

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7250
BILL NUMBER: HB 1394

DATE PREPARED: Jan 7, 2002
BILL AMENDED:

SUBJECT: Indiana Alternative Investments.

FISCAL ANALYST: James Sperlik
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FUNDS AFFECTED: GENERAL
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires public pension funds to invest 20% of the amount that the fund allocates to alternative investments in Indiana alternative investments. It provides that if, in the exercise of financial and fiduciary prudence, a public pension fund determines that appropriate alternative investments are not available in Indiana to meet the 20% allocation requirement, the fund may not invest the amount that the board was not able to invest in alternative investments in Indiana in alternative investments outside Indiana.

Effective Date: July 1, 2002.

Explanation of State Expenditures: This proposal affects the policy under which the public pension funds operate. The decisions of the Boards of Trustees of the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) will need to fall within the parameters of the bill regarding alternative investments. Currently, neither fund utilizes alternative investments.

Background: The funds operate under the prudent investment standard.

IC 5-10.3-5-3(a) states : *The Board shall invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The board shall also diversify such investments in accordance with prudent investment standards.*

Explanation of State Revenues:

Explanation of Local Expenditures: This bill imposes restrictions on the investment policies of the Public Employees' Retirement Fund and the Teachers' Retirement Fund in which local units of government and school corporations participate.

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund.

Local Agencies Affected: Local units and school corporations participating in PERF and TRF.

Information Sources: Bob Newland, Investment Officer for the Teachers' Retirement Fund, 232-3868.