



Reprinted
January 26, 2000

SENATE BILL No. 64

DIGEST OF SB 64 (Updated January 25, 2000 3:01 PM - DI 73)

Citations Affected: IC 4-15; IC 5-10.2; IC 5-10.3; IC 21-6.1; IC 36-8.

Synopsis: PERF and TRF administration. Provides that the public employees' retirement fund (PERF) and the Indiana state teachers' retirement fund (TRF) are independent bodies corporate and politic, and not departments or agencies of the state. Specifies that PERF and TRF are independent instrumentalities exercising essential government functions. Provides that the PERF board and the TRF board shall each adopt a budget for its respective fund. Requires the PERF board and the TRF board to report annually to the governor, the state budget committee, and the pension management oversight commission. Specifies information that must be reported. Specifies that the police officer and firefighter members of the 1977 fund advisory committee may be active or retired members of police and firefighter retirement funds. Specifies that employees of PERF or TRF who are employed within a classification covered by a labor agreement to which the state is a party remain subject to the terms and conditions of that agreement and any successor labor agreements.

Effective: July 1, 2000.

**Harrison, Lutz L, Weatherwax,
Craycraft**

November 17, 1999, read first time and referred to Committee on Pensions and Labor.
January 13, 2000, reported favorably — Do Pass.
January 25, 2000, read second time, amended, ordered engrossed.

SB 64—LS 6141/DI 73+



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Second Regular Session 111th General Assembly (2000)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

SENATE BILL No. 64

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 4-15-2-3.8, AS AMENDED BY P.L.272-1999,
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2000]: Sec. 3.8. "State service" means public service by:
4 (1) employees and officers, including the incumbent directors, of
5 the county offices of family and children; and
6 (2) employees and officers, except members of boards and
7 commissions or individuals hired for or appointed to, after June
8 30, 1982, positions as appointing authorities, deputies, assistants
9 reporting to appointing authorities, or supervisors of major units
10 within state agencies, irrespective of the title carried by those
11 positions, of the division of disability, aging, and rehabilitative
12 services, Fort Wayne State Developmental Center, Muscatatuck
13 State Developmental Center, division of mental health, Larue D.
14 Carter Memorial Hospital, Evansville State Psychiatric Treatment
15 Center for Children, Central State Hospital, Evansville State
16 Hospital, Logansport State Hospital, Madison State Hospital,
17 Richmond State Hospital, state department of health, Indiana

SB 64—LS 6141/DI 73+



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1 School for the Blind, Indiana School for the Deaf, Indiana
 2 Veterans' Home, Indiana Soldiers' and Sailors' Children's Home,
 3 Silvercrest Children's Development Center, department of
 4 correction, Westville Correctional Facility, Plainfield Juvenile
 5 Correctional Facility, Putnamville Correctional Facility,
 6 Indianapolis Juvenile Correctional Facility, Indiana State Prison,
 7 Indiana Women's Prison, Pendleton Correctional Facility,
 8 Reception and Diagnostic Center, Rockville Correctional Facility,
 9 Youth Rehabilitation Facility, Plainfield Correctional Facility,
 10 department of fire and building services, state emergency
 11 management agency (excluding a county emergency management
 12 organization and any other local emergency management
 13 organization created under IC 10-4-1), civil rights commission,
 14 criminal justice planning agency, department of workforce
 15 development, Indiana historical bureau, Indiana state library,
 16 division of family and children, Indiana state board of animal
 17 health, Federal Surplus Property Warehouse, Indiana education
 18 employment relations board, ~~public employees' retirement fund,~~
 19 ~~teachers' retirement fund,~~ department of labor, Indiana protection
 20 and advocacy services commission, commission on public
 21 records, Indiana horse racing commission, and state personnel
 22 department.

