LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6171 **NOTE PREPARED:** Jan 10, 2008
BILL NUMBER: SB 32 **BILL AMENDED:**

SUBJECT: PERF Vesting Period.

FIRST AUTHOR: Sen. Young R Michael **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

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

Summary of Legislation: This bill reduces from ten to eight the number of years of creditable service a member of the Public Employees' Retirement Fund (PERF) must earn to obtain vested status.

(The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2008; January 1, 2009.

Explanation of State Expenditures: Reducing the number of years of creditable service a member must earn to obtain vested status will mean an increase in annual expenditures as shown in the table below.

	State	Municipalities	Total
Increase (Decrease) in Unfunded Accrued Liability	($1.012.7 M)	$1.108 M	$0.0955 M
Increase in Annual Cost (Funding)	$1.619 M	$3.746 M	$5.365 M
Increase in Annual Cost as % of Pay	0.102%	0.145%	0.129%
* Based on 2006 Actuarial Valuation.			

There is no change in funded status.

The funds affected for the annual cost are the state General Fund (55%), or $890,510, and various dedicated funds (45%), or $728,600. The percentage split represents the approximate split for personal services in the state budget.

The above estimates are based on the 2006 Actuarial Valuation for PERF. They will be updated based on the completed 2007 PERF Valuation, due out later this year.

Explanation of State Revenues:

Explanation of Local Expenditures: Please see table in *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund.

Local Agencies Affected: Local units with members in Public Employees' Retirement Fund.

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

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.

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.