

Decisions on the Firefighters' and Rescue Squad Workers' Pension Fund

Why is this an issue? The estimated Annual Required Contribution (ARC) of \$15.1 million is higher than the current employer contribution of \$14,626,599. Therefore, the LGERS Board of Trustees could increase the employer contribution by \$500,000 to meet the new ARC. However, a pending review of census data, assumptions and methods could result in a decrease in the ARC in the future.

What is the reason for the difference? Based on the June 30, 2012 valuation, Buck reported an ARC for fiscal year ending 2014 of \$14,620,362 and estimated an ARC for fiscal year ending 2015 of about \$15.1 million. The appropriation for fiscal years ending 2014 and 2015 was set by the legislature at \$14,626,599, which reflected a cut of \$820,000 from the base budget. To cover the estimated ARC for fiscal year ending 2015, the LGERS Board of Trustees could recommend that the legislature increase the employer contribution by about \$500,000.

Three Policy Options for Consideration by the Board of Trustees

Option One – Recommend no change to Current Employer Contribution:

Recommend the legislature leave the employer contribution at 14,626,599.

Option Two– Increase the Employer Contribution:

Recommend the legislature increase the employer contribution of 14,626,599 for fiscal 2015 by restoring \$500,000 of the \$820,000 that was cut during the 2013 session to cover the estimated ARC.

Option Three– Decrease the Employer Contribution to Reflect the Results of Phase One of Data Cleansing Analysis:

Recommend the Legislature decrease the Employer contribution by \$1,700,000. The decrease is based on \$2,200,000 in savings from Phase One of the data cleansing analysis, offset by restoring \$500,000 of the \$820,000 that was cut during the 2013 session to cover the estimated ARC. Under this option, the Board of Trustees sets the ARC at \$12.9 million and recommends that the legislature fund the new ARC.