23 SECTION 2. IC 5-10.2-2-1 IS AMENDED TO READ AS
 24 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 1. Scope; Purpose. (a)
 25 This article applies to the Indiana state teachers' retirement fund and
 26 the public employees' retirement fund. Each retirement fund covered
 27 by this article is a separate retirement fund managed by its board under
 28 its retirement fund law. Each board shall make and publish regulations
 29 which are appropriate to the efficient administration of this article. The
 30 obligations of the state and political subdivisions for benefit payments
 31 are specified in each retirement fund law.

32 (b) **Each fund is an independent body corporate and politic. A**
 33 **fund is not a department or agency of the state but is an**
 34 **independent instrumentality exercising essential government**
 35 **functions.**

36 (c) **For purposes of IC 34-13-2, IC 34-13-3, and IC 34-13-4, each**
 37 **board, each fund, and all employees of each board or fund are**
 38 **public employees (as defined in IC 34-6-2-38). All employees of**
 39 **each board or fund employed within a classification covered by a**
 40 **labor agreement to which the state is a party shall continue to**
 41 **remain subject to the terms and conditions of that agreement and**
 42 **any successor labor agreements entered into by the state.**



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1 (d) The benefits specified in this article and the benefits from the
 2 Social Security Act provide the retirement, disability, and survivor
 3 benefits for public employees and teachers. However, this article does
 4 not prohibit a political subdivision from establishing and providing
 5 before January 1, 1995, and continuing to provide after January 1,
 6 1995, retirement, disability, and survivor benefits for the public
 7 employees of the political subdivision independent of this article if the
 8 political subdivision took action before January 1, 1995, and was not
 9 a participant in the public employees' retirement fund on January 1,
 10 1995, under this article or IC 5-10.3.

11 SECTION 3. IC 5-10.2-2-12 IS AMENDED TO READ AS
 12 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 12. (a) The general
 13 assembly shall appropriate biennially for each fund **covered by this**
 14 **article that satisfies the conditions of section 1.5 of this chapter** the
 15 sum of the following:

16 (1) the state's normal contribution for its employees to the public
 17 employees' retirement fund, the pre-1996 account, and the 1996
 18 account, as determined in section 11 of this chapter;

19 (2) at least the anticipated increase in the state's unfunded accrued
 20 liability in each fund, other than the pre-1996 account, as
 21 estimated by each board under the procedures specified in section
 22 11 of this chapter; and

23 (3) the state's obligation as estimated by each board for disability
 24 benefits and benefits payable under retirement fund laws in effect
 25 before April 1, 1955.

26 The request for this sum for each fund shall be submitted to the budget
 27 agency as one (1) item for each fund. Each board shall submit to the
 28 agency its actuarial investigation and valuation and any other actuarial
 29 information to support the request.

30 (b) The general assembly shall appropriate biennially an amount
 31 necessary for the administration of each fund. The request for this
 32 amount shall be submitted as operating expenses of other state
 33 departments are submitted. The amount shall be included in the
 34 biennial budget bill and paid as are operating expenses of other state
 35 departments. If the board and the actuary determine that investment
 36 earnings are sufficient, then the total amount of administrative costs
 37 shall be offset by the earnings. The offset shall be prorated for:

38 (1) participating political subdivisions; and

39 (2) school corporations and other institutions; with respect to the
 40 1996 account.

41 (c) (b) The biennial appropriation specified in subsection (a) of this
 42 section shall be paid annually to each fund **covered by this article that**

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1 satisfies the conditions of section 1.5 of this chapter in equal
 2 installments in July of each year of the biennium. The biennial
 3 appropriation specified in subsection (b) of this section shall be
 4 available to each fund beginning with July of each year of the
 5 biennium.

6 (c) The biennial appropriation under this section shall be
 7 deposited in the trust of each fund and used only as provided in
 8 section 1.5 of this chapter.

9 SECTION 4. IC 5-10.3-3-7 IS AMENDED TO READ AS
 10 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 7. The board shall do
 11 all of the following:

- 12 (1) Appoint a director, subject to the approval of the governor.
 13 (2) Appoint an actuary and ~~such clerical and other help as is~~
 14 **required employ or contract with employees, auditors,**
 15 **technical experts, legal counsel, and other service providers as**
 16 **it considers necessary** to transact the business of the fund,
 17 **without the approval of any state officer.**
 18 (3) Fix the compensation of persons:
 19 (A) ~~appointed subject to the approval of the budget agency; or~~
 20 **employed by the board; or**
 21 **(B) who contract with the board.**
 22 (4) Establish a general office in Indianapolis for board meetings
 23 and for administrative personnel.
 24 (5) Provide for the installation in the general office of a complete
 25 system of books, accounts including reserve accounts, and records
 26 in order to give effect to all the requirements of this article and to
 27 assure the proper operation of the fund.
 28 (6) Provide for a report at least annually, before June 1, to each
 29 member of the amount credited to him in the annuity savings
 30 account in each investment program under IC 5-10.2-2.
 31 (7) With the advice of the actuary, adopt actuarial tables and
 32 compile data needed for actuarial studies which are necessary for
 33 the fund's operation.
 34 (8) Act on applications for benefits and claims of error filed by
 35 members.
 36 (9) Have the accounts of the fund audited annually by the state
 37 board of accounts. ~~and~~
 38 (10) Publish for the members a synopsis of the fund's condition.
 39 (11) **Adopt a budget on a calendar year or fiscal year basis**
 40 **that is sufficient, as determined by the board, to perform the**
 41 **board's duties and, as appropriate and reasonable, draw upon**
 42 **fund assets to fund the budget.**



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- 1 (12) Expend money, including income from the fund's
 2 investments, for effectuating the fund's purposes.
 3 (13) Establish personnel programs and policies for its
 4 employees.
 5 (14) Submit a report of its activities each year to the governor,
 6 the pension management oversight commission, and the
 7 budget committee before November 1 of each year. The
 8 report under this subdivision must set forth a complete
 9 operating and financial statement covering its operations
 10 during the most recent fiscal year, including information on
 11 the following:
 12 (A) Investment performance.
 13 (B) Investment and administrative costs as a percentage of
 14 assets under management.
 15 (C) Investment asset allocation strategy.
 16 (D) Member services.
 17 (E) Member communications.
 18 (15) Establish a code of ethics or decide to be under the
 19 jurisdiction and rules adopted by the state ethics commission.
 20 SECTION 5. IC 5-10.3-3-8 IS AMENDED TO READ AS
 21 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 8. (a) The board may
 22 do any of the following:
 23 (1) Establish **and amend** rules and regulations:
 24 (A) for the administration **and regulation** of the fund **and the**
 25 **board's affairs; and**
 26 (B) **to effectuate the powers and purposes of the board;**
 27 **without adopting a rule under IC 4-22-2.**
 28 (2) Make contracts and sue and be sued as the board of trustees of
 29 the public employees' retirement fund of Indiana.
 30 (3) Delegate duties to its employees.
 31 (4) Enter into agreements with one (1) or more insurance
 32 companies to provide life, hospitalization, surgical, medical, or
 33 supplemental Medicare insurance, utilizing individual or group
 34 insurance policies for retired members of the fund, and, upon
 35 authorization of the respective member, deduct premium
 36 payments for such policies from the members' retirement benefits
 37 and remit the payments to the insurance companies.
 38 (5) Enter into agreements with one (1) or more insurance
 39 companies to provide annuities for retired members of the fund,
 40 and, upon a member's authorization, transfer the amount credited
 41 to the member in the annuity savings account to the insurance
 42 companies.

