



February 16, 2018

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# ENGROSSED HOUSE BILL No. 1109

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DIGEST OF HB 1109 (Updated February 14, 2018 10:46 am - DI 102)

**Citations Affected:** IC 2-3.5; IC 5-10; IC 5-10.2; IC 5-10.3; IC 5-10.4; IC 36-8.

**Synopsis:** Various pension matters. Provides that the default investment option for the legislators' defined contribution plan is a target date fund rather than the Indiana public retirement system's (INPRS) consolidated retirement investment fund. Removes a requirement that only active members of the public employees' retirement fund (PERF) and the Indiana teachers' retirement fund (TRF) may make rollover distributions into annuity savings accounts (ASA) from other qualified retirement accounts. Allows any PERF or  
(Continued next page)

**Effective:** July 1, 2018.

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## Carbaugh, Burton, Moseley

(SENATE SPONSOR — BOOTS)

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January 4, 2018, read first time and referred to Committee on Employment, Labor and Pensions.

January 16, 2018, reported — Do Pass.

January 18, 2018, read second time, ordered engrossed. Engrossed.

January 22, 2018, read third time, passed. Yeas 94, nays 0.

### SENATE ACTION

February 1, 2018, read first time and referred to Committee on Pensions and Labor.

February 15, 2018, amended, reported favorably — Do Pass.

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EH 1109—LS 6052/DI 102



Digest Continued

TRF member who terminates employment and is not currently employed in a covered position or for the same employer to suspend fund membership, retain the member's creditable service, and withdraw all or part of the amount in the member's ASA before retirement. Requires employers eligible to purchase death benefit fund coverage for certain employees to pay for the coverage annually rather than quarterly. Removes charitable contributions as a voluntary benefit deduction for the 1977 police officers' and firefighters' pension and disability fund and the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan. Revises the effective date of participation by a political subdivision joining PERF from the earlier of January 1 or July 1 to a date approved by the INPRS board of trustees, but not later than 60 days after the date the political subdivision's PERF participation is approved. Makes technical corrections. (The introduced version of this bill was prepared by the interim study committee on pension management oversight.)

**EH 1109—LS 6052/DI 102**



February 16, 2018

Second Regular Session of the 120th General Assembly (2018)

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 2017 Regular Session of the General Assembly.

## ENGROSSED HOUSE BILL No. 1109

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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 2-3.5-5-3, AS AMENDED BY P.L.35-2012,  
2 SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2018]: Sec. 3. (a) The board shall establish alternative  
4 investment programs within the fund, based on the following  
5 requirements:  
6 (1) The board shall maintain at least one (1) alternative  
7 investment program that is an indexed stock fund, one (1)  
8 alternative investment program that is a bond fund, and one (1)  
9 alternative investment program that is a stable value fund. The  
10 board may maintain one (1) or more alternative investment  
11 programs that:  
12 (A) invest in one (1) or more commingled or pooled funds that  
13 consist in part or entirely of mortgages that qualify as five star  
14 mortgages under the program established by IC 24-5-23.6; or  
15 (B) otherwise invest in mortgages that qualify as five star  
16 mortgages under the program established by IC 24-5-23.6.  
17 (2) The programs should represent a variety of investment

**EH 1109—LS 6052/DI 102**



- 1 objectives.
- 2 (3) The programs may not permit a **member participant** to
- 3 withdraw money from the **member's participant's** account,
- 4 except as provided in section 6 of this chapter.
- 5 (4) All administrative costs of each alternative program shall be
- 6 paid from the earnings on that program.
- 7 (5) A valuation of each **member's participant's** account must be
- 8 completed as of:
- 9 (A) the last day of each quarter; or
- 10 (B) a time that the board may specify by rule.
- 11 (b) A **member participant** shall direct the allocation of the amount
- 12 credited to the **member participant** among the available alternative
- 13 investment funds, subject to the following conditions:
- 14 (1) A **member participant** may make a selection or change an
- 15 existing selection under rules established by the board. The board
- 16 shall allow a **member participant** to make a selection or change
- 17 any existing selection at least once each quarter.
- 18 (2) The board shall implement the **member's participant's**
- 19 selection beginning on the first day of the next calendar quarter
- 20 that begins at least thirty (30) days after the selection is received
- 21 by the board or on an alternate date established by the rules of the
- 22 board. This date is the effective date of the **member's**
- 23 **participant's** selection.
- 24 (3) A **member participant** may select any combination of the
- 25 available investment funds, in ten percent (10%) increments or
- 26 smaller increments that may be established by the rules of the
- 27 board.
- 28 (4) A **member's participant's** selection remains in effect until a
- 29 new selection is made.
- 30 (5) On the effective date of a **member's participant's** selection,
- 31 the board shall reallocate the **member's participant's** existing
- 32 balance or balances in accordance with the **member's**
- 33 **participant's** direction, based on the market value on the
- 34 effective date.
- 35 (6) If a **member participant** does not make an investment
- 36 selection of the alternative investment programs, the **member's**
- 37 **participant's** account shall be invested in ~~the board's general~~
- 38 ~~investment fund: a target date fund as determined by the rules~~
- 39 ~~of the board.~~
- 40 (7) All contributions to the **member's participant's** account shall
- 41 be allocated as of the last day of the quarter in which the
- 42 contributions are received or at an alternate time established by



1 the rules of the board in accordance with the **member's**  
 2 **participant's** most recent effective direction. The board shall not  
 3 reallocate the **member's participant's** account at any other time.

