

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

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**FISCAL IMPACT STATEMENT**

**LS 7038**  
**BILL NUMBER: HB 1326**

**NOTE PREPARED: Jan 4, 2003**  
**BILL AMENDED:**

**SUBJECT:** Eligibility for PERF and TRF Benefits.

**FIRST AUTHOR:** Rep. Goodin  
**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

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

**IMPACT:** State & Local

**Summary of Legislation:** This bill eliminates the requirement that members of the Public Employees' Retirement Fund (PERF) and the State Teachers' Retirement Fund (TRF) who retire under the "rule of 85" must be at least 55 years of age.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** The following tables show the estimated impact of this proposal:

**(1) Public Employees' Retirement Fund**

	<b>State</b>	<b>Municipality</b>	<b>Total</b>
Estimated Increase in Unfunded Accrued Liability	\$4.8 M	\$4.3 M	\$9.1 M
Estimated Increase in Annual Funding	\$480,000	\$430,000	\$910,000
Increase in Annual Funding as % of Payroll	0.03%	0.02%	0.03%

The funds affected are the state General Fund, 55%, or approximately \$264,000 of the annual funding, and various dedicated funds, 45%, or approximately \$216,000. The percentage split represents the contribution made by each to fund the personal services portion of the state budget.

**(2) Teachers' Retirement Fund**

	Closed Plan	New Plan	Total
Estimated Increase in Unfunded Actuarial Accrued Liability (UAAL)	\$22.7 M	\$1.9 M	\$24.6 M
Increase in Contribution Rate as a % of Payroll			
Normal Cost	0.06%	0.02%	0.03%
UAAL (38 yr. amortization)	<u>0.03%</u>	<u>0.01%</u>	<u>0.03%</u>
Total	0.09%	0.03%	0.06%
Increase in Pay-As-You-Go Contribution			
First Year	\$1,888,000	\$58,000	\$1,946,000
Second Year	\$3,527,000	\$106,000	\$3,633,000

The fund affected for the Closed Plan is the state General Fund. The New Plan is funded by a level percent contribution rate of covered payroll by local school corporations. The current rate is 9% of covered payroll.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*.

**Explanation of Local Revenues:**

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

**Local Agencies Affected:** Those with members in the Public Employees' Retirement Fund and local school corporations.

**Information Sources:** Brian Dunn of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498; Doug Todd of McCready & Keane, Inc., actuaries for PERF, 576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**DEFINITIONS:**

**Contribution Rate:**- As to an employee, a factor, such as a percentage of compensation, used in determining the amounts of payments to be made by the employee under a contributory pension plan. As to the employer, a factor, calculated in an actuarial valuation, to be used in determining the employer's annual normal cost contribution under a pension plan. An employer's contribution rate may be either a percentage to be applied to the total compensation paid to covered employees for a particular year, or an amount in dollars to be applied to the total number of covered employees at a particular date.

**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.

**Normal Cost:**- The normal cost is the current value of benefits likely to be paid on account of members' service being rendered in the current year.

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- 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.