

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7246**

**BILL NUMBER: HB 1244**

**DATE PREPARED:** Dec 22, 2000

**BILL AMENDED:**

**SUBJECT:** State Police Pension Benefits.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill increases the monthly pension amount payable under the State Police Pre-1987 Benefit System after June 30, 2001, to an employee beneficiary who retired or was disabled before July 1, 1987, to restore the purchasing power of the employee beneficiary's basic monthly pension amount to at least 50% of its purchasing power at the time the employee beneficiary retired.

It provides for an additional increase in the monthly pension amount payable after June 30, 2002, for employee beneficiaries who retired or were disabled before July 1, 1987, to restore the purchasing power of the employee beneficiary's basic monthly pension amount to at least 57.4% of its purchasing power at the time the employee beneficiary retired.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** This change would provide an increase in the monthly benefits payable to current retirees. The increase would be calculated so that, effective July 1, 2001, the resulting total monthly benefits (including payments from the Pension Trust and Supplemental Benefits) would have at least 50% of the inflation-adjusted purchasing power of the initial benefit at the participant's retirement date. Effective July 1, 2002, the benefit would have at least 57.4% of the inflation-adjusted purchasing power of the initial benefit. It is assumed that these benefits would not affect the calculation of the Supplemental Benefits. (The bill applies only to the State Police Pre-1987 Plan and not the 1987 Plan.)

The table below describes estimates of the fiscal impact of this proposal under two scenarios: first, with the additional benefits paid from the Pension Trust, and second with the additional benefits paid as Supplemental Benefits.

**July 1, 2001, Effective Date  
(50% Minimum)**

	<b>Additional Benefits Paid From Pension Trust</b>	<b>Additional Benefits Paid as Supplemental Benefits</b>
Increase in Actuarial Liability	\$1,980,000	\$1,980,000
Increase in Annual Funding	\$150,000	(see below)
Increase in Annual Funding as % of Payroll	0.3%	(see below)

**After July 1, 2002  
(57.4% Minimum)**

	<b>Additional Benefits Paid From Pension Trust</b>	<b>Additional Benefits Paid as Supplemental Benefits</b>
Cumulative Increase in Actuarial Liability	\$2,640,000	\$2,640,000
Cumulative Increase in Annual Funding	\$200,000	(see below)
Increase in Annual Funding as % of Payroll	0.4%	(see below)

The following table provides an estimate of the increase in annual benefits payable over the next five years that should be expected if this proposal is adopted. Since the supplemental benefits are funded on a "pay-as-you-go" basis, and if the increases are payable as supplemental benefits (under the second scenario described, above), the change in benefit payments would represent the increase in annual funding as a result of this proposal.

<b>Plan Year</b>	<b>July 1, 2001, Effective Date (50% Minimum) Change in Expected Benefit Payouts</b>	<b>July 1, 2002, Effective Date (57.4% Minimum) Change in Expected Benefit Payouts</b>	<b>Total</b>
2001-2002	\$234,456	N/A	\$234,456
2002-2003	\$225,117	\$83,215	\$308,332
2003-2004	\$215,753	\$77,553	\$293,306
2004-2005	\$206,837	\$72,201	\$279,038
2005-2006	\$197,035	\$67,158	\$264,193

There are 117 plan participants who would be affected by this proposal. Their monthly benefits would

increase an average of \$175.18 in the first year and an additional \$68.31 in the second year. The funds affected are the State General Fund (50%) and the Motor Vehicle Highway Account (50%).

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Police.

**Local Agencies Affected:**

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for the State Police Pension Plans, 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.