4 (c) When a **member participant** transfers the amount credited to the  
 5 **member participant** from one (1) alternative investment program to  
 6 another alternative investment program, the amount credited to the  
 7 **member participant** shall be valued at the market value of the  
 8 **member's participant's** investment, as of the day before the effective  
 9 date of the **member's participant's** selection or at an alternate time  
 10 established by the rules of the board. When a **member participant**  
 11 retires, becomes disabled, dies, or withdraws from the fund, the amount  
 12 credited to the **member participant** shall be the market value of the  
 13 **member's participant's** investment as of the last day of the quarter  
 14 preceding the **member's participant's** distribution or annuitization at  
 15 retirement, disability, death, or withdrawal, plus contributions received  
 16 after that date or at an alternate time established by the rules of the  
 17 board.

18 (d) The board shall determine the value of each alternative program  
 19 in the defined contribution fund, as of the last day of each calendar  
 20 quarter, as follows:

21 (1) The market value shall exclude the employer contributions  
 22 and employee contributions received during the quarter ending on  
 23 the current allocation date.

24 (2) The market value as of the immediately preceding quarter end  
 25 date shall include the employer contributions and employee  
 26 contributions received during that preceding quarter.

27 (3) The market value as of the immediately preceding quarter end  
 28 date shall exclude benefits paid from the fund during the quarter  
 29 ending on the current quarter end date.

30 SECTION 2. IC 2-3.5-5-3.5 IS ADDED TO THE INDIANA CODE  
 31 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 32 1, 2018]: **Sec. 3.5. (a) After June 30, 2018, a participant may not**  
 33 **make contributions to the board's general investment fund.**

34 (b) **For those participants who, as of December 31, 2018, have**  
 35 **designated the board's general investment fund as the investment**  
 36 **program to receive all or part of the contributions to the**  
 37 **participant's account, the board shall designate as a substitute one**  
 38 **(1) or more alternative investment programs that are to receive**  
 39 **those contributions after December 31, 2018. The designation by**  
 40 **the board of an alternative investment program to receive a**  
 41 **participant's contributions under this subsection remains in effect**  
 42 **until the participant makes another allowable designation.**



1           (c) After December 31, 2018, if a participant has allocated all or  
2 part of the amount credited to the participant to the board's  
3 general investment fund, the board shall exchange the amount  
4 allocated to the board's general investment fund by the participant  
5 for an equivalent market value allocation to a target date fund  
6 determined by the rules of the board.

7           SECTION 3. IC 5-10-5.5-23, AS ADDED BY P.L.41-2017,  
8 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
9 JULY 1, 2018]: Sec. 23. (a) Notwithstanding any other provision of this  
10 chapter, a participant, survivor, or beneficiary receiving a monthly  
11 benefit under this chapter may, after June 30, 2017, authorize the board  
12 to make a deduction from the monthly benefit.

13           (b) An authorization for a deduction from a monthly benefit paid  
14 under this chapter is valid only if all of the following requirements are  
15 met:

16           (1) The authorization is:

17                   (A) in writing;

18                   (B) signed personally by the individual receiving the monthly  
19 benefit;

20                   (C) revocable at any time by the individual receiving the  
21 monthly benefit upon written notice to the board; and

22                   (D) agreed to in writing by the board.

23           (2) An executed copy of the authorization is delivered to the  
24 board not later than ten (10) days after its execution.

25           (3) The deduction is made for a purpose described in subsection  
26 (c).

27           (c) A deduction under this section may be made for the purpose of  
28 paying any of the following:

29                   (1) A premium on a policy of insurance for life, medical, surgical,  
30 hospitalization, dental, vision, long term care, or Medicare  
31 supplement coverage offered to retired participants by the  
32 participant's former employer, the state, or the board.

33                   ~~(2) A pledge or contribution to a charitable or nonprofit~~  
34 ~~organization.~~

35                   ~~(2)~~ (2) Dues payable by the individual receiving the benefit to a  
36 labor organization of which the individual is a member.

