

In order to assist with budget planning for next year, a number of entities have requested that the Office of the State Comptroller (OSC) provide a preliminary forecast for the fringe benefit rates for FY 2016. I would emphasize that the information to follow represents an estimate based on the information currently available. Changes to the Governor's budget proposal, especially around the OSC fringe benefit accounts, and other factors could have a significant impact on these projections. As usual, the final fringe benefit rates for FY 2016 will be published in a Comptroller's memorandum in mid-June 2015.

SERS Regular Retirement

The SERS Regular Retirement rate will be higher in FY 2016, returning to a level closer to the FY 2014 rate. OSC is projecting a rate of 54.9 percent for SERS Regular in FY 2016. The three major cost components (employer contributions for normal cost, unfunded liability and retiree health insurance) grew faster than the corresponding salary base for active employees in the SERS plan. A negative roll-forward adjustment for FY 2014 helped to mitigate further growth in the projected rate for FY 2016. A negative roll-forward (or credit adjustment) is applied in the FY 2016 rate calculation when the rate for FY 2014 turns out to be too high compared to actual costs.

SERS Hazardous Duty Retirement

The SERS Hazardous Duty retirement rate will experience a slight increase over the current year rate. Based on current information, OSC is projecting the SERS Hazardous Duty (HD) rate will be 62.9 percent. The fastest growing cost component for SERS HD is retiree health insurance. SERS HD is being allocated a greater share health insurance costs as more hazardous duty employees retire. A small negative roll-forward adjustment for FY 2014 helped to mitigate further growth in the projected SERS HD rate for FY 2016.

Alternative Retirement Program

The Alternative Retirement Program (ARP) rate will also be higher in

FY 2016 compared to the current fiscal year. OSC is projecting an ARP rate of 12.3 percent for FY 2016. The projected increase is partly due to a positive roll-forward adjustment since the ARP rate for FY 2014 turned out to be too low. The rate calculation also factored in higher anticipated retirement health costs for FY 2016. Finally, OSC is currently projecting a lower salary base for active employees enrolled in the ARP plan for FY 2016.

Teacher's Retirement

OSC is projecting a Teacher's Retirement rate of 46.0 percent for FY 2016, somewhat lower than the current year's rate. The main factors were a lower employer contribution for retirement and growth in the salary base for active employees in the Teacher's Retirement plan.

Judge's Retirement

OSC is projecting a Judge's Retirement rate of 54.0 percent, slightly lower than the current year's rate. Salary growth for active employees in the Judge's plan for FY 2016 will likely outpace growth in the retirement cost pool. In addition, a negative roll-forward adjustment also helped lower the projected rate.

Unemployment Compensation

OSC is currently projecting an Unemployment Compensation rate of 0.14 percent for FY 2016, a small decrease compared with the current year rate. The lower projection is based a higher salary base for active employees and lower anticipated unemployment costs.

Again, the information I am sharing is preliminary in nature and could change as more data becomes available toward the end of the fiscal year. I hope this information is helpful as you plan for your FY 2016 budgets.