

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7097

BILL NUMBER: HB 1345

DATE PREPARED: Dec 30, 1998

BILL AMENDED:

SUBJECT: TRF military service credit.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a member of the Teachers' Retirement Fund (TRF) to receive credit for past active military service, not to exceed six years, in computing the member's pension benefit to be paid after July 1, 1999, if the member: (1) has at least ten years of in-state teaching service; (2) served on active duty in the United States armed forces; (3) received an honorable discharge; (4) is not entitled to a military pension; and (5) is not eligible for military service credit under another provision of the TRF law.

Effective Date: July 1, 1999.

Explanation of State Expenditures: The TRF surveyed 30,000 TRF retirees, with 4,000 responding. The average teaching service of those who responded was 30.7 years, with the average military service amounting to 2.5 years. The average age of the respondents was 71.9 years and the average current pension was \$11,184. The average increase in pensions if six years of military service were granted would be 7.8%. If the six years were granted, the increase in unfunded accrued liabilities would total \$24.2 million, with the increase in payout for the first year amounting to \$2.5 million and \$2.4 million in the second year. The fund affected is the State General Fund. The same survey has been mailed to active teachers and the results are expected within one month. This part of the fiscal note will be updated upon receipt of the survey results for current active teachers.

Explanation of State Revenues:

Explanation of Local Expenditures: It is possible that there might be members of the 1996 Fund who would be eligible to retire with an increased benefit because of the provisions of this bill. The impact will depend upon the number of would be eligible for the benefit. For local school corporations, it could increase the percent of payroll required to fund the new benefit. The current cost of payroll is 8.5%.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected: Local school corporations.

Information Sources: Denise Jones of Gabriel Roeder Smith & Co., actuaries for the Teachers' Retirement Fund, 1-800-521-0498.