

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

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FISCAL IMPACT STATEMENT

LS 6073

BILL NUMBER: SB 79

NOTE PREPARED: Jan 25, 2022

BILL AMENDED: Jan 18, 2022

SUBJECT: 1977 Pension and Disability Fund.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR: Rep. Frye R

BILL STATUS: As Passed Senate

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes the 1977 Fund Defined Contribution Plan ('77 Fund DC Plan). It provides that current employees may make contributions to the plan. It also specifies rules and requirements for the plan concerning items that include member elections, member contributions, vesting, rollover distributions, and withdrawal of funds. (The introduced version of this bill was prepared by the Interim Study Committee on Pension Management Oversight.)

Effective Date: July 1, 2022.

Explanation of State Expenditures: *Summary* - The cost to establish the '77 Fund DC Plan will include start-up costs and ongoing administrative expenses. The Indiana Public Retirement System (INPRS) estimates that start-up costs for the '77 Fund DC Plan could total \$1.5 M to \$2 M.

Under the bill, the fees charged to member accounts in the first year will be greater to cover administrative costs and may be lowered in subsequent years to cover the ongoing administrative costs of the plan. If limited numbers of police officers and firefighters decide to participate in the '77 Fund DC Plan, the fees charged to members' accounts may be high or insufficient to fully cover start-up and ongoing costs. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Additional Information - Participation in the '77 Fund DC Plan is voluntary and would be open to active members of the 1977 Police and Firefighter Pension Fund ('77 Fund). In FY 2020, the '77 Fund had 14,242 active members. It is unknown how many police officers and firefighters would choose to participate in the '77 Fund DC Plan.

INPRS will administer the '77 Fund DC Plan and will have increased workload and expenses to administer the plan. INPRS has limited ability to shift staff and resources to pay for the initial start-up costs with existing resources. INPRS is restricted from borrowing from other pension funds to pay for the costs of a new fund.

The costs of administering defined benefit (DB) plans are paid from the respective DB plans assets. The expenses of administering existing defined contribution (DC) plans are paid through monthly administrative fees. Members in the PERF DC, TRF DC, and LEDC plans pay a monthly administrative fee of \$3.75.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System.

Local Agencies Affected:

Information Sources: Tony Green, INPRS, Agreen@inprs.in.gov;
October 7, 2021 meeting of the Interim Study Committee on Pension Management Oversight,
https://iga.in.gov/information/archives/2021/video/committee_i_pension_management_oversight_interim_study_committee_on/

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