

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6210

BILL NUMBER: HB 1185

NOTE PREPARED: Jan 27, 2009

BILL AMENDED:

SUBJECT: 1977 Fund Benefit Enhancement.

FIRST AUTHOR: Rep. Murphy

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: For a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) who retires after June 30, 2009, this bill increases from 1% to 1.25% the amount by which the retirement benefit increases for each six months of active service greater than 20 years and less than 32 years. It increases from 6% to 8.3% the percentage of the salary of a first class patrolman or firefighter contributed by or on behalf of a 1977 Fund member or converted member to pay for the benefit increase.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary:* The increase in unfunded actuarial accrued liability is estimated to be \$124.5 M. The increase in annual funding will be \$15.8 M. The bill specifies that the employee contribution rate is to increase from 6.0% to 8.3%. The employer contribution rate (as a percent of first class salaries) will increase from the current 19.5% to 19.9%. Also, there will be a decrease in funded status (ratio) from 113.6% to 108.9%. This revised estimate is based on the January 1, 2008, actuarial valuation.

Background Information: *The 1977 Police Officers' and Firefighters' Pension and Disability Fund-* Cities and towns with members in the fund appropriate money from police and fire pension funds. The sources of these funds are property taxes, Motor Vehicle Excise Taxes, and Financial Institutions Taxes. The fund is

funded by a 19.5% of payroll contribution rate for police officers and firefighters of the participating cities and towns.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

Local Agencies Affected: Those municipalities with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF and the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 317-576-1508.

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

DEFINITIONS:

Funded Status or Funded Ratio - The ratio of assets of a pension plan to its liabilities.

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.