37           SECTION 4. IC 5-10-10-4.5, AS AMENDED BY P.L.2-2007,  
38 SECTION 85, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
39 JULY 1, 2018]: Sec. 4.5. (a) As used in this section, "eligible officer"  
40 means a police officer or firefighter whose employer purchases  
41 coverage under this section.

42           (b) As used in this section, "employer" means:



- 1 (1) with respect to a police officer:  
 2 (A) a postsecondary educational institution, other than a state  
 3 educational institution, that appoints a police officer under  
 4 IC 21-17-5; or  
 5 (B) an operator that employs the police officer under  
 6 IC 8-22-3-34(b); or  
 7 (2) with respect to a firefighter:  
 8 (A) a postsecondary educational institution, other than a state  
 9 educational institution, located in Indiana that:  
 10 (i) maintains a fire department;  
 11 (ii) employs firefighters for the fire department; and  
 12 (iii) is accredited by the North Central Association; or  
 13 (B) an operator that enters into an operating agreement under  
 14 IC 5-23 for the operation of a public use airport that:  
 15 (i) maintains a fire department; and  
 16 (ii) employs firefighters for the fire department.  
 17 (c) If an employer purchases coverage for an eligible officer, the  
 18 eligible officer is eligible for a special death benefit from the fund in  
 19 the same manner that any other public safety officer is eligible for a  
 20 special death benefit from the fund. The cost of the coverage shall be  
 21 one hundred dollars (\$100) for each eligible officer annually. The cost  
 22 of the coverage shall be paid to the board for deposit in the fund.  
 23 (d) If an employer elects to provide coverage under this section, the  
 24 employer must purchase coverage for all eligible officers of the  
 25 employer. ~~The board shall allow~~ An employer **that elects** to purchase  
 26 coverage **under this section must purchase coverage** by making  
 27 ~~quarterly annual~~ **quarterly annual** payments ~~on dates as~~ prescribed by the board.  
 28 SECTION 5. IC 5-10-10-4.9, AS ADDED BY P.L.100-2017,  
 29 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 30 JULY 1, 2018]: Sec. 4.9. (a) As used in this section, "eligible  
 31 emergency medical services provider" means an emergency medical  
 32 services provider whose employer purchases coverage under this  
 33 section.  
 34 (b) As used in this section, "emergency medical services provider"  
 35 has the meaning set forth in IC 16-41-10-1.  
 36 (c) As used in this section, "employer" means a health care system  
 37 affiliated with a state educational institution that:  
 38 (1) maintains an air ambulance services provider; and  
 39 (2) employs emergency medical services providers for the air  
 40 ambulance services provider.  
 41 (d) If an employer purchases coverage for an eligible emergency  
 42 medical services provider, the eligible emergency medical services



1 provider is eligible for a special death benefit from the fund in the same  
 2 manner that any other public safety officer is eligible for a special  
 3 death benefit from the fund. The cost of the coverage must be one  
 4 hundred dollars (\$100) for each eligible emergency medical services  
 5 provider annually. The cost of the coverage shall be paid to the board  
 6 for deposit into the fund.

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

13 SECTION 6. IC 5-10.2-3-5, AS AMENDED BY P.L.193-2016,  
 14 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 15 JULY 1, 2018]: Sec. 5. (a) A member ~~who is not eligible for retirement~~  
 16 ~~or disability retirement~~ may suspend the member's membership **in the**  
 17 **applicable fund** if the member terminates employment **and is not**  
 18 **currently employed in a covered position with the applicable fund.**

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

22 (c) ~~On resuming service the~~ A member ~~may claim as~~ **retains the**  
 23 **member's** creditable service **for** the period of employment before the  
 24 suspension of membership, but only to the extent that the same period  
 25 of employment is not being used by another governmental plan for  
 26 purposes of the member's benefit in the other governmental plan.

27 SECTION 7. IC 5-10.2-3-6.5, AS AMENDED BY P.L.40-2017,  
 28 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 29 JULY 1, 2018]: Sec. 6.5. (a) **After June 30, 2018**, a member who  
 30 meets all of the following requirements may elect to withdraw all or  
 31 part of the amount in the member's annuity savings account:

32 ~~(1)~~ **The member has attained vested status in the fund:**

33 ~~(2)~~ **(1)** The member has terminated employment with the  
 34 applicable fund and is not currently employed in a covered  
 35 position for the applicable fund.

36 ~~(3)~~ **(2)** The member has not performed any service in a position  
 37 covered by the **applicable fund or for the same employer** for at  
 38 least thirty (30) days after the date the member terminates  
 39 employment.

