

HOUSE BILL No. 1032

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10-10-4.8; IC 5-10.2; IC 5-10.3; IC 5-10.4-2-6.

Synopsis: Various pension matters. Provides that an employer who elects to purchase special death benefit coverage for an eligible emergency medical services provider must pay for the coverage annually as prescribed by the Indiana public retirement system board. Eliminates the guaranteed fund investment option after December 31, 2016, for members of the public employees' retirement fund (PERF) and the teachers' retirement fund (TRF) and replaces the guaranteed fund with an unguaranteed stable value fund investment option. Provides for the disbursement or investment of annuity savings account money if an unvested member or PERF or TRF is suspended, and discontinues the practice of moving that annuity savings account money to a reserve account. (The introduced version of this bill was prepared by the interim study committee on pension management oversight.)

Effective: July 1, 2016.

Carbaugh

January 5, 2016, read first time and referred to Committee on Employment, Labor and Pensions.



Second Regular Session of the 119th General Assembly (2016)

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 2015 Regular Session of the General Assembly.

HOUSE BILL No. 1032

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

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

1 SECTION 1. IC 5-10-10-4.8, AS ADDED BY P.L.62-2015,
2 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2016]: Sec. 4.8. (a) As used in this section, "eligible
4 emergency medical services provider" means an emergency medical
5 services provider who is employed by a person that has contracted with
6 a political subdivision to provide emergency medical services for the
7 political subdivision.
8 (b) As used in this section, "emergency medical services" has the
9 meaning set forth in IC 16-49-1-5.
10 (c) As used in this section, "emergency medical services provider"
11 has the meaning set forth in IC 16-41-10-1.
12 (d) As used in this section, "political subdivision" has the meaning
13 set forth in IC 36-1-2-13.
14 (e) If an employer purchases coverage for an eligible emergency
15 medical services provider, the eligible emergency medical services
16 provider who dies as a direct result of personal injury or illness
17 resulting from the eligible emergency medical services provider's



1 performance of duties under a contract entered into by the emergency
 2 medical services provider's employer to provide emergency medical
 3 services for a political subdivision is eligible for a special death benefit
 4 from the fund in the same manner as any other public safety officer is
 5 eligible for a benefit from the fund. The cost of the coverage must be
 6 one hundred dollars (\$100) annually for each eligible emergency
 7 medical services provider paid by the emergency medical services
 8 provider's employer. The cost of the coverage shall be paid to the board
 9 for deposit into the fund.

10 (f) If an employer elects to provide coverage under this section, the
 11 employer must purchase coverage for all eligible emergency medical
 12 services providers of the employer. ~~The board shall allow an~~ **An**
 13 **employer to who elects to purchase coverage under this section**
 14 **must purchase coverage by making quarterly annual payments on**
 15 **dates as prescribed by the board.**

16 SECTION 2. IC 5-10.2-2-3, AS AMENDED BY P.L.35-2012,
 17 SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 18 JULY 1, 2016]: Sec. 3. (a) The annuity savings account consists of:

- 19 (1) the members' contributions; and
 20 (2) the interest credits on these contributions in the guaranteed
 21 fund **(before January 1, 2017), the gain or loss in market value**
 22 **on these contributions in the stable value fund (after**
 23 **December 31, 2016), or the gain or loss in market value on these**
 24 contributions in the alternative investment program, as specified
 25 in section 4 of this chapter.

26 Each member shall be credited individually with the amount of the
 27 member's contributions and interest credits.

28 (b) The board shall maintain the annuity savings account program
 29 in effect on December 31, 1995 (referred to in this chapter as the
 30 guaranteed program) **until January 1, 2017**. In addition, the board
 31 shall establish and maintain a guaranteed program within the 1996
 32 account **until January 1, 2017. The board shall establish an**
 33 **investment fund (referred to in this chapter as the stable value**
 34 **fund) that has preservation of capital as the primary investment**
 35 **objective.** The board may establish investment guidelines and limits on
 36 all types of investments (including, but not limited to, stocks and
 37 bonds) and take other actions necessary to fulfill its duty as a fiduciary
 38 of the annuity savings account, subject to the limitations and
 39 restrictions set forth in IC 5-10.3-5-3, IC 5-10.4-3-10, and IC 5-10.5-5.

