

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7059

BILL NUMBER: HB 1147

DATE PREPARED: Jan 6, 2002

BILL AMENDED:

SUBJECT: COLA for County Pension Plans.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill lowers from 55 to 50 the age at which a retired or disabled employee beneficiary of a pension plan established for the sheriff's department in a county may receive a cost of living adjustment (COLA).

Effective Date: July 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The impact of this bill will depend upon the extent that counties will lower the age to which COLAs may apply. As an illustration, the following estimates are for three different counties who currently have COLAs that apply at age 55, and assuming the counties were to choose to apply the COLAs at age 50.

Delaware County Police Retirement Plan

This plan provides COLAs beginning at age 55 and ceasing at the Social Security retirement age (ages 65 through 67 depending on date of birth). The fiscal impact if this plan began COLAs at age 50 rather than 55 would be as follows:

Increase in Accrued Liabilities	\$82,187
Increase in Annual Funding	\$48,268
Increase in Annual Funding (% of payroll)	4.3%

Lake County Police Retirement Plan

This plan currently allows COLAs beginning at age 55 with the COLAs continuing until the original benefit amount is doubled. The fiscal impact if COLAs began at age 50 rather than age 55 is as follows:

Increase in Accrued Liabilities	\$4,435,442
Increase in Annual Funding	\$443,545
Increase in Annual Funding (% of payroll)	8.5%

LaPorte County Police Retirement Plan

This plan has COLAs that begin at age 55 and continue until the death of the participant. The fiscal impact on this retirement plan if the COLAs began at age 50 rather than 55 is as follows:

Increase in Accrued Liabilities	\$293,704
Increase in Annual Funding	\$37,832
Increase in Annual Funding (% of payroll)	2.5%

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Counties.

Information Sources: Doug Todd of McCready and Keene, Inc., actuaries for many of the county police 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.