



151st GENERAL ASSEMBLY
FISCAL NOTE

BILL: SENATE SUBSTITUTE NO. 1 to SENATE BILL 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 is effective upon signature by the Governor.
2. This Act sets a minimum rate of State payroll of 2.33% (PRI rate) to be dedicated annually to the Post Retirement Benefit fund as established in 29 Del. C. Section 5548.
3. This Act further grants the authority to provide post-retirement pension increases to the Board of Pension Trustees. The funding of any post-retirement increase approved by the Board of Pension Trustees cannot exceed the funding of the Post Retirement Benefit Fund. The Act also provides that such increases for those retired more than 20 years be at least two times the increase for those retired less than 20 years.
4. The Fiscal Year 2022 budget currently dedicates 1.0% of payroll to the Post-Retirement Benefit fund. Of this percentage, 0.5% was allocated for the post-retirement increase granted to pensioners effective July 1, 2021. This increase assumed a five year amortization period.
5. The Governor's recommended FY 2023 one-time appropriation legislation (SB 226 of the 151st General Assembly) includes a General Fund appropriation of \$45,576,300 to fully fund the remaining unfunded liability of the increase granted in July 2021 while reducing the PRI rate in the Fiscal Year 2023 recommended operating budget (SB 225 of the 151st General Assembly) to 0.5%.
6. The projected cost of this Act assumes the PRI rate for Fiscal Year 2023 would be reduced consistent with the Governor's proposed budget.
7. Covered payroll is estimated to be \$2.56 billion for Fiscal Year 2023 with 2.5% inflation assumed in subsequent fiscal years. It is assumed that 68% of covered payroll is General Fund.

Cost:

	<u>General Fund</u>	<u>Special Fund</u>	<u>Total</u>
Fiscal Year 2023:	\$31.9 million	\$15.0 million	\$46.9 million
Fiscal Year 2024:	\$32.7 million	\$15.4 million	\$48.1 million
Fiscal Year 2025:	\$33.5 million	\$15.8 million	\$49.3 million

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Office of the Controller General