

RESCUING POLICE AND FIRE PENSIONS IN INDIANA

*Indiana
Fiscal
Policy
Institute*



Indiana Fiscal Policy Institute

Report No. 10

January 1996

**Rescuing Police and Fire Pensions in Indiana
Fiscal Policy Report No. 10**

January 1996

**Indiana Fiscal Policy Institute
Capital Center, North Tower
251 North Illinois Street, Suite 980
Indianapolis, Indiana 46204
(317)237-2890
FAX (317) 237-2893**

Preface and Acknowledgments

Pensions are one of the most complicated subject areas of state fiscal policy. However, the lengths of time and the magnitude of funds involved make it a subject difficult to avoid if the real, long term consequences of state fiscal decisions are to be explored. This report does not seek to review and reintroduce the many pension concepts explained in the course of earlier Indiana Fiscal Policy Institute publications. Instead, the purpose of this report is to apply the modes of analysis used in the earlier reports to the shared state and local public finance issue of police and fire pensions.

A number of individuals gave a great deal of assistance toward the completion of this report. We wish to thank Terry Mumford and Mary Beth Braitman of Ice Miller Donadio and Ryan for sharing their expertise in this particular issue and reviewing drafts of the report. Thanks are also due to Garth Dickey, Director of PERF, and Chuck Mayfield, State Budget Agency, both of whom made data available and gave valuable suggestions. We want to thank Doug Todd of the actuarial firm of McCready and Keene for his patience in answering the many technical questions which invariably were sent in his direction. In building an estimating model like the one required for this report, there is a mountain of data that must be gathered, stored and manipulated. We want to especially thank Bob Sigalow at the Legislative Services Agency for his assistance in these database related tasks. The Indiana Fiscal Policy Institute alone accepts responsibility for any errors contained in this report.

The Indiana Fiscal Policy Institute (IFPI), formed in 1987, is a private non-profit governmental research organization. It is the only independent statewide source of continuing research into the impact of state taxing and spending policies in Indiana. The IFPI is privately supported by a variety of organizations, corporations, associations, and individuals in Indiana and surrounding states. Contributions to the IFPI are fully deductible under section 501 (c)(3) of the Internal Revenue Code.

Introduction

The problems of state government's worst pension headache, Indiana's State Teachers' Retirement System [TRF] have received a great deal of attention from the legislative and executive branch officials in the past three years. The system's fund, was closed to new hires as of January 1, 1996, and a new fund financed on an actuarially sound basis was begun. Then, in 1995, the governor and legislative leaders agreed to "salt away" \$55 million per year in the Pension Stabilization Fund, a dedicated fund, to help the state deal with the budget pressures caused by TRF's unfunded liability which will begin to impact the state in the next decade.

While these recent state actions have made great progress in dealing with state government's most difficult fiscal problem, local governments in Indiana continue to struggle with the most pervasive and threatening pension problem in the state, local public safety pensions. This report examines the impact of public safety pension liabilities on the fiscal systems of cities and towns and the implications for taxpayers if the problem is not addressed.

Pension woes are not unique to Indiana; they are found in both the private and governmental sectors throughout the nation. Demographics dictate that, as the baby boom generation ages, the resources available to provide for its retirement look less and less like they will be sufficient. In addition the drop in the rate of saving, from above 7% of GDP in the 1970's to less than 4% today, argues that pensions will be a more necessary supporting mechanism for the next generation of American retirees.

The structure of pensions within the public sector presents some unique problems. Few fiscal issues have the both the technical and financial complexity of pensions combined with the inter-generational impact. They are difficult to explain to voters and very often expensive to fix. Pension problems are, therefore, easy for an elected official to will to his/her successor. A 1995 survey by the Public Pension Coordinating Council indicated that "plans covering 76% of state and local governmental employees fell \$164 billion short of the \$812 billion that actuarial assumptions say they need".¹ In light of this incentive structure for elected officials, Indiana's governmental leaders are to be commended for recent actions in addressing the problems of the TRF.

"In Illinois the unfunded liability for its five retirement systems covering state employees (total assets, \$20 billion) nearly doubled in the five years through 1994, from \$8.6 billion to a current \$17 billion. Assets cover barely half of liabilities, one of the country's worst coverage ratios." --Forbes June 5, 1995

Local Public Safety Pensions

Indiana cities and towns provide pension plans for their policemen and firemen according to parameters established by the Indiana General Assembly. The state set out the requirements for police pensions for the first time in 1925. Included in that legislation was the initial benefit structure the cities were required to provide. Pensions for fire fighters were first addressed in 1937, and the requirements for the police pensions of the City of Indianapolis were set out in law in 1953.

Pension systems fall into two basic classes according to their benefit structures. A *defined benefit* system establishes an amount to be paid in regular distributions to the employee upon retirement. The *defined contribution* system specifies a formula for setting aside employer and employee payments into a fund, from which the retiree's benefit is paid. In a defined contribution system, the retiree's benefit payments are then a function of the amounts deposited and the investment earnings on those amounts. The pension systems created by the legislature for the public safety personnel of Indiana's cities and towns were defined benefit systems, and there was no requirement or authority for pre-funding the accruing liabilities. As a result, cities and towns simply appropriated and paid the retirement distributions as they came due.

Pre-1977 Public Safety Pension Benefit Structure

The benefits established for police and fire fighters under the pre-1977 plans (generally referred to as the "old plans") were tied to the pay of a "first class" policeman or fire fighter and included the following parameters.

1. The employee could retire after 20 years of service with full benefit payments to begin immediately.
2. Retiree payments were equal to 50% of salary.
3. Retirees received post-retirement cost of living adjustments [in percentage terms] equal to the salary increases granted to "first class" officers.
4. Employees who terminated with less than 20 years service received no benefit.

By the early 1970's these pensions were beginning to cause problems with the budgets of cities and towns. The pressure to maintain salary levels for working police officers and firefighters as well as provide for those employees who had retired was causing immediate problems in local government budgets. The real fiscal distress however, would come from the rapidly growing future liability that these cities and towns were accruing.