40 (c) The board shall establish alternative investment programs within
 41 the annuity savings account of the public employees' retirement fund,
 42 the pre-1996 account, and the 1996 account, based on the following



- 1 requirements:
- 2 (1) The board shall maintain at least one (1) alternative
- 3 investment program that is an indexed stock fund and one (1)
- 4 alternative investment program that is a bond fund. The board
- 5 may maintain one (1) or more alternative investment programs
- 6 that:
- 7 (A) invest in one (1) or more commingled or pooled funds that
- 8 consist in part or entirely of mortgages that qualify as five star
- 9 mortgages under the program established by IC 24-5-23.6; or
- 10 (B) otherwise invest in mortgages that qualify as five star
- 11 mortgages under the program established by IC 24-5-23.6.
- 12 (2) The programs should represent a variety of investment
- 13 objectives under IC 5-10.3-5-3.
- 14 (3) No program may permit a member to withdraw money from
- 15 the member's account except as provided in IC 5-10.2-3 and
- 16 IC 5-10.2-4.
- 17 (4) All administrative costs of each alternative program shall be
- 18 paid from the earnings on that program or as may be determined
- 19 by the rules of the board.
- 20 (5) Except as provided in section 4(e) of this chapter, a valuation
- 21 of each member's account must be completed as of:
- 22 (A) the last day of each quarter; or
- 23 (B) another time as the board may specify by rule.
- 24 (d) The board must prepare, at least annually, an analysis of the
- 25 guaranteed program **(before January 1, 2017), the stable value fund**
- 26 **(after December 31, 2016)**, and each alternative investment program.
- 27 This analysis must:
- 28 (1) include a description of the procedure for selecting an
- 29 alternative investment program;
- 30 (2) be understandable by the majority of members; and
- 31 (3) include a description of prior investment performance.
- 32 (e) A member may direct the allocation of the amount credited to
- 33 the member among the guaranteed fund **(before January 1, 2017), the**
- 34 **stable value fund (after December 31, 2016)**, and any available
- 35 alternative investment funds, subject to the following conditions:
- 36 (1) A member may make a selection or change an existing
- 37 selection under rules established by the board. The board shall
- 38 allow a member to make a selection or change any existing
- 39 selection at least once each quarter.
- 40 (2) The board shall implement the member's selection beginning
- 41 on the first day of the next calendar quarter that begins at least
- 42 thirty (30) days after the selection is received by the board or on



1 an alternate date established by the rules of the board. This date
2 is the effective date of the member's selection.

3 (3) A member may select any combination of the guaranteed fund
4 **(before January 1, 2017), the stable value fund (after**
5 **December 31, 2016),** or any available alternative investment
6 funds, in ten percent (10%) increments or smaller increments that
7 may be established by the rules of the board.

8 (4) A member's selection remains in effect until a new selection
9 is made.

10 (5) On the effective date of a member's selection, the board shall
11 reallocate the member's existing balance or balances in
12 accordance with the member's direction, based on:

13 (A) for an alternative investment program balance, the market
14 value on the effective date; ~~and~~

15 (B) for any guaranteed program balance, the account balance
16 on the effective date; **and**

17 **(C) for any stable value fund program balance, the market**
18 **value on the effective date.**

19 All contributions to the member's account shall be allocated as of
20 the last day of that quarter or at an alternate time established by
21 the rules of the board in accordance with the member's most
22 recent effective direction. The board shall not reallocate the
23 member's account at any other time.

