LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6850 **DATE PREPARED:** Feb 3, 1999
BILL NUMBER: HB 1293 **BILL AMENDED:** Feb 1, 1999

SUBJECT: PERF and TRF benefits.

FISCAL ANALYST: James Sperlik
PHONE NUMBER: 232-9866

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a member of the Public Employees' Retirement Fund or the Teachers' Retirement fund to designate a new beneficiary if the member's existing beneficiary dies. It provides that if the member chooses the joint and survivor option and elects to change the member's beneficiary after the death of the existing beneficiary, the member shall receive an actuarially adjusted and recalculated benefit for the remainder of the member's life and the life of the newly designated beneficiary. The bill provides that if a member chooses the joint and survivor option and the member's beneficiary dies while the member is receiving benefits, the member may elect to receive the guaranteed retirement benefit in an amount equal to the amount that would have been paid to the member if the member had elected the guaranteed retirement benefit on the date of the member's retirement.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) For the Public Employees Retirement Fund, the impact is as follows:

	State	Municipalities	Total
Estimated Increase in Unfunded Accrued Liability	$23.3 million	$27.5 million	$50.8 million
Estimated Increase in Annual Funding	$2.40 million	$3.05 million	$5.45 million
Increase in Annual Funding as % of Payroll	0.20%	0.17%	0.18%

The funds affected for the State are the State General Fund 55%, or $1.32 million and various dedicated funds

45%, or $1.08 million. The split represents the amount each fund contributes to personal services in the State Budget.

For the Teachers' Retirement Fund, there will be an increase in the unfunded accrued liabilities of $55 million and an increase in annual payout of an indeterminable amount. The fund affected is the State General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures: See Explanation of State Expenditures for PERF. For local school corporations, there could me an increase in the cost of payroll from the current 8.5%. The specific increase, if any, is not quantifiable.

Explanation of Local Revenues:

State Agencies Affected: Public Employees Retirement Fund and the Teachers' Retirement Fund.

Local Agencies Affected: Those local units with members in PERF; school corporations.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508; Denise Jones of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.

Unfunded Accrued Liability--The unfunded accrued liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.

Funding--Funding is a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.