

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6915
BILL NUMBER: SB 400

DATE PREPARED: Jan 16, 2001
BILL AMENDED:

SUBJECT: Health Insurance for Retired State Police.

FISCAL ANALYST: James Sperlik, James Landers
PHONE NUMBER: 232-9866

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides that the State Police Department must pay the premiums for health insurance coverage for each retired police employee and each retired civilian employee of the State Police Department who is participating in the State Police Department's insurance plan. The bill establishes the State Police Retiree Health Insurance Fund to pay for the insurance coverage for retired employees. The bill requires each active State Police Department employee to pay a percentage of the employee's salary into the Fund. The bill requires each retired State Police Department employee participating in the insurance plan to contribute each month an amount equal to 1% of the retired employee's monthly pension benefit.

Effective Date: July 1, 2001.

Explanation of State Expenditures: An actuarial analysis conducted by Milliman and Robertson, Inc. for the Indiana State Police Alliance indicates that an additional \$1.77 M would be required annually to fully fund the health insurance program for the State Police Department's retired employees. This analysis was based on December 31, 1996 data. This amount is in addition to the amount contributed by employees as specified by the bill.

Background: The analysis is based on projected employee contributions and health insurance benefits over a 75-year period and assumes an annual interest rate of 7%. The analysis also assumes no growth in the employee population. The additional \$1.77 M required annually to fully fund the program applies to each year of the 75-year projection period. (This annual funding stream would be equivalent to a one-time up-front payment of \$26.02 M earning interest at 7% per year.)

The State Police Retiree Health Insurance Fund is established by the bill. The Fund consists of required contributions by active employees (with contribution rates ranging from 1.25% to 2.5% of the employee's wages, depending upon length of service) and contributions from those retired employees who choose to participate in the program (with a contribution rate equal to 1% of the retired employee's monthly pension

benefit). In addition, the Fund consists of interest earned and any amounts appropriated by the General Assembly. Money in the Fund at the end of a state fiscal year does not revert to the state General Fund. The Fund is to be administered by the State Police Department and is to be used to pay for the costs of health insurance coverage provided to retired State Police employees.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding employee contributions.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police Department.

Local Agencies Affected:

Information Sources: *Projection of Retiree Medical Liabilities*, Milliman and Robertson, Inc., September 15, 1998.