

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6337
BILL NUMBER: SB 220

NOTE PREPARED: Jan 11, 2012
BILL AMENDED:

SUBJECT: Public Pension Military Service Credit.

FIRST AUTHOR: Sen. Skinner
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill grants, under certain conditions, up to six years of service credit in the Teachers' Retirement Fund (TRF) for a member's past active duty military service.

The bill grants, under certain circumstances, up to six years of service credit for active duty military service to a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Police and Fire Fund).

The bill provides that, except for World War II veterans, the service credit may be used only in the computation of benefits to be paid after June 30, 2014. It provides that for World War II veterans the service credit may be used only in the computation of benefits to be paid after June 30, 2012.

Effective Date: July 1, 2012.

Explanation of State Expenditures: *TRF:* The impact would depend on the number of TRF members who might qualify for the credit. A survey was done in 2007 of male TRF members born before 1936 and were in the military. Based on that survey and extrapolating the potential cost to all participants, the impact on the fund would be the following.

	Increase in Annual Cost	Increase in Unfunded Accrued Liability
Pre-1996 Account (State)	\$2.9 M to \$3.4 M	\$40 M to \$57 M
1996 Account (Schools)	\$0.6 M to \$1.1 M	\$11 M to \$21 M
Total	\$3.5 M to \$4.5 M	\$51 M to \$78 M

1977 Police and Fire Fund: The impact on the fund would depend on the number of members that apply for the service credit and the number of years they are eligible. The member is required to pay the employee's contribution for each year that credit is given. The payments by the employee are determined by the Indiana Public Retirement System Board, not to exceed five annual payments. The employer would also have to fund the increase in the actuarial liability over a time period determined by the board, not to exceed 10 years.

Based on the June 30, 2011, actuarial valuation, employer normal cost for each year of service was about 12.06% of salary and the average salary was about \$51,386. One year of service credit on average would cost about \$6,200. For each 1% of members of the 1977 Police and Fire Fund that would qualify and apply for six years of service credit, the cost would be about \$4.9 M ($0.1206 * \$51,386 * 6 \text{ years} * 133 \text{ members}$).

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System.

Local Agencies Affected: Schools, cities, and towns.

Information Sources: Allison Karns, Legislative Director, Indiana Public Retirement System, 317-233-4132.

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