

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6373

BILL NUMBER: HB 1077

DATE PREPARED: Mar 25, 1999

BILL AMENDED: Mar 25, 1999

SUBJECT: Judges' pension issues.

FISCAL ANALYST: James Sperlik

PHONE NUMBER: 232-9866

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill makes the following provisions:

Part 1) provides that a participant in the Judges' 1977 Benefit System or a participant in the Judges' 1985 Benefit System is eligible for normal retirement benefits if the participant is at least 55 years of age and the participant's age in years plus years of service is at least 85.

Part 2) allows participants in the Judges' Retirement System to purchase service credit at full actuarial cost for prior service in PERF covered positions other than full-time commissioner, magistrate, or referee.

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

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) Part (1) This is known as the Rule of 85. The fiscal impact is shown in the table below:

<u>Plan Year</u>	<u>Increase in Recommended Contribution</u>
1999-2000	\$38,053
2000-2001	54,954
2001-2002	152,820
2002-2003	295,825
2003-2004	<u>438,830</u>
TOTAL	\$980,482

The increase in unfunded liabilities would be about \$4,400,000. The fund affected is the State General Fund.

Part (2) Because the total cost is equal to the increase in actuarial cost, there is no fiscal impact.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF as administrators of the Judges' Retirement System

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF and the Judges' Retirement System, 576-1508.

Unfunded Actuarial Liability--The unfunded 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.

Actuarial Cost--A cost derived through the use of present values. An actuarial cost is often used to associate the costs of benefits under a retirement system with the approximate time the benefits are earned.