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- 1 (6) Whenever the fund's membership is sufficiently large for
 2 actuarial valuation, establish an employer's contribution rate for
 3 all employers, including employers with special benefit provisions
 4 for certain employees.
- 5 (7) Amortize prior service liability over a period of forty (40)
 6 years or less. ~~and~~
- 7 (8) Recover payments made under false or fraudulent
 8 representation.
- 9 **(9) Exercise all powers necessary, convenient, or appropriate**
 10 **to carry out and effectuate its public and corporate purposes**
 11 **and to conduct its business.**
- 12 (b) An agreement under subsection (a)(4) may be for a duration of
 13 three (3) years.
- 14 (c) A contract under subsection (a)(2) may be for a term of not more
 15 than five (5) years, with an ability to renew thereafter.
- 16 **(d) The board's powers and the fund's powers specified in this**
 17 **chapter shall be interpreted broadly to effectuate the purposes of**
 18 **this chapter and may not be construed as a limitation of powers.**
- 19 SECTION 6. IC 21-6.1-3-6 IS AMENDED TO READ AS
 20 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 6. (a) Each trustee shall
 21 give bond as specified periodically by the state board of finance.
- 22 (b) The board shall **do all of the following:**
- 23 (1) Act on each application for benefits.
- 24 (2) Provide the necessary forms for administering the fund.
- 25 (3) Establish records and accounts, which provide the necessary
 26 information for an actuary's examination and which are
 27 sanctioned by the state board of accounts.
- 28 (4) Maintain individual records for each member of the fund
 29 containing:
- 30 (A) ~~his~~ **the member's** name;
- 31 (B) date of birth;
- 32 (C) age at beginning service;
- 33 (D) service record;
- 34 (E) address;
- 35 (F) ~~his~~ **the member's** contributions to the fund;
- 36 (G) amounts withdrawn;
- 37 (H) benefits paid; and
- 38 (I) other items considered necessary.
- 39 (5) Employ assistants **or contract with employees, auditors,**
 40 **technical experts, legal counsel, and other service providers as**
 41 **it considers necessary to transact the business of the fund**
 42 **without the approval of any state officer, and fix their**



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1 compensation. ~~subject to the approval of the budget agency.~~

2 (6) Make rules as are required to administer the fund.

3 (7) Publish for the members' information a synopsis of the fund's
4 condition.

5 (8) Provide for a report at least annually, before June 1, to each
6 member of the value of the amount credited to the member in the
7 annuity savings account in each investment program under
8 IC 5-10.2-2. ~~and~~

9 (9) Provide for the installation in the general office of a complete
10 system of books, accounts (including reserve accounts), and
11 records in order to give effect to all the requirements of this
12 article and to ensure the proper operation of the fund.

13 **(10) Appoint an actuary.**

14 **(11) With the advice of the actuary, adopt actuarial tables and
15 compile data needed for actuarial studies that are necessary
16 for the fund's operation.**

17 **(12) Adopt a budget on a calendar year or fiscal year basis
18 that is sufficient, as determined by the board, to perform the
19 board's duties and, as appropriate and reasonable, draw upon
20 fund assets to fund the budget.**

21 **(13) Expend money, including income from the fund's
22 investments, for effectuating the fund's purposes.**

23 **(14) Establish personnel programs and policies for its
24 employees.**

25 **(15) Submit a report of its activities each year to the governor,
26 the pension management oversight commission, and the
27 budget committee before November 1 of each year. The
28 report under this subdivision must set forth a complete
29 operating and financial statement covering its operations
30 during the most recent fiscal year, including information on
31 the following:**

32 **(A) Investment performance.**

33 **(B) Investment and administrative costs as a percentage of
34 assets under management.**

35 **(C) Investment asset allocation strategy.**

36 **(D) Member services.**

37 **(E) Member communications.**

38 **(16) Establish a code of ethics or decide to be under the
39 jurisdiction and rules adopted by the state ethics commission.**

40 SECTION 7. IC 21-6.1-3-7 IS AMENDED TO READ AS
41 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 7. (a) The board may
42 do any of the following:

