

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

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 8098**

**BILL NUMBER: HB 2040**

**DATE PREPARED:** Feb 1, 1999

**BILL AMENDED:**

**SUBJECT:** Public employees' retirement fund (PERF) benefits.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that the multiplier used in calculating pension benefits for PERF members who retire after June 30, 1999, with at least ten years of service is graduated according to a member's years of service. It provides that the multiplier for a PERF member with at least ten years of service is equal to 1.2% and that the multiplier increases to 1.5% for a member with at least 25 years of service. (Current law provides that the multiplier is equal to 1.1%.)

**Effective Date:** July 1, 1999.

**Explanation of State Expenditures:** (Revised) The estimated impact for PERF is shown in the table below:

	<b>State</b>	<b>Municipalities</b>	<b>Total</b>
Additional Unfunded Accrued Liability	\$484 million	\$555 million	\$1,039 million
Additional Annual Funding	\$55.7 million	\$69.1 million	\$124.8 million
Additional Funding as a % of Payroll	4.7%	3.8%	4.2%

The funds affected for the state are the State General Fund 55%, or \$30.6 million and various dedicated funds 45%, or \$25.1 million. The State General Fund contributes 55% of the personal services in the state, while various dedicated funds contribute 45%.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See table above.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** Municipalities with members in PERF.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508.

Unfunded Accrued Liability--The unfunded accrued liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its accrued liability at 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 .