LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7062 **DATE PREPARED:** Jan 23, 2002
BILL NUMBER: SB 451 **BILL AMENDED:**

SUBJECT: State Police Disability Program.

FISCAL ANALYST: James Sperlik
PHONE NUMBER: 232-9866

FUNDS AFFECTED: X GENERAL **IMPACT:** State
X DEDICATED
FEDERAL

Summary of Legislation: This bill: (1) establishes a line-of-duty and a not-in-the-line-of-duty disability pension for regular police employees of the State Police Department (ISP); (2) provides for a waiver of tuition and mandatory fees at any state-supported college, university, or technical school for the child or spouse of a regular, paid ISP police employee who has been permanently and totally disabled by a catastrophic personal injury that was sustained in the line of duty and that permanently prevents the employee from performing any gainful work.

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) *(1) Disability Pension for the State Police Department:* Under this proposal, disability payments would vary in amount and duration according to the class and extent of impairment (as defined in the proposal).While the proposal primarily affects the Benefit Fund, benefits from the Pension Trust will change in amount and commencement date because Class 1 and Class 2 disability payments will be paid until the trooper has earned 34 years of service (or reaches age 60). Under the current 1987 Plan, disability benefits only are paid until the trooper reaches 25 years of service (with a minimum of two years of disability payments). The table below shows the estimated impact of the proposal:

	Pension Trust	Benefit Fund
Increase in Unfunded Actuarial Liability	$1,700,000	$7,800,000
Increase in Annual Funding	$425,000	(see below)
Increase in Annual Funding as % of Payroll	0.8%	(see below)

Since the Benefit Fund is funded on a "pay-as-you-go" basis, the table below provides an estimate of the increase in benefits that would be payable over the next five years:

Plan Year	Change in Expected Benefit Payouts
2002-2003	$25,000
2003-2004	$50,000
2004-2005	$125,000
2005-2006	$190,000
2006-2007	$290,000

The funds affected are the State General Fund (50%) and the Motor Vehicle Highway Account (50%), both of which equally support the State Police Pension Trust and Benefit Plan.

(2) Waiver of Tuition and Mandatory Fees: This bill would increase the level of statutory fee remissions for state-supported colleges, universities, and technical schools. The institution's general fund absorbs the costs of fee remissions. The institutions must provide statutory remissions first; the remainder of the money is discretionary. As statutory requirements increase, the level of discretionary dollars decreases.

The number of individuals for whom the expanded benefits of this provision could affect is indeterminable.

Background Information: In FY 2000, the average award for individuals who received fee remissions from state-supported institutions under the current Children of Disabled Veterans statute amounted to $1,183.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police; State-supported Colleges, Universities, and Technical Schools.

Local Agencies Affected:

Information Sources: Doug Fiddler of McCready & Keane, Inc., actuaries for the State Police, 576-1500; Indiana Higher Education Commission.

DEFINITIONS

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.

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.