

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7820
BILL NUMBER: SB 556

NOTE PREPARED: Feb 26, 2007
BILL AMENDED: Feb 22, 2007

SUBJECT: Courts and Court Officers.

FIRST AUTHOR: Sen. Kruse
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill:

- (1) provides for a 2% increase of the monthly benefits paid to participants, survivors, and beneficiaries from the Judges' 1985 Retirement System after December 31, 2007;
- (2) provides for a 2% increase of the monthly benefits paid to participants, survivors, and beneficiaries from the Judges' 1985 Retirement System after December 31, 2008; and
- (3) directs the Pension Management Oversight Commission (PMOC) (A) to study the issue of implementing a judges' defined contribution plan; (B) to study inequities between the 1977 Judges Retirement System and the 1985 Judges' Retirement System; and (C) to identify ways that benefits provided by the 1977 Judges' Retirement System and the benefits provided by the 1985 Judges' Retirement System may be aligned.

Effective Date: (Amended) Upon passage; July 1, 2007.

Explanation of State Expenditures: (Revised) The bill provides for a 2% COLA after December 31, 2007, and a 2% COLA in the Judges' 1985 Retirement System after December 31, 2008.

The COLA provisions will increase the unfunded accrued liability of the Judges' Retirement System by \$1.1 M, with an increase in annual funding of \$85,000. The funded status would decrease from 65.4% to 65.1%. These figures represent the costs as if the system an actuarially prefunded system.

Since the Judges' 1985 Retirement System is funded on a pay-as-you-go basis, the estimated increase in annual benefit payments for FY 2008 through FY 2011 are shown in the following table. The benefit payments would continue beyond FY 2011. The fund affected is the state General Fund.

Year	Amount
FY 2008	\$45,500
FY2009	\$94,000
FY 2010	\$99,500
FY 2011	105,000

Assigning study topics to PMOC will have no fiscal impact and will be accomplished through the existing procedures of the PMOC. The fund affected is the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1977 and the 1985 Benefit Systems of the Judges' Retirement Fund; Legislative Services Agency.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF and the 1977 and the 1985 Benefit Systems of the Judges' Retirement Fund, 317-576-1508.

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

DEFINITIONS

Actuarial Funding Method - Any of several techniques that actuaries use in determining the amounts and incidence of employer contributions to provide pension benefits.

Funded Status (Ratio) - The ratio of the assets of a pension plan to is liabilities.

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.