



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1961

PRINTERS NO. 4478

PRIME SPONSOR: Schmitt

### COST / (SAVINGS)

FUND	FY 2020/21	FY 2021/22
State Employees' Retirement Fund	See fiscal impact	See fiscal impact

**SUMMARY:** House Bill 1961, printer's number 4478, amends Title 71 (State Government) relating to retirement of state employees and officers to further provide for administrative duties of the board.

The effective date is 30 days after enactment for the addition of Section 5902(r) of Title 71. The remainder of the bill takes effect immediately upon enactment.

**ANALYSIS:** House Bill 1961 amends Section 5902 of Title 71 by adding a requirement that the State Employees' Retirement System (SERS) Board prepare a report of investment performance on a fiscal year basis (July 1st through June 30th), in addition to a calendar year basis.

The bill also amends several sections of Title 71 to require the SERS Board to retain the defined contributions of unvested SERS participants that leave state service. Retained funds are to be used for the payment of administrative fees, costs, and expenses of the defined contribution plan.

The legislation also removes language from the Fiscal Code that allows SERS to assess an annual per-participant charge to pay for administrative fees, costs, and expenses of the plan. The provision is restated in the State Employees' Retirement Code.

**FISCAL IMPACT:** According to SERS, redirecting unvested employer contributions to offset a portion of the administrative costs of the defined contribution plan will have a direct impact on the per-participant charge that is assessed to the plan's employers. As of September 2020, the balance in the forfeiture account was \$550,000. SERS projects that the incremental additions to the forfeiture fund balance are expected to increase as participation in the plan grows and more members leave service before being vested.

As reported by the Independent Fiscal Office (IFO), the actuarial cost of House Bill 1961 would be de minimis.

The adoption of the additional reporting requirement for SERS will have no adverse impact on Commonwealth funds.

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House Appropriations Committee (R)

**DATE:** October 20, 2020

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*