LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 6110
BILL NUMBER: HB 1223

NOTE PREPARED: Jan 3, 2013
BILL AMENDED:

SUBJECT: PERF and TRF Minimum Benefit.

FIRST AUTHOR: Rep. Burton
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that the pension portion of the monthly benefit payable after December 31, 2013, to a member of the Indiana State Teachers' Retirement Fund (TRF) or a member of the Public Employees' Retirement Fund (PERF) who retired before January 1, 1980, and has at least 20 years of creditable service may not be less than $500.

Effective Date: July 1, 2013.

Explanation of State Expenditures: Under this bill, the state will bear the costs of the increase for the state-funded PERF portion, the TRF Pre-1996 Fund, the State Excise Police, Gaming Agent, Gaming Control Officers, and Conservation Enforcement Officers' Retirement Fund (C&E Fund), and the Legislator's Defined Benefit Plan (Legislator DB Plan). The locally funded PERF portion will impact local units. This bill does not affect the TRF 1996 Fund, as there are no retirees from this Fund that are eligible for the benefits in this bill.

For prefunded plans, costs are defined as the increase in the unfunded actuarial liability of the fund. For pay-as-you-go plans such as Pre-1996 TRF, costs are defined as the increase in benefits payable each year.

PERF (State) - PERF is prefunded by employer contributions that are actuarially calculated to equal the benefit accrual cost for the year (normal cost) plus a 30-year amortization of the unfunded accrued benefit liability. As of July 1, 2012, employer contributions for state PERF were 9.7% of payroll. The bill would cost state PERF an estimated $0.7 M (Table 1).

TRF Pre-1996 Fund - 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 initial increase in benefits paid is expected to be $1.1

M in the first year. This yearly benefit amount will gradually decrease in future years due to mortality. The ultimate cost of this proposal is the increase in the present value of member benefits of approximately $4.8 M. The funds affected for the Pre-1996 Fund are the state General Fund and the Pension Stabilization Fund (Table 1). This bill does not affect the TRF 1996 Fund, as there are no retirees from this Fund that are eligible for the benefits in this bill.

C&E Fund and Legislator DB Plan - The C&E Fund and the Legislator Defined Benefit (DB) Plan are statutorily linked to any benefit increases provided to PERF recipients. The portion of the liability and costs associated with the two smaller retirement plans is very minor compared to the PERF and TRF impact.

The C&E Fund is an actuarially prefunded plan paid by employer contributions, which are 20.75% of payroll as of January 1, 2013. The bill would cost the C&E Fund an estimated $0.04 M (Table 1). The Legislator DB Plan is an actuarially prefunded plan that is funded by General Fund appropriations. There are no Legislator DB Plan members that qualify for the benefit increase contained in this bill.

Table 1. State Increase in Costs from Postretirement Minimum Benefit Increase*

	Qualified Retirees/ Beneficiaries**	Average Monthly Benefit Increase	First-Year Cost	Total Cost (Increase in Present Value
PERF (State)	**84**	**$190**	**$0.2 M**	**$0.7 M**
Pre-1996 TRF	**484**	**$186**	**$1.1 M**	**$4.8 M**
C&E Plan	**7**	**$108**	**$0.009 M**	**$0.04 M**
Total	**575**	**$188**	**$1.3 M**	**$5.5 M**

* This cost analysis uses INPRS retiree data and monthly annuity values, as provided to Legislative Services Agency. This analysis is an estimate. A more precise cost estimate may be determined by utilizing an actuarial analysis.
** The analysis does not separate PERF by state/local. Therefore, the analysis utilizes member proportionality in the plans to determine the approximate share of the cost that may be attributed to each plan. A more precise estimate may be determined by utilizing an actuarial analysis.

Explanation of State Revenues:

Explanation of Local Expenditures: *PERF (Local)* - PERF is prefunded by employer contributions that are actuarially calculated to equal the benefit accrual cost for the year (normal cost) plus a 30-year amortization of the unfunded accrued benefit liability. As of January 1, 2013, employer contributions for local PERF were 9.73% of payroll. The bill would cost local PERF an estimated $1.4 M (Table 2).

Table 2. Local Increase in Costs from Postretirement Minimum Benefit Increase*				
	Qualified Retirees/ Beneficiaries**	**Average Monthly Benefit Increase**	**First-Year Cost**	**Total Cost (Increase in Present Value**
PERF (Local)	**168**	**$190**	**$0.4 M**	**$1.4 M**

* This cost analysis uses INPRS retiree data and monthly annuity values, as provided to Legislative Services Agency. This analysis is an estimate. A more precise cost estimate may be determined by utilizing an actuarial analysis.
** The analysis does not separate PERF by state/local. Therefore, the analysis utilizes member proportionality in the plans to determine the approximate share of the cost that may be attributed to each plan. A more precise estimate may be determined by utilizing an actuarial analysis.

Explanation of Local Revenues:

State Agencies Affected: All, Indiana Public Retirement System (INPRS).

Local Agencies Affected: Those units with members in PERF.

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