SB 64—LS 6141/DI 73+



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- 1 (1) Adopt and enforce ~~bylaws~~ **rules and regulations** regarding
 2 the ~~department's fund's~~ administration and the control and
 3 investment of the fund.
- 4 ~~(2) employ staff, who are not trustees, to perform clerical work~~
 5 ~~needed by the board;~~
- 6 ~~(3)~~ **(2)** Bond employees for the fund's protection.
- 7 ~~(4)~~ **(3)** Receive from the federal government the state's share of
 8 the cost of the pension contribution for a member on leave of
 9 absence to work in a federally supported educational project.
- 10 ~~(5)~~ **(4)** Sue and be sued as the board of trustees of the Indiana
 11 state teachers' retirement fund.
- 12 ~~(6)~~ **(5)** Summon and examine witnesses when adjusting claims.
- 13 ~~(7)~~ **(6)** Require, when adjusting disability claims, medical
 14 examinations by doctors approved or appointed by the board;
 15 however, not more than two (2) examinations may be conducted
 16 in one (1) year.
- 17 ~~(8)~~ **(7)** Conduct investigations to help determine the merit of a
 18 claim.
- 19 ~~(9)~~ **(8)** Meet any emergency which may arise in the administration
 20 of its trust.
- 21 ~~(10)~~ **(9)** Determine other matters regarding its trust which are not
 22 specified.
- 23 ~~(11)~~ **(10)** Enter into agreements with one (1) or more insurance
 24 companies to provide life, hospitalization, surgical, medical, or
 25 supplemental Medicare insurance, utilizing individual or group
 26 insurance policies for retired teachers, and, upon authorization of
 27 the respective retired teacher, deduct premium payments for such
 28 policies from the teachers' retirement benefits and remit the
 29 payments to the insurance companies. ~~and~~
- 30 ~~(12)~~ **(11)** Enter into agreements with one (1) or more insurance
 31 companies to provide annuities for retired teachers and upon a
 32 member's authorization transfer the amount credited to the
 33 member in the annuity savings account to the insurance
 34 companies.
- 35 **(12) Exercise all powers necessary, convenient, or appropriate**
 36 **to carry out and effectuate its public and corporate purposes**
 37 **and to conduct its business.**
- 38 **(13) Establish and amend rules and regulations:**
- 39 **(A) for the administration and regulation of the fund and**
 40 **the board's affairs; and**
- 41 **(B) to effectuate the powers and purposes of the board;**
 42 **without adopting a rule under IC 4-22-2.**

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1 (b) An agreement under subsection ~~(a)(11)~~ **(a)(10)** may be for a
2 duration of three (3) years.

3 (c) This subsection does not apply to an agreement under subsection
4 ~~(a)(11)~~: **(a)(10)**. A contract that the board enters into under section 9(b)
5 of this chapter or any other provision may be for a term of not more
6 than five (5) years, with an ability to renew thereafter.

7 **(d) The board's powers and the fund's powers specified in this**
8 **chapter shall be interpreted broadly to effectuate the purposes of**
9 **this chapter and may not be construed as a limitation of powers.**

10 SECTION 8. IC 36-8-8-4 IS AMENDED TO READ AS FOLLOWS
11 [EFFECTIVE JULY 1, 2000]: Sec. 4. (a) There is established a police
12 officers' and firefighters' pension and disability fund to be known as the
13 1977 fund. The 1977 fund consists of fund member and employer
14 contributions, plus the earnings on them, to be used to make benefit
15 payments to fund members and their survivors in the amounts and
16 under the conditions specified in this chapter.

17 (b) The board of trustees of the public employees' retirement fund
18 (referred to in this chapter as the "PERF board") shall administer the
19 1977 fund, which may be commingled with the public employees'
20 retirement fund for investment purposes. All actuarial data shall be
21 computed on the total membership of the fund, and the cost of
22 participation is the same for all employers in the fund. The fund
23 member and employer contributions shall be recorded separately for
24 each employer.

