

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6598**  
**BILL NUMBER: SB 395**

**DATE PREPARED:** Nov 27, 2001  
**BILL AMENDED:**

**SUBJECT:** COLA for Judges' Pensions.

**FISCAL ANALYST:** James Sperlik  
**PHONE NUMBER:** 232-9866

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

**IMPACT:** State

**Summary of Legislation:** This bill requires the benefits payable to participants, survivors, and beneficiaries under the 1985 Benefit System of the Judges' Retirement Fund to be increased by the same percentages and under the same conditions as benefits are increased for members of the Public Employees' Retirement Fund (PERF).

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** This provision is a cost-of-living adjustment (COLA) for judges. The following illustrates the increase in recommended annual contribution to be paid by the state over the next five years (based on a projection of benefit payouts).

<u>Plan Year</u>	<u>Increase in Recommended Contribution</u>
2002-2003	\$94,464
2003-2004	100,131
2004-2005	106,139
2005-2006	112,982
2006-2007	<u>118,952</u>
<b>Total</b>	\$532,668

This bill would affect only those participants under the 1985 Judges' Retirement System. The increase in unfunded liabilities would be approximately \$5,100,000. The fund affected is the State General Fund. The Judges' Retirement System is a pay-as-you-go system.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** PERF as administrators of the Judges' Retirement System.

**Local Agencies Affected:**

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for PERF and the Judges' Retirement System, 576-1508.

**DEFINITIONS**

Cost of Living - the average cost of the goods and services required by a person or family.

Cost of Living Adjustment (COLA) An across-the-board increase (decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Pay-As-You-Go Method--The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

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.

Actuarial Cost - a cost used to associate the costs of benefits under a retirement system with the approximate time the benefits are earned.