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FISCAL IMPACT STATEMENT

LS 6616
BILL NUMBER: SB 279

NOTE PREPARED: Dec 27, 2011
BILL AMENDED:

SUBJECT: PERF and TRF Thirteenth Check.

FIRST AUTHOR: Sen. Charbonneau
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides for a thirteenth check for Public Employees' Retirement Fund (PERF) and Teachers' Retirement Fund (TRF) members, survivors, and beneficiaries.

Effective Date: July 1, 2012.

Explanation of State Expenditures: This proposal provides a one-time 13th check to eligible PERF and TRF members who retired or were disabled before December 2, 2011, and are entitled to a monthly benefit as of July 1, 2012. The 13th check is payable no later than October 1, 2012.

TRF 13th Check-

For the Pre-1996 Fund, there will be a one-time payment of \$23.2 M in FY 2013 resulting in 45,421 retirees, beneficiaries, and survivors belonging to the Pre-1996 Fund receiving a one-time average payment of \$511. Since the Pre-1996 Fund is funded on a pay-as-you-go basis, the annual cost is the increase in the amount of benefits paid each year. The Pre-1996 Fund is paid for through appropriations from the General Fund.

For the 1996 Fund, 2,554 retirees, beneficiaries, and survivors belonging to the 1996 Fund will receive an average one-time payment of \$470. Total 13th check payments for members of the 1996 Fund will total \$1.2 M. The 1996 Fund is prefunded with an actuarially calculated contribution equal to the benefit accrual cost for the year (the Plan's normal cost) plus a 30-year amortization of the unfunded accrued benefit liability. The 13th check would increase the unfunded accrued benefit liability of the 1996 Fund by \$1.2 M.

The 1996 Fund is prefunded through employer contributions. Contribution rates have already been set for

FY 2013. Increased annual employer contributions of \$400,000 (an increase of less than 0.1% of payroll) due to this provision would be reflected in contribution rates beginning in FY 2014. School corporations contribute a percentage of payroll, currently 7.50%.

PERF 13TH Check-

One-time 13th check payments for all PERF retirees, beneficiaries, and survivors would total \$30.5 M in FY 2013 resulting in 70,380 PERF members who would receive an average one-time payment of \$433. PERF is actuarially prefunded, similar to the TRF 1996 fund. The state would be required to make increased annual employer contributions of \$868,000 (an increase of less than 1% of payroll) due to this provision. The increase would be reflected in contribution rates beginning in FY 2014. The funds affected for the impact on annual funding are the state General Fund (55%), or \$477,400, and various dedicated funds (45%), or \$390,600. The 13th check provision would increase the state’s unfunded accrued benefit liability by \$11.4 M. The cost of providing a 13th check for PERF is shown in the table below.

13 th Check	State
Change in Unfunded Accrued Liability	\$11.4 M
Change in Annual Funding	\$.87 M
Change in Annual Funding as % of Pay	<0.1%

Explanation of State Revenues:

Explanation of Local Expenditures:

PERF- Local employers with members in PERF would be required to make increased annual employer contributions of \$1.45 M due to this provision. The increase would be reflected in contribution rates beginning in FY 2014. The provision would increase the local units’ share of PERF’s unfunded accrued benefit liability by \$19.1 M. The cost of providing a 13th check for PERF is shown in the table below.

13 th Check	Local
Change in Unfunded Accrued Liability	\$19.1 M
Change in Annual Funding	\$1.45 M
Change in Annual Funding as % of Pay	<0.1%

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Those units with members in PERF and school corporations with members in TRF.

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Definitions:

Thirteenth Check– A thirteenth check is an annual supplemental retirement allowance arising from earnings on the investments of a system in excess of those determined as needed for other purposes. Unlike a cost-of-living adjustment, the amount of this supplemental retirement allowance does not increase the pension base.

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.