Creation of the 1977 Public Safety Pension Plan

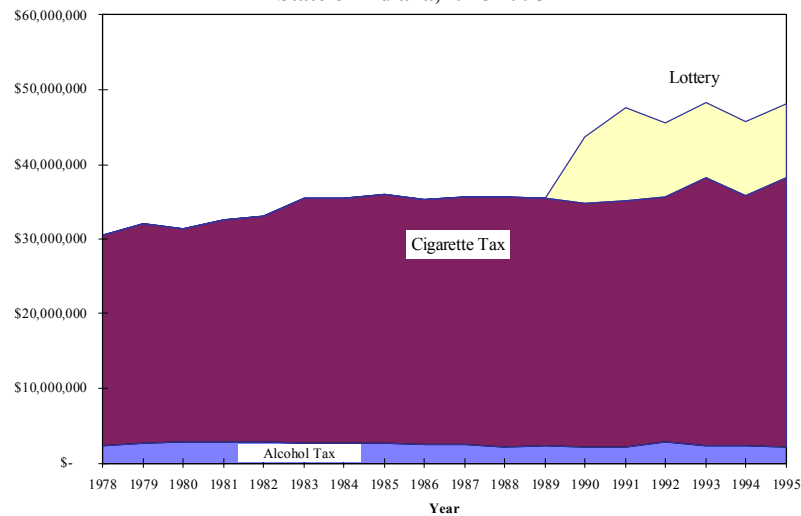
After a Legislative Services Agency staff audit identified the system's structural weaknesses and the growing financial burdens being imposed on cities and towns, the legislature made sweeping changes to local government public safety pensions in 1977. The pension plans then in place were closed to new hires as of May 1, 1977. Members under the old plans at that time were given the option of either converting to the new plan's benefit structure with a \$10,000 dollar one-time payment as a bonus, or remaining in the old plans. Converted members would receive the benefits under the new structure, but would remain a liability of the cities and towns under the old "pay as you go" system. All newly hired police officers and firefighters were enrolled in an actuarially funded plan, managed centrally by PERF at the state level. Local governments, under the new plan, make an annual payment to the state of 21% of the police and fire payrolls as the employer contribution to the plan, with active members paying an employee contribution of 6%.

The General Assembly also created a more affordable benefit structure for the 1977 Plan. The primary points of difference with the old plan are:

1. Members benefits are based on the salary of a first class officer, but are increased based on a cost of living adjustment which is capped at 3% per year.
2. An employee may retire after 20 years of service but the benefits payments don't begin until the member has reached 55 years of age.
3. An employee may terminate with less than 20 years of service and still receive back employee contributions with interest.

Legislators realized that the combination of benefit payments under the old plan as well as advance funding of the "1977 plan" would

Figure 1
Pension Relief Fund
Historical Sources of Revenue
State of Indiana, 1978-1995



Source: Legislative Services Agency.

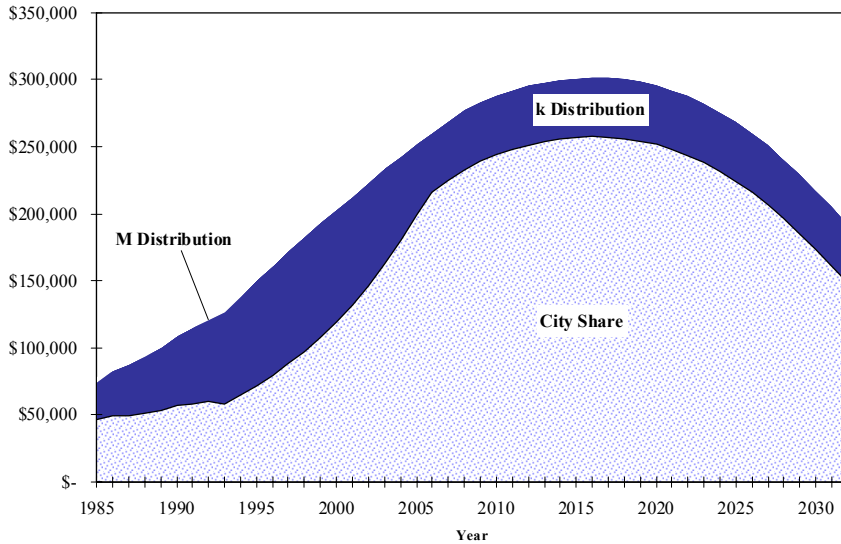
pose an even greater financial hardship for local governments than was then being experienced. Accordingly the 1977 General Assembly directed increased cigarette, liquor taxes, and after 1990, lottery revenues into a state level dedicated fund, named the Pension Relief Fund, from which distributions are made to cities and towns.

Within the 1977 law, legislators created a mechanism which reimburses local governments for a portion of their benefits' payments. The formula provides that after a certain percentage increase from one year to the next is reached in the distribution amount, the PRF picks up the additional burden. This percentage, designated the "k" factor in the statute, is recalculated each year and has been near 10% for the past 3 years. Figure 2 demonstrates how the PRF with the k distribution operates to provide assistance to cities and towns in meeting their old plans' benefit obligations.

The actions taken in 1977 were understood at the time to be only a partial solution. The unfunded liabilities were too great to be completely eliminated, but the creation of the new plan provided for a sound fiscal future if the combined impact of the old plans' growing distributions and the new plan's current payments could be borne.

By 1981, the General Assembly decided that additional help was needed for cities and towns to cope with their pension burden. A new

Figure 2
Pre - 1977 Plans' Benefit Obligations
Pension Relief Fund and City Proportional Shares
State of Indiana, 1985-2032



Source: McCready and Keene, Inc.

formula and distribution were created. The formula, called “M”, takes into account not only the increasing liabilities under the old plan but the costs of funding the new plan as well. The increase in both old and new plan payments is compared to the increase in all units’ non-capital budgets. If the growth in pension payments is less than the growth in budgets, there is no M distribution. If the reverse is true, current pension costs for both plans grow faster than budgets, then a distribution may be made under the formula.

