

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7854

BILL NUMBER: HB 1004

NOTE PREPARED: Jan 12, 2003

BILL AMENDED:

SUBJECT: Alternative Investments by Pension Funds.

FIRST AUTHOR: Rep. Kromkowski

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill encourages the Boards of Trustees of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) to invest at least 5% of the funds under their control and available for investment in alternative investments. It encourages the boards to place at least \$100,000,000 of these alternative investments in certain business sectors over the next ten years. The bill requires the Boards to exercise financial and fiduciary prudence to identify appropriate alternative investments.

Effective Date: July 1, 2003.

Explanation of State Expenditures: This proposal could affect the policy under which the public pension funds operate. No requirements are imposed on PERF and TRF, but the Funds are encouraged to invest specified amounts in alternative investments, as defined in the bill, and in specified business sectors in Indiana.

Background: The funds currently 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:

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.

Fiscal Analyst: James Sperlik, 317-232-9866.