

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6625

BILL NUMBER: HB 1350

NOTE PREPARED: Jan 13, 2006

BILL AMENDED:

SUBJECT: Judicial Pensions.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill authorizes a participant with at least eight years of creditable service in the Judges' Retirement System (JRS) who is also vested in the Public Employees' Retirement Fund (PERF) to elect to use not more than ten years of PERF service credit to qualify for a retirement benefit from the JRS and waive the right to a retirement benefit from PERF. It requires the PERF Board to transfer to the JRS the amount credited to the participant's annuity savings account and the present value of the retirement benefit payable at 65 years of age that is attributable to the participant who makes the election. The bill provides that the PERF service credit may not be used to compute the participant's retirement benefit from the JRS.

Effective Date: July 1, 2006.

Explanation of State Expenditures: This bill would apply to the Judges' Retirement System in that service may be used to determine benefit eligibility under the Rule of 85, but not used in the determination of benefit amounts. This proposal apparently only affects one judge currently. It would permit this judge to use PERF-credited service to qualify for retirement under the Rule of 85 on July 1, 2006, and begin receiving pension benefits immediately. Without this legislation, and if the judge retired on July 1, 2006, the judge would have to wait two years until July 1, 2008, before benefits could commence.

The impact is therefore estimated to be the present value of the two years of additional benefits the judge may receive minus a PERF offset for the service being used for eligibility. The annual benefit is estimated to be about \$62,700, and the present value of two years of benefits, net of the PERF offset, is estimated to be approximately \$107,300.

The fund affected is the state General Fund.

It should be noted that more judges may benefit from this legislation in the future, but the extent of future eligibility under this provision is unknown.

There will also be additional administrative costs incurred to track two different types of service; one for benefit-determination purposes and the other for benefit-eligibility purposes. Additional administrative costs are indeterminable at this time.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the Judges' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the Judges' Retirement System, 317-576-1508; Col. Tom Parker, PERF, 317-233-4146.

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

DEFINITIONS:

Funding—Funding is 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.

Offset - A reduction in the amount of a retirement benefit by the amount of another benefit from another plan.

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 -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.

Present Value— The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.