

FISCAL IMPACT OF PROPOSED LEGISLATION**Measure: SB 403**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

Prepared by: MaryMichelle Sosne

Reviewed by: John Borden, John Terpening, Steve Robbins

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Measure Description:

Allows person who retires from Department of State Police as police officer to participate in group benefit plan offered by Public Employees' Benefit Board with no increase in premiums.

Government Unit(s) Affected:

Department of State Police, Oregon Health Authority, Public Employees Retirement System

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Summary of Expenditure Impact:

	2023-25 Biennium	2025-27 Biennium
Oregon Health Authority		
General Fund		
Special Payments	\$3,965,390	\$5,621,505
Total General Fund	\$3,965,390	\$5,621,505
Other Fund		
Special Payments	\$9,261,109	\$12,692,493
Total Other Funds	\$9,261,109	\$12,692,493
Total General Fund	\$3,965,390	\$5,621,505
Total Other Funds	\$9,261,109	\$12,692,493
Total Fiscal Impact	\$13,226,499	\$18,313,998

Analysis:

SB 403 allows members of the Public Employees Retirement System who retired as a police officer from the Department of State Police on or after normal retirement age to participate in group health benefit plans offered by the Public Employees' Benefit Board. The measure prohibits the Board from increasing the premium amount charged to the eligible retirees above the rate charged before retirement.

Oregon Health Authority

The measure has a fiscal impact of \$3,965,390 General Fund and \$9,261,109 Other Funds in 2023-25, and \$5,621,505 General Fund and \$12,692,493 Other Funds in 2025-27, for estimated increases in premium rates and contributions for group plans offered by the Public Employees' Benefit Board (PEBB), which is housed in the Oregon Health Authority (OHA).

Based on input provided by PEBB's actuarial consultant, OHA estimates that premiums for plans offered by PEBB will increase by an average of .30% under the measure. This increase would result in additional 2023-25 expenses of \$5,176,758, which would be paid by existing employers participating in PEBB. This cost would likely have an impact on statewide General Fund costs because over 40% of PEBB premium rates are normally paid by state agencies with General Fund. This potential increase in premiums would also challenge PEBB's ability to meet the statutorily required 3.4% annual growth cap on health care premiums and expenditures. An additional 2023-25

impact of \$3,965,390 is attributed to employer-based premium contribution increases and \$118,962 for premium cost-sharing payments from participating retirees.

The combined increase to PEBB's budget in 2023-25 is \$9,261,109 for the premium rate and contribution increases. PEBB's budget is comprised entirely of Other Funds expenditure limitation to make health benefit plan payments on behalf of its members. Because of this, the measure would result in PEBB needing an Other Funds expenditure increase of this amount in 2023-25. While the measure increases premium rates and aggregate employer/retiree contribution payments, it does not define who pays the estimated \$3,965,390 employer contribution increase. This fiscal impact therefore assumes that General Fund would be required to pay for this cost. The fiscal impact also assumes the General Fund would be appropriated in OHA's budget, but it could also be appropriated in a different agency, such as the Department of State Police.

The above estimates are based on the following assumptions from PEBB's actuarial consultant: estimates are for medical coverage only; dental and vision costs are excluded; and all eligible retirees are assumed to enroll if the legislation passes compared to an estimated 30% of retired police officers who would retain their medical coverage under the status quo. Additionally, projected costs for current and future retirees are based on the December 2022 census. The July 1, 2021 Governmental Accounting Standards Board (GASB) valuation (based on the Public Employees' Retirement System's December 31, 2019 valuation) was used as the basis for claims costs, retiree assumptions and aging assumptions. PEBB's actuarial consultant assumed retired police officers would continue to cost share at a rate of 1-5%, and assumed a 1% cost share for Moda, Kaiser Deductible and Providence Choice and 5% for Statewide and Kaiser HMO.

Department of State Police and Public Employees Retirement System

The Oregon State Police and the Public Employees Retirement System have no fiscal impact.