Under the statute, the source of funds for the M distribution is excess earnings in the Pension Relief Fund itself. The fund’s regular earnings are capped at 6%. All interest earned above the cap went into the M portion of the fund. Since 1982, six “M distributions” have been made totaling \$10.32 million, as shown in Table 1. The M portion of the PRF however has now grown to a balance of \$130 million.²

Current Status of Police and Fire Pensions

Local governments continue to administer the retirement plans for the 13,113 members which were either hired before May 1, 1977 or converted to the new plan at that time. Annual benefits [before receiving PRF distributions] being paid, according to the

Year	k Formula	M Formula	Total Distribution
1978	\$ 3,000,000	\$ -	\$ 3,000,000
1979	6,000,000	-	6,000,000
1980	9,000,000	-	9,000,000
1981	11,500,000	-	11,500,000
1982	16,381,000	2,158,000	18,539,000
1983	22,885,000	-	22,885,000
1984	25,554,000	-	25,554,000
1985	28,530,000	2,529,000	31,059,000
1986	33,544,000	-	33,544,000
1987	38,346,000	-	38,346,000
1988	43,209,000	983,225	44,192,225
1989	48,060,000	-	48,060,000
1990	52,593,000	-	52,593,000
1991	56,975,000	-	56,975,000
1992	61,579,000	2,703,811	64,282,811
1993	69,100,000	1,635,980	70,735,980
1994	74,573,000	310,015	74,883,015
1995	78,219,000	-	78,219,000
Total	\$ 679,048,000	\$ 10,320,031	\$ 689,368,031

fund's valuation as of January 1, 1995, totaled \$137.2 million. The accrued unfunded liability belonging to the approximately 135 cities and towns has reached \$3.2 billion, an increase of \$100 million in the past two years. [This expression of the accrued unfunded liability does not take into account the assets in the PRF, which currently total approximately \$400 million.]

Over the past nine years the net benefit costs for the old plan increased 27%, an average annual increase of only 2.7%. However, the rate of increase in the payouts is not estimated to reach its most rapid phase of growth until the next decade. Even the low growth rate in the past 9 years masks some important variation between local units. The five cities experiencing the most rapid growth saw net benefit payouts go up by an average of 19.4% per year, while only a handful of units experienced a decline.

The growth in both old plan and new plan costs presents real fiscal difficulties for cities and towns across the state. As one former city controller explained the problem, the city pays \$1.71 for each dollar of salary every time a new policemen or firemen is hired. It must pay \$1.00 in direct personnel costs, \$.21 for funding the 1977 pension plan, and \$.50 for the retired public safety officer's benefits that the new hire is replacing. From 1989 through 1994, pension costs for cities and towns went up a combined 15.5% per year.

Table 2
Components of General Fund Revenues for Second Class Cities
Expressed as a Percentage of Total Revenue

Unit Name	Max. Levy	COIT	Miscellaneous Revenue				Total Misc. Rev.	Total Revenue
			Motor Veh Highway	Loc. Rd & St. Dist.	Cigarette Tax-Fire	Cigarette Tax-Police		
Evansville	39.3%	12.0%	4.0%	1.5%	0.0%	0.0%	60.7%	100%
Richmond	41.7%	0.0%	5.1%	1.6%	3.7%	2.3%	58.3%	100%
Bloomington	42.7%	12.7%	6.2%	1.7%	2.2%	1.8%	57.3%	100%
Anderson	49.8%	10.1%	0.5%	1.5%	3.1%	2.3%	50.2%	100%
Lafayette	50.2%	9.7%	4.7%	1.4%	3.3%	2.7%	49.8%	100%
Fort Wayne	52.8%	9.3%	4.8%	1.8%	2.6%	2.8%	47.2%	100%
Muncie	56.5%	9.2%	7.2%	2.2%	3.3%	3.5%	43.5%	100%
Elkhart	56.9%	0.0%	3.8%	1.3%	3.1%	2.8%	43.1%	100%
Terre Haute	61.7%	0.0%	6.0%	1.9%	4.6%	3.7%	38.3%	100%
Kokomo	62.6%	14.8%	3.8%	0.2%	3.5%	3.0%	37.4%	100%
Hammond	63.2%	0.0%	5.1%	1.8%	7.6%	0.0%	36.8%	100%
New Albany	64.0%	0.0%	6.8%	2.4%	4.2%	2.5%	36.0%	100%
Mishawaka	66.9%	0.0%	6.0%	2.1%	3.8%	2.8%	33.1%	100%
South Bend	67.1%	0.0%	5.1%	0.0%	6.7%	0.0%	32.9%	100%
Gary	74.9%	0.0%	5.1%	1.9%	3.8%	3.8%	25.1%	100%
Total	56.1%	6.0%	4.7%	1.5%	3.5%	2.0%	43.9%	

Outlook for the Next Decade

In 1994 actuaries for the 1977 plan projected payouts individually, by city or town, for benefit costs under the old plan over the next 40 years. Those projections, combined with forecasts of the units' growing new plan

expenditures, demonstrate that resources will be stretched to the breaking point during the next fifteen years.

The primary revenue base for most local units of government is the property tax. Although some cities and towns receive local option income taxes, property taxes provide for on average 56% of general fund revenues [non-capital], as shown in Table 2.

While the property tax base, assessed valuation, has grown by 7.7% per year, maximum levies for cities and towns have grown on average by only 6% per year over the past 5 years. This mismatch in demand for more budget room by pension liabilities and the relatively slower growth in maximum levies is very likely to cause an unprecedented fiscal crisis for many local units over the next 10 to 15 years. Net pension costs above the maximum levies for all cities and towns will total approximately \$363.8 million in the next decade, and the cost for the following five years could total more than \$550 million. [Appendix B contains a table with the estimates by unit for the amount above the maximum levy that a city or town's net pension obligations are projected to grow.]

