

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6470

BILL NUMBER: HB 1455

DATE PREPARED: Nov 24, 1998

BILL AMENDED:

SUBJECT: Adds clothing allowances to pension base.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill adds clothing allowances (to the extent that the allowances exceed \$300 per year) and holiday pay to the pension base for police officers and firefighters.

Effective Date: July 1, 1999.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The fiscal impact of this provision is dependent on the increase which would occur in the pension base of first class salaries. *As an illustration*, one could assume that the salary base may increase, on average, from \$31,300 to \$33,200 annually (\$400 additional due to clothing allowance and \$1,500 additional due to holiday pay). This fiscal impact of this illustration would be as follows:

	1925, 1937, 1953 Funds	Converted 1977 Plan	Non-Converted 1977 Plan
Increase in Actuarial Liabilities	\$167.1 million	\$38.7 million	\$41.6 million
Increase in Annual Funding	\$8.3 million	\$0.83 million	21% of payroll (would increase to 25.1%)
Approximate # Members Affected	10,129	2,520	8,360

Pension benefits for police and firefighters are equivalent to 50% of the salary of a first class officer, as defined by each individual city. Cities and towns with members in the affected funds appropriate money from

police and fire pension funds. The source of these funds are property taxes, motor vehicle excise taxes, and financial institution taxes.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Cities and Towns with members in the specific funds.

Information Sources: Doug Todd, of McCready and Keene, Inc., actuaries for the police and fire funds, 576-1508.

Old Plan: Members hired before May 1, 1977 who have not elected to convert to the benefit structure under the 1977 Act.

Converted: Members hired before May 1, 1977 who have elected to convert to the benefit structure under the 1977 Act.

Non-Converted 1977 Plan: Members hired after April, 30, 1977, all of whom are covered by the benefit structure under the 1977 Act.

Actuarial Liability The excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.