

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6544

BILL NUMBER: HB 1815

DATE PREPARED: Apr 5, 2001

BILL AMENDED: Apr 5, 2001

SUBJECT: PERF and TRF.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: X

X

GENERAL

DEDICATED

FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill: 1) provides a supplemental "thirteenth check" benefit to retired teachers and certain retired public employees (or their survivors or beneficiaries) on November 1, 2001, and on November 1, 2002; 2) increases the percentages used in computing retirement benefits under the Prosecuting Attorneys Retirement Fund.

Effective Date: (Amended) July 1, 2001; July 1, 2002.

Explanation of State Expenditures: (Revised) *Public Employees' Retirement Fund*

1) This part provides a 13th check equal to the greater of \$50 or an amount determined through a formula for TRF. For PERF, a 13th check is equal to the greater of \$100 or a percentage of the annual benefit according to the following table. The 13th check would be payable on November 1, 2001, and November 1, 2002, for both TRF and PERF.

PERF 13th Check

<u>November 1, 2001 Calendar Year of Last Retirement of Member</u>	<u>November 1, 2002 Calendar Year of Last Retirement of Member</u>	<u>Applicable Percentage</u>
1950 through 1974	1950 through 1975	6%
1975 through 1982	1976 through 1983	5%
1983 through 1987	1984 through 1988	4%
1988 through 1991	1989 through 1992	3%
1992 through 2000	1993 through 2001	2%

The 13th check will be payable to members of PERF and the Excise Police and Conservation Officers' Retirement Plan.

<u>13th Check Payable November 1, 2001</u>	<u>State</u>	<u>PERF Local Units</u>	<u>Total</u>	<u>Excise Police</u>	<u>Legislators</u>
Estimated Increase in Unfunded Accrued Liability	\$2,590,000	\$3,080,000	\$5,670,000	\$38,300	NA
Estimated Increase in Annual Funding	\$190,000	\$227,000	\$417,000	\$2,800	NA
Increase in Annual Funding as % of Payroll	0.02%	0.01%	0.01%	0.03%	NA

For PERF, the funds affected are the State General Fund (55%), or \$104,500, and various dedicated funds (45%), or \$85,500. This split represents the amount the funds contribute to personal services in the State Budget.

The funds affected for the Excise Police and Conservation Officers are the State General Fund, the Fish and Wildlife Fund, and the Enforcement Fund.

<u>13th Check Payable November 1, 2002</u>	<u>State</u>	<u>PERF Local Units</u>	<u>Total</u>	<u>Excise Police</u>	<u>Legislators</u>
Estimated Increase in Unfunded Accrued Liability	\$2,700,000	\$3,210,000	\$5,910,000	\$40,300	NA
Estimated Increase in Annual Funding	\$198,000	\$237,000	\$435,000	\$3,000	NA
Increase in Annual Funding as % of Payroll	0.02%	0.01%	0.01%	0.03%	NA

For PERF, the funds affected are the State General Fund (55%), or \$108,900, and various dedicated funds (45%), or \$89,100. This split represents the amount the funds contribute to personal services in the State Budget.

The funds affected for the Excise Police and Conservation Officers are the State General Fund, the Fish and Wildlife Fund, and the Enforcement Fund.

Teachers' Retirement Fund

13th Check Payable November 1, 2001

This provision calls for a 13th check payable from the Teacher Annuity Reserve Account. The amount to be distributed is the difference between the balance in the Teacher Annuity Reserve Account on June 30, 2000, (which amounted to \$649.2 M) minus the computed liability (which at that time totaled \$570.3 M) times

10%. The result of \$7.89 M is the amount to be distributed to retirees who meet the requirements of the proposal.

13th Check Payable November 1, 2002

The proposal also calls for a 13th check payable from the Teacher Annuity Reserve Account on November 1, 2002. Again, the amount to be distributed is the difference between the balance in the Teacher Annuity Reserve Account on June 30, 2001, (which is estimated at \$669.2 M) minus the computed liability (which is estimated to total \$593.1 M) times 10%. The result amounts to \$7.61 M, which is to be distributed to retirees who meet the requirements of the proposal.

Prosecuting Attorneys' Retirement Fund

2) This provision increases the percentages used in computing retirement benefits under the Prosecuting Attorneys Retirement Fund. The increase in annual funding is estimated at \$621,261. The fund affected is the State General Fund. The increase in unfunded accrued liabilities is estimated at \$5,000,000.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund.

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

Information Sources: Doug Todd of McCready & Keene, actuaries for PERF, the Conservation and Excise Officers' Retirement Fund, the Legislators Defined Benefit Fund, and the Prosecuting Attorneys' Retirement Fund, 576-1508; Denise Jones of Gabriel Roeder Smith & Co., actuaries for the TRF, 1-800-521-0498.

DEFINITIONS

Thirteenth Check--A thirteenth check is an annual supplemental retirement allowance arising from earnings on the investments of a system in excess of those determined as needed for other purposes. Unlike a cost-of-living adjustment, the amount of this supplemental retirement allowance does not increase the pension base.

Funding- 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.

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