Table 3
Old Plan Net Benefit Costs and New Plan 21%
As a Percentage of Maximum Levy
State of Indiana, 1996-2006

<u>Unit Name</u>	<u>%Lev 96</u>	<u>%Lev 01</u>	<u>%Lev 06</u>
Lebanon	28.08%	34.94%	42.27%
Wabash	26.00%	32.63%	39.56%
Linton	32.67%	36.04%	39.20%
Peru	24.18%	29.18%	34.97%
Speedway	20.14%	26.29%	32.79%
Rushville	22.06%	25.65%	30.33%
Lawrence	21.83%	25.75%	30.26%
Richmond	22.15%	26.47%	30.22%
Michigan City	21.05%	25.11%	30.01%
Muncie	19.86%	25.16%	29.86%
Brownsburg	13.07%	19.99%	29.60%
Huntington	24.94%	27.67%	29.36%
Indianapolis	19.96%	24.81%	29.34%
Connersville	16.64%	22.97%	28.89%
Marion	20.87%	24.58%	28.47%

Is State Intervention Required?

Unlike the State Teachers' Retirement Fund, the unfunded liabilities in the public safety police and fire plans are the legal responsibilities of the individual cities and towns who hired the enrollees to the plans prior to 1977. The state has no legal liability for this fiscal problem. However, local units of government are, as the courts have

stated, creatures of state statute. State government makes the fiscal rules under which cities and towns must manage and deliver services. If the goal of reducing reliance on the property tax which the state has clearly enunciated in its 20 year history of maintaining a property tax control program is to be achieved, then some program of further assistance by state government will be required. That state assistance might take many different forms, and should develop in a number of steps as the magnitude of the problem becomes more apparent.

Pension costs for both the old plans [net of pension relief] and the new plan present a significant budgetary challenge to cities and towns for two reasons. First, as mentioned above, the costs are rising rapidly in the next decade. Second, these expenditures represent a major portion of some units' general fund budgets, and require a major portion of the units' primary revenues. The fifteen cities and towns whose pension obligations represent the largest portion of its general fund maximum levy are shown in Table 3.

Recommendations

1. Delaying action in dealing with public pensions literally compounds the problem. In a year in which surplus funds are available it is important to establish a mechanism for assisting local units in dealing with this issue. An appropriate start would be to establish a dedicated fund, separate from the k portion of the PRF, with a balance comprised of \$50-100 million of new money together with the \$130 million balance from the M portion of the PRF.
2. Develop a formula to distribute funds to local units based on two principles. First, the distribution should differentiate between those units experiencing high levels of fiscal distress and those which would find the assistance only useful. The magnitude of the problem is too great and funds too limited to attempt to help all units. Second, because the local units have a real liability to appropriate and distribute the retirement benefits for retirees under the pre-1977 plan, any state funds sent to units under this distribution formula should be applied to this need.
3. Insufficient information on unfunded liabilities contributes to inaction on this problem. An annual, legislatively required, update on the status of the pre-1977 plan would assist state officials, local officials, and taxpayers in maintaining currency on the pension obligations being borne by individual cities and towns.

Unlike some of the surrounding states, Indiana has made great progress in recent years in dealing with its chronic pension problems. The state's current fiscal good health presents state elected officials with an opportunity to deal with the last major pension funding issue, local public safety pensions, in a way that demonstrates real leadership in good public policy.

¹ "Votes Today Taxes Tomorrow.", Forbes 5 June 1995; p.92

² Data Source: Letter from McCready and Keene, Inc. to the Board of Trustees for the Public Employees' Retirement Fund. June 19, 1995

Appendix A

An Explanation of the Police and Fire Estimating Model

The conclusions reached in this report result from an analysis of the relative rates of growth in pension obligations and property taxes during the next 15 year period. The data on actual property taxes came from the State Board of Tax Commissioner's Local Government Database. The projections of property taxes by city or town are based on the historical trends of actual "adjusted maximum levies" by unit. Where there were anomalies, the projections were adjusted to reflect probable long term behavior, given Indiana's civil property tax controls.

Projections of the pre-1997 plans' benefit and net benefit obligations for each city or town came from McCready and Keene, Incorporated, actuaries for the Public Employees Retirement Fund. The work was accomplished by Doug Todd in 1994 based on the January 1, 1993 Police and Fire Fund "k" Evaluation. His assumptions for the projections by unit were consistent with those employed in the annual "k" evaluations, including a 5% per year increase in employee salaries.

The estimates for each unit's employer contribution, the 21%, were based on the actual rates of increase by city or town over the period from 1989 through 1994. The historical data was supplied by the staff at PERF. In the case of Indianapolis, the actual data came from the city controller's office and was adjusted to reflect a 21% employer contribution rate. [Indianapolis is actually contributing 22% as part of its benefit package.]

Addendum to Appendix A

A model based on the data, as described above, was developed to measure the amount of fiscal distress that would be experienced by individual cities and towns. Most discussions of the local police and fire pension issue have concentrated on the aggregate numbers. This model demonstrates that there is a great deal of variation between the individual units and points to the conclusion that at least some of the state's intervention should be based on a unit by unit differentiation.

Finally, the model was primarily used to make two sets of estimates which are found in Appendices B and C. In Appendix B there is a calculation by city of the amount by which the pension obligations for both the old and new plans would grow above the unit's maximum levy. [If the calculation shows that the unit's pension obligations are not growing faster than its maximum levy, a zero value is shown in the Table.] Appendix C uses the model to estimate the amount of a unit's maximum levy its combined pension obligations would require in 1996, 2001, and 2006 absent any state intervention. In both cases the growing pension obligations are measured against maximum levies because this major resource is reasonably consistent from unit to unit, while budget definitions are not.

