

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7455**

**BILL NUMBER: SB 536**

**NOTE PREPARED: Mar 4, 2009**

**BILL AMENDED:**

**SUBJECT:** PERF/TRF Annuity Savings Accounts.

**FIRST AUTHOR:** Sen. Kruse

**FIRST SPONSOR:** Rep. Niezgodski

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill:

- (1) allows the Board of Trustees of the Public Employees' Retirement Fund (PERF) to establish by rule the valuation date for a member's annuity savings account (ASA) and the frequency, allocation, and timing of changes in a member's investment selections for the Legislators' Retirement System (LRS);
- (2) allows the PERF Board of Trustees and the Board of Trustees of the State Teachers' Retirement Fund (TRF) to establish a single composite interest or earnings rate in order to compute the interest or earnings credits on a member's omitted contributions in the guaranteed program or an alternate investment program;
- (3) allows the PERF and TRF boards to establish by rule due dates for employer contributions and reports;
- (4) requires employers to submit contributions and reports to PERF and TRF electronically after December 31, 2009, unless the employer obtains a waiver of the requirement for a period not to exceed two years; and
- (5) increases from \$200 to \$1,000 the maximum amount in a member's ASA for purposes of suspending the member's fund membership and paying the ASA in a lump sum.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** (Revised) (1) Changing investment selections and establishing the market valuation date of a member's investment will have no fiscal impact on PERF and TRF. The funds affected are the respective administrative funds.

(2) Allowing the PERF and TRF Boards to establish a single composite interest or earnings rate will generate savings for PERF estimated at \$20,000 per year, and savings for TRF estimated at \$10,000 per year. The

funds affected are the respective Administrative Funds.

(3) Allowing the PERF and TRF boards to establish due dates for employer contributions and reports will have no fiscal impact on either Administrative Fund.

TRF reported that this gives the Board the authority to apply employee ASA contributions sooner to a member's account. Under current law, it can take an average of 135 days before a member's contribution is applied to their account.

(4) Requiring employers to submit contributions and reports to PERF and TRF electronically may reduce the annual costs associated with these reports. The funds affected are the respective Administrative Funds. PERF has estimated cost savings for this at \$40,000 per year.

(5) Increasing from \$200 to \$1,000 the maximum amount in a member's ASA for purposes of suspending the member's fund membership and paying the ASA in a lump sum will reduce costs by \$17.50 per affected member. TRF has approximately 37,000 inactive non-vested members with ASA balances less than \$1,000. This would save TRF \$647,500 per year ( $\$17.50/\text{member} \times 37,000 \text{ members}$ ) in administrative costs. PERF has approximately 45,000 inactive members with ASA balances less than \$1,000. This would save PERF \$787,500 per year ( $\$17.50 \times 45,000 \text{ members}$ ) in administrative costs. The funds affected are the respective Administrative Funds.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** PERF; TRF.

**Local Agencies Affected:** Units with members in PERF; School corporations with members in TRF.

**Information Sources:** Terry Magid, Executive Director of PERF, 317-234-4375; Steve Barley, Chief Operating Officer, PERF, 317-317-233-4184; Steve Russo, Executive Director of TRF, 317-232-3864.

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