

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6480
BILL NUMBER: SB 160

DATE PREPARED: Nov 19, 1999
BILL AMENDED:

SUBJECT: Increase of PERF pension benefits.

FISCAL ANALYST: James Sperlik
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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the multiplier used in calculating pension benefits for members of the Public Employees' Retirement Fund (PERF) who retire after June 30, 2000, is 1.1% plus an additional 0.02% for each year of service in excess of ten years, with a maximum multiplier of 1.5%. (Current law provides that the multiplier is 1.1%.)

Effective Date: July 1, 2000.

Explanation of State Expenditures: This bill would increase the benefit multiplier under PERF from 1.1% to 1.5% for benefits payable after June 30, 2000. The increase in benefits would be applicable to all members including benefit recipients and terminated members with vested benefits.

The impact for PERF is shown in the table below:

| | State | Municipalities | Total |
|---------------------------------------|--------------|-----------------------|--------------|
| Additional Unfunded Accrued Liability | \$750 M | \$867 M | \$1,617 M |
| Additional Annual Funding | \$80 M | \$97 M | \$177 M |
| Additional Funding as a % of Payroll | 6.73% | 5.69% | 6.28% |

The state General Fund contributes 55% of the personal services in the state, while various dedicated funds contribute 45%. The additional annual expenditures for the state General Fund would be \$44 M and \$36 M for various dedicated funds.

Explanation of State Revenues:

Explanation of Local Expenditures: For the impact on municipalities that participate in PERF refer to the table above. These expenditures would come from the general fund.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Municipalities with members in PERF.

Information Sources: 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 Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.