LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
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FISCAL IMPACT STATEMENT

LS 6298 **DATE PREPARED:** Nov 13, 1999
BILL NUMBER: HB 1025 **BILL AMENDED:**

SUBJECT: Judges' and prosecuting attorneys' pensions.

FISCAL ANALYST: James Sperlik
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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill: (1) provides that a person who serves as a full-time magistrate in an Indiana court after June 30, 2000, shall participate in the 1985 benefit system of the Judges' Retirement Fund:
(2) allows full-time magistrates who are participants in the 1985 benefit system of the Judges' Retirement Fund to purchase service credit at full actuarial cost for prior service as a full-time commissioner, magistrate, or referee, or in Public Employees Retirement Fund (PERF) covered positions other than full-time commissioner, magistrate, or referee;
(3) requires the monthly benefits payable to participants, survivors, and beneficiaries under the 1985 benefit system of the Judges' Retirement Fund to be increased by the same percentages and under the same conditions as monthly benefits are increased for members of PERF;
(4) provides that a member of the Prosecuting Attorneys Retirement Fund(PARF) is not required to make contributions to the fund after the member has contributed to the fund for 22 years;
(5) reduces from ten to eight the number of years required to vest as a member of the PARF;
(6) increases the percentages used in computing retirement benefits under the PARF;
(7) changes the reduction factor for retirement before 65 years of age for the PARF.

Effective Date: July 1, 2000.

Explanation of State Expenditures: *Judges Retirement System*: (1) There are 32 full-time magistrates eligible to become members of the Judges' Retirement System. The cost of this provision is estimated to be approximately $126,000 over the next five years, or approximately $25,200 per year. The fund affected is the State General Fund.

(2) The total cost of this provision is equal to the increase in actuarial cost, therefore there is no fiscal impact.

(3) This provision is the cost of living adjustment for judges. The following illustrates the increase in Recommended Annual Contribution (based on a projection of benefit payouts) over the next five years.

Plan Year	Increase in Recommended Contribution
2000-2001	$92,013
2001-2002	97,534
2002-2003	103,385
2003-2004	109,589
2004-2005	116,165
Total	$518,686

This bill would affect only those participants under the 1985 Judges' Retirement System. The increase in unfunded liabilities would be approximately $5,300,000. The fund affected is the State General Fund. The Judges' Retirement System is a pay-as-you-go system.

Prosecuting Attorneys Retirement Fund

	Increase in Annual Funding
(4) Eliminates the Requirement for Member to Contribute after 22 Years of Service	$2,700
(5) Reduces the Number of Years Required to Vest from 10 Years to 8 Years	$47,100
(6) Increases the Percentages Used in Computing Retirement Benefits	$455,000
(7) Changes the Reduction Factors for Retirement Before Age 65	$85,000
Total	$180,300

The fund affected is the State General Fund. There are sixty full-time prosecutors in the state.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF as administrators of the Judges Retirement System and the Prosecutors Retirement Fund.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, the Judges Retirement System, and the Prosecutors Retirement Fund, 576-1508; John A. Larson, Warren County Prosecutor and Deborah Daniels, representing the Prosecuting Attorneys, 238-6255.

DEFINITIONS

Cost of living the average cost of the goods and services required by a person or family.

Pay-As-You-Go Method--The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Unfunded Actuarial 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.