

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6846

BILL NUMBER: HB 1560

NOTE PREPARED: Jan 1, 2013

BILL AMENDED:

SUBJECT: Rollovers of School Retirement Accounts.

FIRST AUTHOR: Rep. Carbaugh

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that whenever a school corporation closes future contributions to a retirement, savings, or investment plan described under Section 401(a) or Section 403(b) of the Internal Revenue Code, a participant in the plan, without regard to the participant's age or employment status, may elect to rollover the balance invested in that plan to: (1) another eligible retirement, savings, or investment plan offered by the school corporation; or (2) an individual retirement account or annuity described under Section 408(a) or Section 408(b) of the Internal Revenue Code.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The impact would depend on the surrender fees that might apply to the early withdrawal of the plan's investments. The impact would also depend on whether the school corporation or the individual were responsible for the surrender fees. The fees would only apply when a school closes future contributions to a retirement, savings, or investment plan.

Background: As of December 31, 2011, schools had a cash balance of about \$179 .3 M in pension/severance benefit funds.

Surrender Fee- A fee levied against an investor for the early withdrawal of funds from an insurance or annuity contract or for the cancellation of the agreement. Surrender fees vary but a typical annuity surrender fee could be set at 10% of the contributions for withdrawal the first year. For each successive year of the contract the surrender fee might drop by a fixed percentage such as 1%.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Local schools.

Information Sources:

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