Appendix B
Projected Old Plan Net Benefits Costs plus 1977 Plan 21% Employers' Share
Calculation of the Cost of Freezing Net Pension Obligations as a Percent of the Maximum Levy

Unit	Cost_97	Cost_98	Cost_99	Cost_00	Cost_01	Cost_02	Cost_03	Cost_04	Cost_05	Cost_06
ALEXANDRIA	7,626	16,330	26,229	37,451	50,137	64,707	81,111	99,540	120,205	143,335
ANDERSON	170,216	366,593	592,268	850,722	1,145,820	1,403,836	1,692,567	2,015,127	2,374,927	2,775,700
ANGOLA	3,659	7,989	13,085	19,051	26,005	30,527	35,627	41,372	47,833	55,090
ATTICA	1,758	3,792	6,137	8,831	11,915	16,266	21,298	27,103	33,784	41,457
AUBURN	5,842	12,573	20,296	29,123	39,179	52,207	67,041	83,885	102,966	124,535
AURORA	3,795	8,187	13,248	19,060	25,714	31,271	37,485	44,421	52,153	60,760
BATESVILLE	907	1,957	3,166	4,554	6,140	8,086	10,302	12,820	15,673	18,899
BEDFORD	20,025	43,187	69,859	100,453	135,425	169,722	208,457	252,113	301,217	356,350
BEECH GROVE	22,676	49,307	80,416	116,592	158,492	196,667	240,074	289,324	345,091	408,122
BERNE	1,308	2,869	4,721	6,907	9,477	11,288	13,332	15,637	18,232	21,149
BICKNELL	928	1,981	3,172	4,516	6,027	6,582	7,179	7,822	8,514	9,257
BLOOMINGTON	33,431	73,167	120,104	175,248	239,737	280,784	327,209	379,639	438,775	505,391
BLUFFTON	5,998	12,992	21,106	30,480	41,270	53,870	68,295	84,766	103,526	124,849
BOONVILLE	0	0	0	0	0	0	0	0	0	0
BRAZIL	0	0	0	0	0	0	0	0	0	0
BREMEN	3,813	8,274	13,469	19,491	26,446	32,505	39,359	47,098	55,818	65,629
BROWNSBURG	7,808	17,124	28,183	41,255	56,650	73,526	93,152	115,925	142,297	172,782
BUTLER	0	0	0	0	0	0	0	0	0	0
CANNELTON	0	0	0	0	0	0	0	0	0	0
CARMEL	20,365	44,489	72,896	106,173	144,977	189,723	241,500	301,228	369,938	448,782
CEDAR LAKE	4,564	9,808	15,810	22,656	30,444	39,056	48,789	59,767	72,124	86,012
CHARLESTON	1,656	3,519	5,609	7,949	10,560	14,403	18,717	23,550	28,953	34,981
CHESTERTON	7,341	15,989	26,126	37,956	51,712	67,081	84,792	105,152	128,505	155,235
CICERO	2,841	6,180	10,087	14,637	19,917	23,074	26,578	30,464	34,769	39,531
CLARKSVILLE	35,435	77,023	125,611	182,158	247,744	330,256	426,097	537,140	665,511	813,619
CLINTON	957	2,023	3,207	4,518	5,967	7,768	9,757	11,950	14,362	17,014
COLUMBIA CITY	0	0	0	0	0	0	0	0	0	0
COLUMBUS	46,461	101,043	164,820	238,991	324,898	399,267	483,773	579,591	688,023	810,513
CONNERSVILLE	52,799	114,860	187,466	272,068	370,299	456,167	553,329	663,072	786,820	926,149
COVINGTON	1,158	2,509	4,079	5,896	7,992	13,096	19,424	27,238	36,853	48,649
CRAWFORDSVILLE	18,765	40,222	64,664	92,411	123,818	159,348	199,361	244,324	294,746	351,189
CROWN POINT	13,093	28,333	45,990	66,366	89,797	112,148	137,443	166,011	198,216	234,457
DECATUR	9,873	21,410	34,823	50,353	68,265	82,632	98,814	117,008	137,430	160,317
DELPHI	1,500	3,210	5,153	7,354	9,839	12,710	15,940	19,567	23,630	28,174
DUNKIRK	1,131	2,500	4,148	6,119	8,468	0	0	0	0	0

Appendix B
Projected Old Plan Net Benefits Costs plus 1977 Plan 21% Employers' Share
Calculation of the Cost of Freezing Net Pension Obligations as a Percent of the Maximum Levy

