

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6394**

**BILL NUMBER:** SB 439

**NOTE PREPARED:** Dec 19, 2012

**BILL AMENDED:**

**SUBJECT:** Public Pension Military Service Credit.

**FIRST AUTHOR:** Sen. Skinner

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  **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. It also 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 Fund).

Those members that are eligible to claim the credit may use the credit for the computation of benefits to be paid after June 30, 2013, (for World War II veterans) and after June 30, 2015, for veterans who did not participate in World War II.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *TRF:* The impact on TRF would depend on the number of members who might qualify for the credit. This may only be determined by conducting a survey of the TRF membership. A survey conducted by the TRF Board in 2007 looked at male TRF members who were born before 1936 and were veterans. No information is available on post-Korean War military participation, so it is assumed that post-Korean War military participation is between 10% and 20% as of the time that the survey was conducted. Due to these assumptions, only a range of possible cost increases may be calculated as opposed to a more precise estimate. Based on the 2007 survey, a rough estimate of the impact on TRF is as follows.

	<b>Increase in Annual Cost</b>	<b>Increase in Unfunded Accrued Liability</b>	<b>Impacts</b>
Pre-1996 Account	\$2.9 M - \$3.4 M	\$40 M - \$57 M	State GF, Pension Stabilization Fund
1996 Account	\$0.6 M - \$1.1 M	\$11 M - \$21 M	School Corporation Employer Contribution Rates (7.5% of payroll in FY 2013)
Total	\$3.5 M - \$4.5 M	\$51 M - \$78 M	

*1977 Fund:* The impact on the 1977 Fund from the bill would depend on the number of members that apply for the service credit and the number of years that they are eligible to claim. The ultimate number of eligible members may only be determined by conducting a survey of 1977 Fund members to determine the level of military participation.

The 1977 Fund is funded through employer (city and town) contributions, which are 19.7% of payroll as of CY 2013. The addition of the military service credit would increase the actuarial liability, which must be fully funded over a time period determined by the Indiana Public Retirement System (INPRS) board, but not to exceed 10 years.

Based on the June 30, 2012, actuarial valuation, employer normal cost for each year of service for the 1977 Fund was about \$9,777. That would mean that one year of service credit on average would cost approximately \$9,800. For each 1% of the members of the 1977 Fund that would qualify and apply for six years of service credit, the additional annual cost would be roughly \$7.9 M (\$9,800\*6 years\*134 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:** School corporations and municipalities.

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