

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6141

BILL NUMBER: SB 64

DATE PREPARED: Feb 17, 2000

BILL AMENDED: Feb 16, 2000

SUBJECT: PERF and TRF administration.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) are independent bodies corporate and politic, and not departments or agencies of the state. It specifies that PERF and TRF are independent instrumentalities exercising essential government functions. The bill provides that the PERF board and the TRF board shall each adopt a budget for its respective fund. It requires the PERF board and the TRF board to report annually to the Governor, the State Budget Committee and to the Pension Management Oversight Commission. The bill specifies information that must be reported It specifies that the police officer and firefighter members of the 1977 Fund Advisory Committee may be active or retired members of police and firefighter retirement funds. It specifies that employees of PERF or TRF who are employed within a classification covered by a labor agreement to which the state is a party remain subject to the terms and conditions of that agreement and any successor labor agreements. It provides that a Constable elected in a township located in a consolidated city may elect to become a member of PERF without any action by the township governing body. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2000.

Explanation of State Expenditures: (Revised) Currently, both PERF and TRF are part of the State Personnel system and subject to the review of the State Budget Agency concerning their respective budgets. Both PERF and TRF operate from revenues generated from their investment income. This proposal will continue that process. This proposal eliminates PERF and TRF staff as part of the state employee administration. The PERF and TRF Boards will have the responsibility to determine staffing. The bill deletes the biennial appropriation language for expenses, as well as the language that offset the appropriation by fund earnings. Deletion of this language will result in the funds paying their own administrative expenses as they currently do pursuant to the offset language. The specific expenditure impact will depend upon how the PERF and TRF Boards determine staffing levels and expenditure levels.

For the 1999-2001 biennium, the following amounts were appropriated from the Investment Earnings Fund

for PERF and TRF:

	<u>1999-2000</u>	<u>2000-2001</u>
PERF	\$8,396,035	\$7,346,035
TRF	\$4,892,888	\$3,892,888

The amendment of 1/25/00 specifies the type of information to be reported to the Governor, the Pension Management Oversight Commission, and the State Budget Committee. This will not add any additional cost to the respective funds. It also specifies that employees of PERF or TRF who are employed within a classification covered by a labor agreement to which the state is a party remain subject to the terms and conditions of that agreement and any successor labor agreements. Any impact on the respective funds will depend upon the negotiated labor agreements.

Explanation of State Revenues: The specific impact on investment earnings is indeterminable.

Explanation of Local Expenditures: (Revised) The amendment of 2/16/2000 provides that a Constable elected in a township located in a consolidated city may elect to become a member of PERF without any action by the township governing body. The specific impact will depend upon the number of such constables. For illustrative purposes, we have assumed one individual to be eligible. This person is assumed to be age 50, with eight years of service as a Constable, and has an annual salary of \$75,000. If this one Constable were to join PERF, there would be an increase in unfunded accrued liabilities of \$53,000. The increase in annual cost is estimated to be approximately \$8,800 per year. If there were ten such eligible Constables, the fiscal impact would be estimated by multiplying the numbers above by ten. The unfunded liabilities would increase by \$530,000, and the annual cost would be approximately \$88,000. If twenty were eligible, you would multiply by twenty. The increase in unfunded accrued liabilities would be \$1,060,000, and the increase in annual funding would be approximately \$176,000.

Explanation of Local Revenues:

State Agencies Affected: Public Employees Retirement Fund; Teachers' Retirement Fund; Budget Agency; State Personnel.

Local Agencies Affected:

Information Sources: William Butler, Director of PERF, 233-4133; William Christopher, Director of TRF, 233-3164; Mary Beth Braitman of Ice Miller Donadio & Ryan, 236-2413; Doug Todd, of McCready & Keene, Inc., actuaries for PERF, 576-1508.

DEFINITIONS

Funding- a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Unfunded accrued liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.