LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 6480 **DATE PREPARED:** Jan 19, 2000
BILL NUMBER: SB 160 **BILL AMENDED:**

SUBJECT: Increase of PERF pension benefits.

FISCAL ANALYST: James Sperlik
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FUNDS AFFECTED: X **GENERAL**
X **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: (Revised) This bill would increase the benefit multiplier under PERF from 1.1% to 1.5% for benefits payable after June 30, 2000.

The impact for PERF is shown in the table below:

	State	Municipalities	Total
Additional Unfunded Accrued Liability	$460 M	$530 M	$990 M
Additional Annual Funding	$51.6 M	$64.6 M	$116.2 M
Additional Funding as a % of Payroll	4.3%	3.6%	3.9%

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 $28.38M and $23.22 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 at that time over the value of its cash and investments.