24 **(6) The provisions concerning the transition from the**
25 **guaranteed program to the stable value fund program are**
26 **met, as set forth in section 24 of this chapter.**

27 (f) When a member who participates in an alternative investment
28 program transfers the amount credited to the member from one (1)
29 alternative investment program to another alternative investment
30 program, ~~or~~ to the guaranteed program **(before July 1, 2016), or to the**
31 **stable value fund program (after December 31, 2016),** the amount
32 credited to the member shall be valued at the market value of the
33 member's investment, as of the day before the effective date of the
34 member's selection or at an alternate time established by the rules of
35 the board. When a member who participates in an alternative
36 investment program retires, becomes disabled, dies, or suspends
37 membership and withdraws from the fund, the amount credited to the
38 member shall be the market value of the member's investment as of the
39 last day of the quarter preceding the member's distribution or
40 annuitization at retirement, disability, death, or suspension and
41 withdrawal, plus contributions received after that date or at an alternate
42 time established by the rules of the board.



1 (g) **This subsection applies before January 1, 2017.** When a
 2 member who participates in the guaranteed program transfers the
 3 amount credited to the member to an alternative investment program,
 4 the amount credited to the member in the guaranteed program is
 5 computed without regard to market value and is based on the balance
 6 of the member's account in the guaranteed program as of the last day
 7 of the quarter preceding the effective date of the transfer. However, the
 8 board may by rule provide for an alternate valuation date. When a
 9 member who participates in the guaranteed program retires, becomes
 10 disabled, dies, or suspends membership and withdraws from the fund,
 11 the amount credited to the member shall be computed without regard
 12 to market value and is based on the balance of the member's account in
 13 the guaranteed program as of the last day of the quarter preceding the
 14 member's distribution or annuitization at retirement, disability, death,
 15 or suspension and withdrawal, plus any contributions received since
 16 that date plus interest since that date. However, the board may by rule
 17 provide for an alternate valuation date.

18 (h) **This subsection applies after December 31, 2016. When a**
 19 **member who participates in the stable value fund program**
 20 **transfers the amount credited to the member from the stable value**
 21 **fund program to an alternative investment program, the amount**
 22 **credited to the member shall be valued at the market value of the**
 23 **member's investment, as of the day before the effective date of the**
 24 **member's selection or at an alternate time established by the rules**
 25 **of the board. When a member who participates in the stable value**
 26 **fund program retires, becomes disabled, dies, or suspends**
 27 **membership and withdraws from the fund, the amount credited to**
 28 **the member shall be the market value of the member's investment**
 29 **as of the last day of the quarter preceding the member's**
 30 **distribution or annuitization at retirement, disability, death, or**
 31 **suspension and withdrawal, plus contributions received after that**
 32 **date or at an alternate time established by the rules of the board.**

33 SECTION 3. IC 5-10.2-2-3.3, AS ADDED BY P.L.220-2011,
 34 SECTION 72, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 35 JULY 1, 2016]: Sec. 3.3. Interest credited prior to July 1, 2005, in the
 36 annuity savings account of the public employees' retirement fund to
 37 suspended members participating in the guaranteed fund (**before its**
 38 **elimination on January 1, 2017**) under section 3 of this chapter shall
 39 be treated as properly credited.

40 SECTION 4. IC 5-10.2-2-4, AS AMENDED BY P.L.35-2012,
 41 SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 42 JULY 1, 2016]: Sec. 4. (a) Except as provided in subsection (e),



1 interest shall be credited and compounded at least annually on all
 2 amounts credited to the member in the guaranteed program. For the
 3 guaranteed program, the board shall annually establish an interest
 4 credit rate equal to or less than the investment income earned.

5 (b) Except as provided in subsection (e), the market value of each
 6 alternative investment program shall be allocated at least annually to
 7 the members participating in that program.

8 (c) Contributions to the guaranteed program and the alternative
 9 investment programs shall be invested as of the last day of the quarter
 10 in which the contributions are received or at an alternate time
 11 established by the rules of the board. Contributions to the guaranteed
 12 program shall begin to accumulate interest at the beginning of the
 13 quarter after the quarter in which the contributions are received or at an
 14 alternate time established by the rules of the board.

