Second Regular Session 118th General Assembly (2014)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2013 Regular Session and 2013 First Regular Technical Session of the General Assembly.

HOUSE ENROLLED ACT No. 1075

AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-3-3-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 2. (a) The surviving spouse of each individual who:

(1) serves as governor; and

(2) is entitled to a retirement benefit under section 1.1 of this chapter;

is entitled to an annual pension.

(b) The pension to which a governor's surviving spouse is entitled under this section shall be paid in equal monthly installments by the treasurer of state on warrant of the auditor of state after a claim has been made for the pension to the auditor by:

(1) the surviving spouse; or

(2) a person acting on behalf of the surviving spouse.

(c) The annual pension to which a governor's surviving spouse is entitled under this section is equal to the following:

(1) For the surviving spouse of a governor who died before July 1, 1998, the greater of:

(A) the annual retirement benefit received by the surviving spouse during the year beginning July 1, 1998; or

(B) ten thousand dollars ($10,000).

(2) For the surviving spouse of a governor who dies after June 30,

1998, the greater of:

(A) fifty percent (50%) of the annual retirement benefit that the governor to whom the surviving spouse was married was receiving or was entitled to receive on the date of the governor's death; or

(B) ten thousand dollars ($10,000).

(d) The surviving spouse of a governor must make the election required under subsection (c)(1) or (c)(2). Once a surviving spouse has received any pension payment under this section, the election is irrevocable.

(e) A governor's surviving spouse is entitled to receive the pension provided under this section for life. ~~unless the surviving spouse remarries.~~

(f) Notwithstanding any other law to the contrary, the pension provided under this section is in addition to any other retirement benefits a governor's surviving spouse is entitled to receive.

SECTION 2. IC 5-10-1.1-3.5, AS AMENDED BY P.L.242-2013, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 3.5. (a) This section applies to an individual who becomes an employee of the state after June 30, 2007.

(b) Unless an employee notifies the state that the employee does not want to enroll in the deferred compensation plan, on day thirty-one (31) of the employee's employment:

(1) the employee is automatically enrolled in the deferred compensation plan; and

(2) the state is authorized to begin deductions as otherwise allowed under this chapter.

(c) The auditor of state shall provide written notice to an employee of the provisions of this chapter. The notice provided under this subsection must:

(1) be provided:

(A) with the employee's first paycheck; and

(B) on paper that is a color that is separate and distinct from the color of the employee's paycheck;

(2) contain a statement concerning:

(A) the purposes of;

(B) procedures for notifying the state that the employee does not want to enroll in;

(C) the tax consequences of; and

(D) the details of the state match for employee contribution to; the deferred compensation plan; and

(3) list the telephone number, electronic mail address, and other

contact information for the auditor of state, who serves as plan administrator.

(d) This subsection applies to contributions made before July 1, 2011. Notwithstanding IC 22-2-6, except as provided by subsection (h), the state shall deduct from an employee's compensation as a contribution to the deferred compensation plan established by the state under this chapter an amount equal to the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(e) This subsection applies to contributions made after June 30, 2011, and before July 1, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

(1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(2) One-half percent (0.5%) of the employee's base salary.

(f) This subsection applies to contributions made after June 30, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

(1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(2) Two percent (2%) of the employee's base salary.

(g) This subsection applies to a year:

(1) after the first year in which an employee is enrolled in the deferred compensation plan; and

(2) in which the employee does not affirmatively choose a contribution amount under subsection (h).

The percentage of the employee's base salary used for the year in subsection (e)(2) or (f)(2) to determine the employee's contribution increases by one-half percent (0.5%) from the percentage determined in the immediately preceding year. The maximum percentage of an employee's base salary that may be deducted under this subsection is ~~three~~ **five** percent ~~(3%).~~ **(5%).** The contribution increase occurs on the anniversary date of the employee's enrollment in the deferred compensation plan.

(h) An employee may contribute to the deferred compensation plan established by the state under this chapter an amount other than the amount described in subsections (d) through (g) by affirmatively choosing to contribute:

(1) a higher amount;
(2) a lower amount; or
(3) zero (0).

SECTION 3. IC 5-10.2-4-4, AS AMENDED BY P.L.115-2008, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 4. (a) The computation of benefits under this section is subject to IC 5-10.2-2-1.5.

(b) For retirement benefits payable on and after July 1, 1975, for a member retired on and after January 1, 1956, the pension (p) is computed as follows:

STEP ONE: Multiply one and one-tenths percent (1.1%) times the average of the annual compensation (aac) and obtain a product.
STEP TWO: To obtain the pension, multiply the STEP ONE product by the total creditable service (scr) completed by the member on the member's retirement date.
Expressed mathematically:
p = (.011) times (aac) times (scr)

(c) Unless the member:

(1) has chosen a lump sum payment under section 2(b) of this chapter;
(2) has elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5; or
(3) elects to defer receiving in any form the member's annuity savings account under section 2(c) of this chapter;

the annuity is the amount purchasable on the member's retirement date by the amount credited to the member in the annuity savings account. The amount purchasable is based on actuarial tables adopted by the board under IC 5-10.2-2-10 at an interest rate determined by the board **under IC 5-10.5-4-2.6.**

SECTION 4. IC 5-10.5-4-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.5. Notwithstanding any other provision in this article, IC 5-10.2, IC 5-10.3, or IC 5-10.4, the board may not, before January 1, 2017, enter into an agreement with a third party provider to provide annuities for retiring members of:**

(1) the public employees' retirement fund; or

(2) the teachers' retirement fund.

SECTION 5. IC 5-10.5-4-2.6 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.6. (a) This subsection applies after September 30, 2014, and before January 1, 2017.The following interest rates shall be used to determine the annuity amount purchasable by a member of the public employees' retirement fund or the teachers' retirement fund who elects to receive, as part of the member's retirement or disability benefit, an annuity provided by the amount credited to the member in the member's annuity savings account:**

(1) After September 30, 2014, and before October 1, 2015, five and seventy-five hundredths percent (5.75%).

(2) After September 30, 2015, and before January 1, 2017, the greater of:

(A) the interest rate for similar annuities being purchased in the private market as determined by the board; or

(B) four and one-half percent (4.5%).

(b) This subsection applies after December 31, 2016, whenever the board enters into an agreement with a third party provider to provide annuities for retiring members of the public employees' retirement fund or the teachers' retirement fund. The interest rate used to determine the annuity amount purchasable by a member is equal to the rate for similar annuities being purchased in the private market as recommended by the third party provider.

SECTION 6. **An emergency is declared for this act.**

Speaker of the House of Representatives

President of the Senate

President Pro Tempore

Governor of the State of Indiana

Date: Time: