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FISCAL IMPACT STATEMENT

LS 6056
BILL NUMBER: SB 55

NOTE PREPARED: Oct 21, 2008
BILL AMENDED:

SUBJECT: Retirement Benefit Adjustment.

FIRST AUTHOR: Sen. Becker
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that the pension portion of the monthly benefit payable to a member of the Indiana State Teachers' Retirement Fund (TRF) who retired before January 1, 1979, and has at least 20 years of creditable service may not be less than $500.

Effective Date: January 1, 2010.

Explanation of State Expenditures: The annual cost is the increase in the amount of benefits paid each year. This is estimated to be approximately $1.6 M in the first year and would decline slowly in subsequent years. The fund affected is the state General Fund. The increase in the unfunded accrued liabilities is approximately $10 M.

Background Information: According to the July 1, 2007, valuation, 1,902 retirees (and their surviving beneficiaries) met the requirements of retiring before January 1, 1979, with at least 20 years of creditable service. Of those retirees, 774 were reported as receiving less than $500 per month. An additional 143 were reported as receiving at least $500 per month, but their beneficiary is currently scheduled to begin receiving less than $500 per month upon the member's death.

All affected members and beneficiaries are members of the Pre-1996 Fund. The Pre-1996 Fund is on a pay-as-you-go basis.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected:

Information Sources: Alliance Benefit Group, actuaries for the Teachers' Retirement Fund, 317-803-7777.

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

DEFINITIONS

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 - 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.