15 (d) When a member retires or withdraws with a balance in the
 16 guaranteed program, a proportional interest credit determined by the
 17 board shall be granted for the period elapsed since the last interest date
 18 on that balance.

19 (e) This subsection applies whenever the board is required to
 20 establish an interest or earnings rate in order to credit interest or
 21 earnings to an omitted contribution to a member's annuity savings
 22 account. As used in this subsection, "omitted contribution" means a
 23 contribution contributed by or on behalf of a member under
 24 IC 5-10.3-7-9 or IC 5-10.4-4-11 that is received by the board after the
 25 time required by IC 5-10.3-7-12.5 or IC 5-10.4-7-6(b)(1).
 26 Notwithstanding any law to the contrary, the board may by rule specify:

27 (1) a single composite interest rate and the period to which the
 28 rate applies for the purpose of computing the interest credits on
 29 a member's contributions (including omitted contributions) in the
 30 guaranteed fund; and

31 (2) a single composite earnings rate for the gain or loss in market
 32 value for each alternative investment program and the period to
 33 which the rate applies for the purpose of computing the gain or
 34 loss in market value on a member's contributions (including
 35 omitted contributions) in the alternate investment program.

36 **(f) This section expires January 1, 2017.**

37 SECTION 5. IC 5-10.2-2-4.1 IS ADDED TO THE INDIANA
 38 CODE AS A NEW SECTION TO READ AS FOLLOWS
 39 [EFFECTIVE JULY 1, 2016]: **Sec. 4.1. (a) This section applies only
 40 after December 31, 2016.**

41 **(b) Except as provided in subsection (e), the market value of the
 42 stable value fund program shall be allocated at least annually to**



1 the members participating in that program.

2 (c) Except as provided in subsection (e), the market value of
3 each alternative investment program shall be allocated at least
4 annually to the members participating in that program.

5 (d) Contributions to the stable value fund program and the
6 alternative investment programs shall be invested as of the last day
7 of the quarter in which the contributions are received or at an
8 alternate time established by the rules of the board.

9 (e) This subsection applies whenever the board is required to
10 establish an earnings rate in order to credit earnings to an omitted
11 contribution to a member's annuity savings account. As used in
12 this subsection, "omitted contribution" means a contribution
13 contributed by or on behalf of a member under IC 5-10.3-7-9 or
14 IC 5-10.4-4-11 that is received by the board after the time required
15 by IC 5-10.3-7-12.5 or IC 5-10.4-7-6(b)(1). Notwithstanding any
16 law to the contrary, the board may by rule specify:

17 (1) a single composite earnings rate for the gain or loss in
18 market value for the stable value fund program for the
19 purpose of computing the gain or loss in market value on a
20 member's contributions (including omitted contributions) in
21 the stable value fund program; and

22 (2) a single composite earnings rate for the gain or loss in
23 market value for each alternative investment program and
24 the period to which the rate applies for the purpose of
25 computing the gain or loss in market value on a member's
26 contributions (including omitted contributions) in the
27 alternate investment program.

28 SECTION 6. IC 5-10.2-2-24 IS ADDED TO THE INDIANA CODE
29 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
30 1, 2016]: Sec. 24. (a) After June 30, 2016, a member may not make
31 contributions to the guaranteed program.

32 (b) For those members who as of June 30, 2016, have designated
33 the guaranteed program as the investment program to receive all
34 or part of the contributions to the member's annuity savings
35 account, the board shall designate as a substitute one (1) or more
36 alternative investment programs that are to receive those
37 contributions after June 30, 2016. The designation by the board of
38 an alternative investment program to receive a member's
39 contributions under this subsection remains in effect until the
40 member makes another allowable designation.

41 (c) After June 30, 2016, and before January 1, 2017, the member
42 may not allocate the amount credited to the member in such a way



1 as to increase the amount allocated to the guaranteed fund on the
2 day before the member's selection is implemented.

3 (d) After November 30, 2016, and before January 1, 2017, if a
4 member has allocated all or part of the amount credited to the
5 member to the guaranteed program, the board shall exchange the
6 amount allocated to the guaranteed program by the member for an
7 equivalent market value allocation to the stable value fund.

