

# **SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE**

**BILL NO.** House Bill 1961

**PRINTER NO.** 4478

**AMOUNT**

See Fiscal Impact

**FUND**

State Employees' Retirement Fund

**DATE INTRODUCED**

October 18, 2019

**PRIME SPONSOR**

Representative Schmitt

**DESCRIPTION**

House Bill 1961 amends the State Employees' Retirement Code contained in Title 71 (State Government) to require the State Employees' Retirement System (SERS) to prepare a separate report detailing its investment performance for the period of July 1 through June 30 each year.

The legislation requires SERS to retain non-vested employer defined contributions, interest and investment gains that are forfeited when a participant terminates state service and interest earned on funds pending investment for the payment of administrative fees, costs and expenses of the Defined Contribution Plan.

The legislation also repeals language currently in the Fiscal Code that allows SERS to assess an annual per-participant charge for the payment of administrative fees, costs and expenses of the plan and restates the language in the State Employees' Retirement Code.

The new investment performance reporting provisions apply beginning with the first period of July 1 through June 30 that commences 30 days after the effective date of the act. The remainder of the provisions take effect immediately.

**FISCAL IMPACT:**

SERS has indicated the provisions contained in House Bill 1961 that require it to prepare a separate report detailing its investment performance for the period of July 1 through June 30 each year can be accomplished within its existing operating budget as the information is routinely produced for internal agency purposes.

The provisions redirecting non-vested contributions, interest and investment gains that have been forfeited will offset a portion of the administrative costs of the Defined Contribution Plan (plan) and will reduce the per-participant charge that is assessed to employers. Presently, these funds are returned to the participant's respective employer to offset future year contributions. For the current calendar year through September 2020, SERS reported that the balance in the forfeiture account was \$550,000. Annualized, this amount is estimated to be \$734,000. Further, the annual forfeiture account balance is expected to increase over time as participation in the plan and the number of participants terminating service before the three-year vesting period grows.