Unit	Cost_97	Cost_98	Cost_99	Cost_00	Cost_01	Cost_02	Cost_03	Cost_04	Cost_05	Cost_06
DYER	1,688	3,701	6,089	8,902	12,203	14,952	18,112	21,737	25,887	30,627
EAST CHICAGO	117,646	250,487	400,022	567,881	755,837	928,229	1,119,039	1,329,902	1,562,586	1,819,003
ELKHART	23,615	51,349	83,742	121,396	164,983	204,811	250,274	302,045	360,875	427,595
ELWOOD	6,346	13,638	21,982	31,494	42,303	55,455	70,351	87,180	106,150	127,488
EVANSVILLE	232,997	502,220	811,949	1,166,917	1,572,361	1,949,857	2,374,919	2,852,580	3,388,363	3,988,328
FORT WAYNE	152,031	329,342	535,096	772,814	1,046,404	1,269,154	1,520,769	1,804,441	2,123,686	2,482,380
FRANKFORT	28,512	61,213	98,576	141,122	189,424	245,884	309,759	381,862	463,087	554,420
FRANKLIN	20,368	44,411	72,638	105,618	143,995	186,905	236,391	293,302	358,593	433,329
GARRETT	65	137	219	311	413	0	0	0	0	0
GARY	172,219	368,477	591,330	843,573	1,128,271	1,396,720	1,696,173	2,029,614	2,400,290	2,811,733
GAS CITY	977	2,144	3,529	5,165	7,085	0	0	0	0	0
GOSHEN	26,326	56,793	91,895	132,179	178,250	222,225	271,856	327,750	390,578	461,077
GREENCASTLE	0	0	0	0	0	0	0	0	0	0
GREENDALE	3,971	8,518	13,703	19,598	26,281	31,383	37,032	43,278	50,176	57,783
GREENFIELD	12,125	26,404	43,131	62,630	85,269	106,125	129,900	156,940	187,632	222,402
GREENSBURG	0	0	0	0	0	0	0	0	0	0
GREENWOOD	6,743	14,841	24,500	35,951	49,458	0	0	0	0	0
GRIFFITH	18,200	39,516	64,370	93,239	126,659	155,203	187,374	223,570	264,234	309,850
HAMMOND	247,635	531,385	855,331	1,223,975	1,642,284	2,002,263	2,403,179	2,848,972	3,343,936	3,892,749
HARTFORD CITY	3,466	7,353	11,698	16,545	21,938	28,891	36,634	45,240	54,788	65,363
HIGHLAND	15,218	32,513	52,101	74,221	99,133	122,550	148,600	177,530	209,609	245,129
HOBART	0	0	0	0	0	0	0	0	0	0
HUNTINGBURG	0	0	0	0	0	0	0	0	0	0
HUNTINGTON	24,240	52,411	84,994	122,523	165,589	198,447	235,358	276,750	323,091	374,900
INDIANAPOLIS	1,347,698	2,893,309	4,659,366	6,670,755	8,954,944	11,044,278	13,379,191	15,984,089	18,885,643	22,112,986
JASPER	3,809	8,218	13,300	19,133	25,806	33,049	41,270	50,579	61,096	72,954
JEFFERSONVILLE	51,971	112,086	181,334	260,813	351,745	443,267	546,669	663,257	794,471	941,900
KENDALLVILLE	2,823	6,124	9,963	14,409	19,535	21,088	22,765	24,575	26,528	28,637
KNOX	1,653	3,573	5,791	8,345	11,273	14,342	17,828	21,777	26,242	31,280
KOKOMO	121,951	263,176	426,000	613,003	827,043	1,026,488	1,251,306	1,504,218	1,788,212	2,106,573
LAFA YETTE	92,669	198,319	318,346	454,288	607,829	746,939	901,782	1,073,852	1,264,773	1,476,313
LAKE STATION	11,576	25,149	40,993	59,415	80,761	99,119	119,837	143,177	169,429	198,914
LAPORTE	21,881	46,447	73,948	104,654	138,859	175,662	216,450	261,576	311,422	366,400
LAWRENCE	27,783	59,946	97,017	139,579	188,279	242,792	304,752	375,010	454,505	544,274

Appendix B
Projected Old Plan Net Benefits Costs plus 1977 Plan 21% Employers' Share
Calculation of the Cost of Freezing Net Pension Obligations as a Percent of the Maximum Levy

Unit	Cost_97	Cost_98	Cost_99	Cost_00	Cost_01	Cost_02	Cost_03	Cost_04	Cost_05	Cost_06
LAWRENCEBURG	3,639	7,815	12,590	18,030	24,212	33,827	44,923	57,692	72,350	89,142
LEBANON	18,297	39,330	63,417	90,907	122,189	153,886	189,553	229,609	274,514	324,774
LIGONIER	777	1,660	2,659	3,787	5,057	7,879	11,092	14,739	18,866	23,526
LINTON	3,632	7,720	12,308	17,444	23,179	28,815	35,058	41,960	49,580	57,981
LOGANSPOUT	15,645	33,627	54,209	77,679	104,356	121,970	141,543	163,264	187,338	213,989
LOOGOOTE	0	0	0	0	0	0	0	0	0	0
LOWELL	6,233	13,615	22,312	32,518	44,452	58,669	75,227	94,463	116,761	142,559
MADISON	11,141	23,895	38,444	54,987	73,743	94,611	118,135	144,599	174,316	207,630
MARION	63,990	136,997	219,992	314,043	420,321	530,085	653,042	790,514	943,944	1,114,909
MARTINSVILLE	3,076	6,772	11,179	16,405	22,570	25,425	28,618	32,189	36,182	40,642
MERRILLVILLE	9,428	21,014	35,130	52,206	72,737	85,776	100,749	117,918	137,580	160,069
MICHIGAN CITY	75,686	161,792	259,419	369,777	494,190	635,635	794,444	972,392	1,171,424	1,393,668
MISHAWAKA	79,710	170,543	273,694	390,474	522,324	650,410	793,360	952,617	1,129,758	1,326,499
MITCHELL	1,116	2,397	3,861	5,530	7,426	10,139	13,243	16,784	20,814	25,391
MONTICELLO	6,037	13,032	21,101	30,373	40,993	55,479	72,136	91,234	113,074	137,996
MONTPELIER	0	0	0	0	0	0	0	0	0	0
MOUNT VERNON	7,156	15,363	24,742	35,422	47,550	59,304	72,481	87,228	103,702	122,077
MUNCIE	151,694	326,272	526,421	755,119	1,015,663	1,242,856	1,496,682	1,779,796	2,095,098	2,445,760
MUNSTER	17,543	38,025	61,830	89,381	121,157	148,829	180,049	215,208	254,734	299,098
NAPPANEE	1,912	4,134	6,705	9,667	13,066	17,677	22,970	29,027	35,940	43,810
NEW ALBANY	73,323	159,176	259,212	375,283	509,462	645,587	800,786	977,328	1,177,738	1,404,818
NEW CASTLE	32,776	70,247	112,935	161,412	216,308	262,522	313,877	370,855	433,983	503,830
NEW CHICAGO	78	169	274	395	534	789	1,091	1,450	1,873	2,372
NEW HAVEN	451	994	1,642	2,413	3,323	0	0	0	0	0
NOBLESVILLE	16,683	36,355	59,420	86,330	117,592	142,188	170,104	201,724	237,477	277,836
NORTH VERNON	887	1,931	3,150	4,569	6,212	8,102	10,277	12,770	15,622	18,877
OAKLAND CITY	0	0	0	0	0	0	0	0	0	0
PERU	27,350	58,535	93,972	134,114	179,462	228,974	284,559	346,839	416,497	494,280
PETERSBURG	459	984	1,582	2,261	3,029	3,907	4,895	6,005	7,251	8,646
PLAINFIELD	0	0	0	0	0	0	0	0	0	0
PLYMOUTH	10,002	21,703	35,323	51,109	69,335	82,884	98,106	115,180	134,300	155,683
PORTAGE	14,200	31,006	50,779	73,923	100,891	124,948	152,495	183,962	219,831	260,637
PORTLAND	2,721	5,862	9,474	13,608	18,326	25,093	32,820	41,619	51,611	62,932
PRINCETON	6,615	14,125	22,622	32,207	42,993	54,332	66,996	81,115	96,827	114,287
RENSSELAER	587	1,265	2,045	2,938	3,957	7,446	11,548	16,349	21,943	28,439

