Year 2022 with 2.5% inflation assumed in subsequent fiscal years. It is assumed that 68% of covered payroll is General Fund.
7. For purposes of this analysis, the total costs assume that the minimum required 3% of payroll is deposited annually to the Post Retirement Fund.
8. Pursuant to the Governmental Accountability Standards Boards (GASB) Statements Nos. 67 and 68, increases granted under this Act may be considered to be "substantively automatic." GASB considers an ad hoc cost of living allowance (COLA) to be substantively automatic when a historical pattern exists of granting COLAs. Increases that are determined to be substantively automatic must be factored into a plan's overall valuation. If so determined, the increased liability for the three pension plans, assuming a 2% increase granted biennially, would be a combined \$1.057 billion with an increased Annual Required Contribution of \$121.0 million (all funds).

Cost:

Fiscal Year 2022: General Fund: \$49.0 million, Special Fund: \$23.0 million

Fiscal Year 2023: General Fund: \$50.2 million, Special Fund: \$23.6 million

Fiscal Year 2024: General Fund: \$51.4 million, Special Fund: \$24.2 million

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