

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: HB 3865, as amended by SA 1 May 1, 2012
SPONSOR(S): Franks – Winters, et al. (Garrett)
SYSTEM(S): Public Employees' Deferred Compensation Article (Article 24)

FISCAL IMPACT: The fiscal impact of HB 3865, as amended by SA 1, is indiscernible.

SUBJECT MATTER: HB 3865, as amended by SA 1, amends the Deferred Compensation Article of the Pension Code. The bill establishes transparency guidelines for investment institutions offering products to employees of local governments or school districts.

FISCAL IMPACT: The fiscal impact of HB 3865, as amended by SA 1, is indiscernible.

COMMENT: Under current law, a deferred compensation program can be established by written agreement between the employee and the legislative authority of the local government or school district with whom they are employed. HB 3865, as amended by SA 1, amends the Deferred Compensation Article of the Pension Code by establishing transparency standards for investment providers. This bill goes into effect upon becoming law.

Any investment provider offering deferred compensation or tax-sheltered annuity plans to a local government or school district's employees will have to provide summaries for each investment product, and these summaries must meet certain criteria. The format of such summaries shall be developed in conjunction with organizations representing the aforementioned employees. Summaries shall identify all services available and who they will be provided by. All fees relevant to any plan offer shall clearly be stated. All investment-related information will be provided in accordance with ERISA standards for private employees. Finally, all payments and the parties involved in those payments incurred over the course of investing shall be identified.

Deferred compensation programs require only the approval of the local unit of government of school district to be offered; however, the details of any program fall onto the shoulders of the employee and the investment institution. HB 3865, as amended by SA 1, requires the investment institution to offer more information regarding their products, thereby allowing affected employees to make more informed decisions.