



January 27, 2014

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## HOUSE BILL No. 1075

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DIGEST OF HB 1075 (Updated January 23, 2014 6:25 pm - DI 92)

**Citations Affected:** IC 5-10.2; IC 5-10.5.

**Synopsis:** PERF and TRF annuities. Provides that the board of trustees of the Indiana public retirement system (board) may not, before October 1, 2019, enter into an agreement with a third-party provider to provide annuities for retiring members of the public employees' retirement fund (PERF) or the Indiana state teachers' retirement fund (TRF). Requires the board to establish not later than July 1 of each year the interest rate used to determine the annuity amount purchasable by a member of PERF or TRF who elects to receive an annuity in the member's annuity savings account. Specifies the method for establishing the interest rate.

**Effective:** Upon passage.

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### Burton, Niezgodski, Moseley, Bacon

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January 9, 2014, read first time and referred to Committee on Employment, Labor and Pensions.

January 14, 2014, amended, reported — Do Pass; recommitted to Committee on Ways and Means.

January 27, 2014, amended, reported — Do Pass.

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HB 1075—LS 6401/DI 102





January 27, 2014

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 BILL No. 1075

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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 5-10.2-4-4, AS AMENDED BY P.L.115-2008,  
2 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 UPON PASSAGE]: Sec. 4. (a) The computation of benefits under this  
4 section is subject to IC 5-10.2-2-1.5.  
5 (b) For retirement benefits payable on and after July 1, 1975, for a  
6 member retired on and after January 1, 1956, the pension (p) is  
7 computed as follows:  
8 STEP ONE: Multiply one and one-tenths percent (1.1%) times the  
9 average of the annual compensation (aac) and obtain a product.  
10 STEP TWO: To obtain the pension, multiply the STEP ONE  
11 product by the total creditable service (scr) completed by the  
12 member on the member's retirement date.  
13 Expressed mathematically:  
14  $p = (.011) \text{ times } (aac) \text{ times } (scr)$   
15 (c) Unless the member:  
16 (1) has chosen a lump sum payment under section 2(b) of this

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1 chapter;  
 2 (2) has elected to withdraw the entire amount in the member's  
 3 annuity savings account under IC 5-10.2-3-6.5; or  
 4 (3) elects to defer receiving in any form the member's annuity  
 5 savings account under section 2(c) of this chapter;  
 6 the annuity is the amount purchasable on the member's retirement date  
 7 by the amount credited to the member in the annuity savings account.  
 8 The amount purchasable is based on actuarial tables adopted by the  
 9 board under IC 5-10.2-2-10 at an interest rate determined by the board  
 10 **under IC 5-10.5-4-2.6.**

11 SECTION 2. IC 5-10.5-4-2.5 IS ADDED TO THE INDIANA  
 12 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
 13 [EFFECTIVE UPON PASSAGE]: **Sec. 2.5. Notwithstanding any**  
 14 **other provision in this article, IC 5-10.2, IC 5-10.3, or IC 5-10.4,**  
 15 **the board may not, before October 1, 2019, enter into an**  
 16 **agreement with a third-party provider to provide annuities for**  
 17 **retiring members of:**

- 18 (1) the public employees' retirement fund; or  
 19 (2) the teachers' retirement fund.

20 SECTION 3. IC 5-10.5-4-2.6 IS ADDED TO THE INDIANA  
 21 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
 22 [EFFECTIVE UPON PASSAGE]: **Sec. 2.6. (a) The board shall**  
 23 **establish not later than July 1 each year the interest rate used to**  
 24 **determine the annuity amount purchasable by a member of:**

- 25 (1) the public employees' retirement fund; or  
 26 (2) the teachers' retirement fund;

27 who elects to receive, as part of the member's retirement or  
 28 disability benefit, an annuity provided by the amount credited to  
 29 the member in the member's annuity savings account. The interest  
 30 rate applies for the year beginning July 1, beginning July 1, 2014.

31 (b) The interest rate established under subsection (a) may not be  
 32 less than the rate determined in STEP THREE of the following  
 33 formula:

34 **STEP ONE: Determine the greater of:**

- 35 (A) zero (0); or  
 36 (B) the rate of return earned by the retirement allowance  
 37 accounts of the public employees' retirement fund and the  
 38 teachers' retirement fund for the three (3) months  
 39 immediately preceding July 1.

40 **STEP TWO: Determine the sum of:**

- 41 (A) the STEP ONE result; plus  
 42 (B) the average daily interest rate on ten (10) year United



1                   **States Treasury bills for the three (3) months immediately**  
2                   **preceding July 1.**  
3                   **STEP THREE: Determine the product of:**  
4                   **(A) the STEP TWO result; multiplied by**  
5                   **(B) sixty-six hundredths (0.66).**  
6                   **SECTION 4. An emergency is declared for this act.**



## COMMITTEE REPORT

Mr. Speaker: Your Committee on Employment, Labor and Pensions, to which was referred House Bill 1075, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. 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:

$$p = (.011) \text{ times } (aac) \text{ times } (scr)$$

(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.**"

Page 1, between lines 9 and 10, begin a new paragraph and insert:

"SECTION 3. 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) The board shall establish not later than July 1 each year the interest rate used to determine the annuity amount purchasable by a member of:**

**(1) the public employees' retirement fund; or**

**(2) 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. The interest rate applies for the year beginning July 1, beginning July 1, 2014.

**(b) The interest rate established under subsection (a) must equal at least the rate of return earned by the retirement allowance accounts of the public employees' retirement fund and the teachers' retirement fund for the twelve (12) months immediately preceding July 1."**

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1075 as introduced.)

GUTWEIN, Chair

Committee Vote: yeas 13, nays 0.

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#### COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1075, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 2, delete lines 31 through 35, begin a new paragraph and insert:

**"(b) The interest rate established under subsection (a) may not be less than the rate determined in STEP THREE of the following formula:**

**STEP ONE: Determine the greater of:**

**(A) zero (0); or**

**(B) the rate of return earned by the retirement allowance accounts of the public employees' retirement fund and the teachers' retirement fund for the three (3) months immediately preceding July 1.**

**STEP TWO: Determine the sum of:**

**(A) the STEP ONE result; plus**

**(B) the average daily interest rate on ten (10) year United States Treasury bills for the three (3) months immediately preceding July 1.**

**STEP THREE: Determine the product of:**

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**(A) the STEP TWO result; multiplied by  
(B) sixty-six hundredths (0.66)."**

and when so amended that said bill do pass.

(Reference is to HB 1075 as printed January 14, 2014.)

BROWN T, Chair

Committee Vote: yeas 15, nays 5.

