LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6513 **NOTE PREPARED:** Dec 3, 2004
BILL NUMBER: SB 203 **BILL AMENDED:**

SUBJECT: Increase of PERF Multiplier.

FIRST AUTHOR: Sen. Waterman **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

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, 2005, 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, 2005.

Explanation of State Expenditures: This bill affects pension payments from the Public Employees' Retirement Fund. The additional contributions required to support the increased pension benefits are below.

	State	Municipalities	Total
Estimated Increase in Unfunded Accrued Liability	$576 M	$717 M	$1,293 M
Estimated Increase in Annual Funding	$62.9 M	$77.5 M	$140.4 M
Increase in Annual Funding as % of Payroll	4.3%	3.2%	3.6%

The funds affected by the increase in annual funding are the state General Fund (55%), or $34.6 M, and various dedicated funds (45%), or $28.3 M. This change in benefit would apply to any member of PERF who retires after June 30, 2005. The estimate is based on the July 1, 2003, Actuarial Valuation.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*, above.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

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 - The 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.