25 (c) The 1977 fund advisory committee, referred to as the committee,
26 is established. The PERF board shall consult with the committee on
27 matters pertaining to the administration of this chapter and
28 IC 5-10.3-11. The committee shall consist of the following members
29 appointed by the governor every two (2) years for a term of two (2)
30 years:

31 (1) Two (2) firefighters:

32 (A) each of whom must be a **an active or retired** member of
33 the 1937 fund or the 1977 fund; and

34 (B) neither of whom may be in an upper level policymaking
35 position.

36 (2) Two (2) police officers:

37 (A) each of whom must be a **an active or retired** member of
38 the 1925 fund, the 1953 fund, or the 1977 fund; and

39 (B) neither of whom may be in an upper level policymaking
40 position.

41 (3) Two (2) members, each of whom must be an executive of an
42 employer.

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1 (4) Two (2) members, each of whom must be a member of the
2 legislative body of an employer.
3 The term of each member begins on July 1 following appointment and
4 continues until his successor is qualified. A member of the committee
5 who no longer holds the position that qualified him for appointment
6 under subdivision (1), (2), (3), or (4) forfeits his membership on the
7 committee. The governor shall appoint a person to fill a vacancy on the
8 committee for the remainder of the unexpired term.
9 (d) Each member of the committee who is not a state employee is
10 entitled to ~~the minimum salary per diem provided by IC 4-10-11-2.1(b).~~
11 **reimbursement for expenses actually incurred in connection with**
12 **the member's duties.** Such a member is also entitled to reimbursement
13 for traveling expenses and other expenses actually incurred in
14 connection with the member's duties, as ~~provided in the state travel~~
15 ~~policies and procedures established by the department of~~
16 ~~administration and approved by the state budget agency.~~ **PERF board.**

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SENATE MOTION

Mr. President: I move that Senator Lutz be added as second author of Senate Bill 64.

HARRISON

SENATE MOTION

Mr. President: I move that Senators Weatherwax and Craycraft be added as coauthors of Senate Bill 64.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Pensions and Labor, to which was referred Senate Bill No. 64, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is made to Senate Bill 64 as introduced.)

HARRISON, Chairperson

Committee Vote: Yeas 8, Nays 0.

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SENATE MOTION

Mr. President: I move that Senate Bill 64 be amended to read as follows:

Page 2, line 38, after "IC 34-6-2-38)." insert "**All employees of each board or fund employed within a classification covered by a labor agreement to which the state is a party shall continue to remain subject to the terms and conditions of that agreement and any successor labor agreements entered into by the state.**".

Page 3, line 9, after "fund" insert "**covered by this article that satisfies the conditions of section 1.5 of this chapter**".

Page 3, line 37, after "fund" insert "**covered by this article that satisfies the conditions of section 1.5 of this chapter**".

Page 3, between lines 40 and 41, begin a new paragraph and insert: "**(c) The biennial appropriation under this section shall be deposited in the trust of each fund and used only as provided in section 1.5 of this chapter.**"

Page 4, line 37, after "governor" insert ",".

Page 4, line 38, delete "and to".

Page 4, line 38, after "commission" insert ", **and the budget committee**".

Page 4, line 41, after "year" delete "." and insert ", **including information on the following:**

- (A) **Investment performance.**
- (B) **Investment and administrative costs as a percentage of assets under management.**
- (C) **Investment asset allocation strategy.**
- (D) **Member services.**
- (E) **Member communications.**

Page 7, line 7, after "governor" insert ",".

Page 7, line 8, delete "and to".

Page 7, line 8, after "commission" insert ", **and the budget committee**".

Page 7, line 11, after "year" delete "." and insert ", **including information on the following:**

- (A) **Investment performance.**
- (B) **Investment and administrative costs as a percentage of assets under management.**
- (C) **Investment asset allocation strategy.**
- (D) **Member services.**
- (E) **Member communications.**

(Reference is to SB 64 as printed January 14, 2000.)

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