8 (e) The board shall eliminate the guaranteed program on
9 January 1, 2017.

10 (f) After December 31, 2016, a member may allocate
11 contributions and money invested in the alternative investment
12 program to the stable value fund.

13 SECTION 7. IC 5-10.2-3-5, AS AMENDED BY P.L.165-2009,
14 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
15 JULY 1, 2016]: Sec. 5. (a) A member who is not eligible for retirement
16 or disability retirement may suspend the member's membership if the
17 member terminates employment.

18 (b) After five (5) continuous years in which the member performs
19 no service, the member's membership shall be automatically suspended
20 by the board unless the member has vested status.

21 (c) The board may suspend a member's membership in the fund if:

22 (1) the member has not performed any service in a covered
23 position during the past two (2) years;

24 (2) the member has not attained vested status in the fund; and

25 (3) the value of the member's annuity savings account is not more
26 than one thousand dollars (\$1,000).

27 (d) (c) On resuming service the member may claim as creditable
28 service the period of employment before the suspension of
29 membership, but only to the extent that the same period of employment
30 is not being used by another governmental plan for purposes of the
31 member's benefit in the other governmental plan.

32 SECTION 8. IC 5-10.2-3-6 IS AMENDED TO READ AS
33 FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 6. (a) After a member
34 suspends his membership, he is suspended under section 5 of this
35 chapter, the member is entitled to withdraw in a lump sum the
36 amount of his the member's contributions plus interest credited to
37 him: the member.

38 (b) Except as provided in subsection (c); if the member does not
39 claim his moneys within five (5) years after the suspension, the moneys
40 shall be credited to the retirement fund. Any reasonable costs of
41 locating the member or the member's beneficiary may be charged
42 against the member's or the beneficiary's money. The fund shall retain



1 (d), the **suspended member's moneys until the member claims them;**
 2 **with no further interest credits to the member after the moneys are**
 3 **credited to the fund. money is to remain in the stable value fund or**
 4 **the alternative investment program as the money was allocated on**
 5 **the day the member was suspended until:**

6 (1) **the suspended member changes the allocation of the**
 7 **money among the stable value fund and the alternative**
 8 **investment program;**

9 (2) **the suspended member withdraws the money from the**
 10 **fund; or**

11 (3) **the fund is otherwise required to distribute the money.**

12 **Any earnings or losses on the money shall be credited to the**
 13 **member in the same manner as if the member's membership was**
 14 **not suspended.**

15 (c) **If a member suspends membership in the fund because the**
 16 **member is no longer in a covered position but does not separate from**
 17 **employment with the member's employer, money shall be credited to**
 18 **the retirement fund only if the member does not claim the member's**
 19 **money within forty-five (45) years after the suspension. The board**
 20 **may charge a reasonable annual administrative fee against the**
 21 **money held in the annuity savings account of a suspended member.**

22 (d) **If:**

23 (1) **a member is suspended under section ~~(5)~~(e) 5 of this chapter;**

24 (2) **the member has not attained vested status in the fund; and**

25 (3) **the value of the member's annuity savings account is not**
 26 **more than one thousand dollars (\$1,000);**

27 **the board shall pay the member's annuity savings account in a lump**
 28 **sum.**

29 **SECTION 9. IC 5-10.2-3-10 IS AMENDED TO READ AS**
 30 **FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 10. (a) To the extent**
 31 **permitted by the Internal Revenue Code and the applicable regulations,**
 32 **the fund may accept, on behalf of any active member, a rollover**
 33 **distribution from any of the following:**

34 (1) **A qualified plan described in Section 401(a) or Section 403(a)**
 35 **of the Internal Revenue Code.**

36 (2) **An annuity contract or account described in Section 403(b) of**
 37 **the Internal Revenue Code.**

38 (3) **An eligible plan maintained by a state, a political subdivision**
 39 **of a state, or an agency or instrumentality of a state or political**
 40 **subdivision of a state under Section 457(b) of the Internal**
 41 **Revenue Code.**

42 (4) **An individual retirement account or annuity described in**



1 Section 408(a) or Section 408(b) of the Internal Revenue Code.
 2 (b) Any amounts rolled over under subsection (a) must be accounted
 3 for in a "rollover account" that is separate from the member's annuity
 4 savings account.