Appendix B
Projected Old Plan Net Benefits Costs plus 1977 Plan 21% Employers' Share
Calculation of the Cost of Freezing Net Pension Obligations as a Percent of the Maximum Levy

Unit	Cost_97	Cost_98	Cost_99	Cost_00	Cost_01	Cost_02	Cost_03	Cost_04	Cost_05	Cost_06
RICHMOND	72,360	155,129	249,455	356,604	477,965	586,170	706,824	841,130	990,400	1,156,063
RISING SUN	0	0	0	0	0	0	0	0	0	0
ROCHESTER	2,352	5,094	8,272	11,942	16,163	20,891	26,289	32,436	39,420	47,338
RUSHVILLE	11,229	23,940	38,285	54,427	72,544	94,766	119,696	147,605	178,792	213,580
SALEM	2,103	4,529	7,318	10,511	14,152	0	0	0	0	0
SCHERERVILLE	673	1,471	2,413	3,518	4,808	7,403	10,446	13,997	18,125	22,908
SCOTTSBURG	4,245	9,225	15,039	21,797	29,627	36,203	43,624	51,984	61,387	71,945
SELLERSBURG	0	0	0	0	0	0	0	0	0	0
SEYMOUR	0	0	0	0	0	0	0	0	0	0
SHELBYVILLE	5,554	12,085	19,720	28,604	38,896	0	0	0	0	0
SOUTH BEND	193,438	414,526	666,298	952,089	1,275,568	1,593,773	1,949,900	2,347,734	2,791,407	3,285,433
SPEEDWAY	34,133	73,647	119,208	171,555	231,514	290,082	356,166	430,589	514,261	608,182
ST JOHN	1,952	4,311	7,143	10,519	14,524	18,400	22,913	28,153	34,220	41,230
SULLIVAN	5,072	10,878	17,500	25,029	33,564	43,027	53,692	65,688	79,155	94,250
TELL CITY	3,226	6,925	11,148	15,956	21,413	27,696	34,800	42,815	51,839	61,982
TERRE HAUTE	102,853	219,578	351,610	500,517	668,016	843,670	1,039,786	1,258,344	1,501,505	1,771,620
TIPTON	0	0	0	0	0	0	0	0	0	0
UNION CITY	3,467	7,480	12,103	17,408	23,476	27,597	32,185	37,288	42,955	49,242
VALPARAISO	25,759	55,911	91,026	131,737	178,752	223,995	275,479	333,931	400,154	475,040
VINCENNES	19,830	42,631	68,744	98,540	132,430	175,993	225,546	281,768	345,410	417,300
WABASH	36,212	77,925	125,789	180,523	242,922	304,790	374,428	452,659	540,393	638,625
WARSAW	24,643	53,327	86,560	124,908	169,002	207,200	250,244	298,654	353,006	413,930
WASHINGTON	4,590	9,848	15,847	22,666	30,394	41,078	53,192	66,891	82,343	99,737
WEST LAFAYETTE	13,112	28,573	46,701	67,848	92,414	108,680	127,039	147,729	171,014	197,185
WHITING	16,088	34,295	54,832	77,930	103,839	129,088	157,153	188,292	222,788	260,944
WINCHESTER	2,685	5,801	9,399	13,537	18,279	22,949	28,239	34,218	40,962	48,554
Total	4,554,348	9,796,126	15,805,750	22,672,260	30,494,213	37,656,144	45,832,872	54,995,790	65,247,234	76,699,563
		115.1%	61.3%	43.4%	34.5%	23.5%	21.7%	20.0%	18.6%	17.6%

Appendix C
Old Plan Net Benefit Costs and New Plan 21%
As a Percentage of Maximum Levy from 1996 to 2006, Ranked by Percent in 2006

Unit	% Lev_96	% Lev_01	% Lev_06
LEBANON	28.1%	34.9%	42.3%
WABASH	26.0%	32.6%	39.6%
LINTON	32.7%	36.0%	39.2%
PERU	24.2%	29.2%	35.0%
SPEEDWAY	20.1%	26.3%	32.8%
RUSHVILLE	22.1%	25.6%	30.3%
LAWRENCE	21.8%	25.8%	30.3%
RICHMOND	22.2%	26.5%	30.2%
MICHIGAN CITY	21.1%	25.1%	30.0%
MUNCIE	19.9%	25.2%	29.9%
BROWNSBURG	13.1%	20.0%	29.6%
HUNTINGTON	24.9%	27.7%	29.4%
INDIANAPOLIS	20.0%	24.8%	29.3%
CONNERSVILLE	16.6%	23.0%	28.9%
MARION	20.9%	24.6%	28.5%
EVANSVILLE	21.9%	25.3%	28.2%
LAPORTE	22.6%	25.2%	27.9%
SULLIVAN	18.3%	22.5%	27.6%
HAMMOND	19.1%	23.6%	27.5%
LOGANSPOUT	23.8%	25.8%	26.7%
LAFAYETTE	19.1%	22.9%	26.3%
BRAZIL	30.1%	28.5%	26.2%
ANDERSON	17.0%	21.8%	26.0%
TERRE HAUTE	18.6%	21.9%	25.4%
FRANKFORT	17.4%	20.9%	25.1%
ALEXANDRIA	17.7%	20.7%	24.4%
CRAWFORDSVILLE	19.0%	21.4%	24.2%
NEW ALBANY	15.5%	19.5%	23.8%
GOSHEN	18.4%	21.1%	23.5%
VINCENNES	17.3%	19.8%	23.2%
HARTFORD CITY	18.6%	20.6%	23.2%
GREENSBURG	24.2%	24.1%	23.1%
ELWOOD	19.6%	21.1%	23.0%
BEDFORD	17.6%	20.1%	22.4%
KOKOMO	16.6%	19.6%	22.4%
MISHAWAKA	15.7%	18.8%	22.0%
BEECH GROVE	15.7%	18.6%	21.0%
SHELBYVILLE	20.1%	20.7%	20.5%
NEW CASTLE	14.5%	17.8%	20.5%
MONTICELLO	13.6%	16.2%	20.3%
CLINTON	17.9%	18.9%	20.2%
EAST CHICAGO	15.4%	17.7%	19.7%
BLUFFTON	14.4%	16.7%	19.5%
WEST LAFAYETTE	17.5%	18.9%	19.5%
JEFFERSONVILLE	12.6%	15.8%	19.3%

Appendix C
Old Plan Net Benefit Costs and New Plan 21%
As a Percentage of Maximum Levy from 1996 to 2006, Ranked by Percent in 2006

Unit	% Lev_96	% Lev_01	% Lev_06
CARMEL	16.3%	17.6%	19.1%
SOUTH BEND	13.3%	15.9%	18.5%
CHARLESTON	14.0%	15.6%	18.1%
RISING SUN	9.7%	9.1%	17.9%
WASHINGTON	15.4%	16.5%	17.9%
FORT WAYNE	15.6%	16.9%	17.9%
AURORA	11.3%	14.7%	17.6%
PRINCETON	12.5%	14.7%	17.0%
AUBURN	13.4%	14.9%	16.9%
SEYMOUR	17.5%	17.4%	16.9%
COVINGTON	6.2%	8.4%	16.8%
GREENFIELD	12.4%	14.7%	16.6%
ELKHART	15.6%	16.2%	16.6%
BLOOMINGTON	14.6%	16.0%	16.6%
LIGONIER	14.3%	15.0%	16.5%
GAS CITY	16.1%	16.8%	16.5%
WARSAW	11.6%	14.1%	16.2%
MARTINSVILLE	15.1%	16.0%	16.2%
GREENCASTLE	17.0%	16.7%	16.1%
WHITING	13.1%	14.7%	16.1%
GARY	12.5%	14.4%	16.0%
ROCHESTER	13.6%	14.6%	15.7%
ATTICA	8.5%	11.1%	15.6%
HIGHLAND	11.3%	13.4%	15.4%
WINCHESTER	12.9%	14.2%	15.4%
SCOTTSBURG	9.6%	12.7%	15.2%
NOBLESVILLE	12.6%	14.1%	15.0%
VALPARAISO	11.5%	13.3%	14.9%
GRIFFITH	8.5%	11.8%	14.8%
CLARKSVILLE	7.2%	10.1%	14.7%
UNION CITY	11.8%	13.5%	14.4%
COLUMBUS	11.8%	13.3%	14.4%
PORTAGE	12.6%	13.7%	14.4%
MOUNT VERNON	10.1%	12.3%	14.4%
SALEM	13.6%	14.4%	14.3%
NORTH VERNON	13.5%	13.9%	14.3%
CEDAR LAKE	9.0%	11.3%	14.1%
CICERO	9.4%	12.4%	13.9%
PLAINFIELD	13.9%	13.6%	13.7%
MUNSTER	9.1%	11.5%	13.6%
PORTLAND	11.5%	12.2%	13.2%
COLUMBIA CITY	15.1%	14.1%	13.1%
DECATUR	9.8%	11.7%	13.0%
MADISON	8.7%	10.6%	13.0%

Appendix C
Old Plan Net Benefit Costs and New Plan 21%
As a Percentage of Maximum Levy from 1996 to 2006, Ranked by Percent in 2006

Unit	% Lev_96	% Lev_01	% Lev_06
FRANKLIN	8.4%	10.3%	12.5%
LOOGOOTE	12.7%	12.5%	12.4%
KNOX	9.5%	10.9%	12.2%
DYER	11.0%	11.5%	11.8%
TIPTON	11.4%	11.3%	11.4%
PLYMOUTH	8.7%	10.3%	11.3%
BOONVILLE	11.7%	10.9%	10.9%
LOWELL	5.1%	7.4%	10.8%
CHESTERTON	6.2%	8.2%	10.8%
HOBART	11.3%	11.1%	10.7%
DELPHI	7.9%	9.2%	10.6%
TELL CITY	6.8%	8.5%	10.5%
CROWN POINT	7.1%	8.8%	10.4%
LAKE STATION	5.9%	8.1%	10.2%
RENSSELAER	8.0%	8.4%	10.2%
BATESVILLE	8.8%	9.4%	10.2%
GREENWOOD	9.2%	10.0%	10.0%
MONTPELIER	11.4%	10.7%	10.0%
GREENDALE	7.1%	8.7%	9.9%
OAKLAND CITY	11.6%	10.5%	9.5%
MERRILLVILLE	7.6%	8.7%	9.1%
PETERSBURG	7.5%	8.2%	9.0%
SELLERSBURG	8.4%	8.3%	8.9%
BREMEN	6.4%	7.8%	8.9%
BICKNELL	7.3%	8.4%	8.7%
SCHERERVILLE	8.3%	8.4%	8.5%
KENDALLVILLE	7.7%	8.3%	8.3%
ANGOLA	7.0%	7.8%	8.2%
BUTLER	5.8%	5.7%	8.2%
GARRETT	7.7%	7.8%	7.4%
MITCHELL	4.8%	5.7%	7.1%
NAPPANEE	5.7%	6.2%	6.9%
JASPER	5.7%	6.2%	6.7%
HUNTINGBURG	4.5%	4.5%	4.9%
ST JOHN	3.7%	4.1%	4.5%
BERNE	2.9%	3.9%	4.5%
CANNELTON	4.6%	4.2%	4.3%
NEW HAVEN	3.4%	3.4%	3.3%
DUNKIRK	2.4%	3.6%	3.3%
LAWRENCEBURG	1.2%	1.5%	2.0%
NEW CHICAGO	0.7%	0.9%	1.4%