

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6105
BILL NUMBER: SB 188

NOTE PREPARED: Feb 17, 2009
BILL AMENDED:

SUBJECT: 1977 Fund Disability Benefit.

FIRST AUTHOR: Sen. Deig
FIRST SPONSOR: Rep. Avery

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill (A) provides that a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund who receives a disability benefit based on a determination that the fund member has a Class 1 impairment or, under certain circumstances, a Class 2 impairment (disabled member) is entitled to receive the disability benefit for the remainder of the disabled member's life. (Currently, a disabled member receives a disability benefit until age 52; at 52, the disabled member's benefit is recomputed as a retirement benefit.);

(B) The bill also provides that, upon becoming 52, the disabled member is entitled to receive a monthly supplemental benefit equal to the greater of: (1) the monthly retirement benefit that the disabled member would have received had the disabled member remained in service until retirement upon becoming 52; or (2) the monthly retirement benefit earned by a fund member with 20 years of service; reduced by the amount of any disability benefit that the disabled member is entitled to receive for life;

(C) The bill also provides that a fund member's retirement benefit is based on: (1) the member's years of active service; plus (2) if applicable, the period, not to exceed 20 years, during which the member received disability benefits.

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

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The estimated fiscal impact is shown in the table below.

| | Class 1 and Class 2 |
|---|----------------------------|
| Increase in Unfunded Accrued Liability: | \$855,000 |
| Increase in Annual Cost: | \$171,000 |
| Increase in Annual Cost (as % of Pay): | 0.31% |
| Decrease in Funded Status: | From 108.0% to 107.9% |

Background Information: Cities and towns with members in the 1977 Police Officers' and Firefighters' Pension and Disability 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 1977 Police Officers' and Firefighters' Pension and Disability Fund is funded by a 19.5% contribution rate of payroll by 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 units with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

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

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