5 (c) A member may direct the investment of the member's rollover
 6 account into **the stable value fund or** any alternative investment
 7 option that the board may make available to the member's rollover
 8 account under IC 5-10.2-2-3. ~~However, the member may not invest the~~
 9 ~~member's rollover account in the guaranteed fund.~~

10 (d) A member may withdraw the member's rollover account from
 11 the fund in a lump sum at any time before retirement. At retirement, the
 12 member may withdraw the member's rollover account in accordance
 13 with the retirement options that are available for the member's annuity
 14 savings account, including the deferral of a withdrawal.

15 SECTION 10. IC 5-10.3-2-3 IS AMENDED TO READ AS
 16 FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 3. The general
 17 assembly intends that, to the extent specified in this article, the
 18 payments to the fund by the state or the participating political
 19 subdivisions, the payment of all benefits, the payment of interest
 20 credits, and the payment of administration expenses are obligations of
 21 the state and the participating political subdivisions. However, this
 22 obligation is not a guarantee that the amount credited to a member in
 23 the annuity savings account will not vary in value as a result of the
 24 performance of the investment program selected by the member under
 25 IC 5-10.2-2, unless the member selected the guaranteed program
 26 **(before its elimination on January 1, 2017)**, in which case the
 27 obligation is such a guarantee.

28 SECTION 11. IC 5-10.3-12-22, AS AMENDED BY P.L.6-2012,
 29 SECTION 31, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 30 JULY 1, 2016]: Sec. 22. (a) Subject to the board obtaining the approval
 31 of the Internal Revenue Service as described in section 18(b) of this
 32 chapter, the board shall establish:

33 **(1) a stable value fund as the initial regular investment**
 34 **program for the plan; and**

35 **(2) the alternative investment programs (as described by**
 36 **IC 5-10.2-2-3 and IC 5-10.2-2-4) within the annuity savings**
 37 **account as the initial alternative investment programs for the plan.**
 38 **except that the board shall maintain at least one (1) alternative**
 39 **investment program that is a stable value fund.**

40 If the board considers it necessary or appropriate, the board may
 41 establish different or additional alternative investment programs for the
 42 plan. ~~However, the guaranteed program (as defined in IC 5-10.2-2-3)~~



- 1 shall not be offered as an investment option under the plan.
- 2 (b) The requirements and rules that apply to the alternative
- 3 investment programs within the annuity savings account are the initial
- 4 requirements and rules that apply to the alternative investment
- 5 programs within the plan, including the following:
- 6 (1) The board's investment guidelines and limits for the
- 7 alternative investment programs.
- 8 (2) A member's selection of and changes to the member's
- 9 investment options.
- 10 (3) The valuation of a member's account.
- 11 (4) The allocation and payment of administrative expenses for the
- 12 alternative investment programs.
- 13 (c) If the board considers it necessary or appropriate, the board may
- 14 establish different or additional requirements and rules that apply to the
- 15 alternative investment programs within the plan.
- 16 (d) The board shall determine the appropriate administrative fees to
- 17 be charged to the member accounts.
- 18 SECTION 12. IC 5-10.4-2-6, AS AMENDED BY P.L.99-2010,
- 19 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 20 JULY 1, 2016]: Sec. 6. The board shall do the following:
- 21 (1) Credit interest to the members' annuity savings accounts in the
- 22 guaranteed fund **(before January 1, 2017), actual earnings to**
- 23 **the stable value fund (after December 31, 2016)**, and actual
- 24 earnings to the alternative investment programs.
- 25 (2) After complying with subdivision (1), distribute any
- 26 remaining undistributed income reserve as of the end of each
- 27 accounting period as determined by the rules of the board.