40 ~~(4)~~ **(3)** The member makes the election described in this  
 41 subsection:

42 (A) after December 31, 2008, if the member is a member of





- 1 the public employees' retirement fund; or  
 2 (B) after June 30, 2009, if the member is a member of the  
 3 Indiana state teachers' retirement fund.
- 4 ~~(5)~~ (4) Except as provided in subsection (b), the member is not  
 5 eligible for:
- 6 (A) before July 1, 2011, a reduced or unreduced retirement; or  
 7 (B) after June 30, 2011, an unreduced retirement;  
 8 under IC 5-10.2-4 on the date the fund receives notice of the  
 9 election described in this subsection.
- 10 (b) The requirement described in subsection ~~(a)(5)~~ (a)(4) does not  
 11 apply to a member of the public employees' retirement fund who:
- 12 (1) was eligible for a reduced or unreduced retirement; and  
 13 (2) received a distribution under this section;  
 14 after December 31, 2008, and before June 30, 2010.
- 15 (c) A member who elects to withdraw all or part of the amount in  
 16 the member's annuity savings account under subsection (a) shall  
 17 provide notice of the election on a form provided by the board.
- 18 (d) The election to withdraw all or part of the amount in the  
 19 member's annuity savings account is irrevocable.
- 20 (e) The board shall pay an amount withdrawn from the member's  
 21 annuity savings account under this section as a lump sum.
- 22 (f) Except as provided in subsection (g), a member who makes a  
 23 withdrawal under this section is entitled to receive, when the member  
 24 becomes eligible to receive and applies for a retirement benefit under  
 25 IC 5-10.2-4, a retirement benefit equal to the pension provided by  
 26 employer contributions computed under IC 5-10.2-4.
- 27 (g) A member who:
- 28 (1) transfers creditable service earned under the fund to another  
 29 governmental retirement plan under section 1(i) of this chapter;  
 30 and  
 31 (2) withdraws the member's annuity savings account under this  
 32 section to purchase the service;  
 33 may not use the transferred service in the computation of a retirement  
 34 benefit payable under subsection (f).
- 35 SECTION 8. IC 5-10.2-3-10, AS AMENDED BY P.L.193-2016,  
 36 SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 37 JULY 1, 2018]: Sec. 10. (a) To the extent permitted by the Internal  
 38 Revenue Code and the applicable regulations, the fund may accept, on  
 39 behalf of any active member, a rollover distribution from any of the  
 40 following:
- 41 (1) A qualified plan described in Section 401(a) or Section 403(a)  
 42 of the Internal Revenue Code.



- 1 (2) An annuity contract or account described in Section 403(b) of  
 2 the Internal Revenue Code.
- 3 (3) An eligible plan maintained by a state, a political subdivision  
 4 of a state, or an agency or instrumentality of a state or political  
 5 subdivision of a state under Section 457(b) of the Internal  
 6 Revenue Code.
- 7 (4) An individual retirement account or annuity described in  
 8 Section 408(a) or Section 408(b) of the Internal Revenue Code.
- 9 (b) Any amounts rolled over under subsection (a) must be accounted  
 10 for in a "rollover account" that is separate from the member's annuity  
 11 savings account.
- 12 (c) A member may direct the investment of the member's rollover  
 13 account into the stable value fund or any alternative investment option  
 14 that the board may make available to the member's rollover account  
 15 under IC 5-10.2-2-3.
- 16 (d) A member may withdraw the member's rollover account from  
 17 the fund in a lump sum at any time before retirement. At retirement, the  
 18 member may withdraw the member's rollover account in accordance  
 19 with the retirement options that are available for the member's annuity  
 20 savings account, including the deferral of a withdrawal.
- 21 SECTION 9. IC 5-10.3-6-1, AS AMENDED BY P.L.241-2015,  
 22 SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 23 JULY 1, 2018]: Sec. 1. (a) The governing body of a political  
 24 subdivision may adopt an ordinance or resolution specifying a  
 25 departmental, occupational, or other definable classification of  
 26 employees:
- 27 (1) who are required to become members of the fund;  
 28 (2) who are required to become members of the plan; or  
 29 (3) who may each elect whether to become members of the fund  
 30 or members of the plan.
- 31 An ordinance or resolution adopted by the governing body of a political  
 32 subdivision under this subsection that specifies the departmental,  
 33 occupational, or other definable classification of employees who are  
 34 required under subdivision (2) to become members of the plan or who  
 35 may under subdivision (3) elect whether to become members of the  
 36 fund or plan may not take effect before January 2, 2016. A political  
 37 subdivision may become a participant in the fund or the plan, or both,  
 38 as applicable, if the ordinance or resolution is filed with and approved  
 39 by the board.
- 40 (b) An ordinance or resolution adopted under subsection (a) that  
 41 includes a provision described under subsection (a)(3) may also  
 42 include one (1) of the following provisions:



- 1 (1) If an employee who may elect whether to become a member  
 2 of the fund or a member of the plan does not make an election  
 3 under IC 5-10.3-7-1.1, the employee becomes a member of the  
 4 plan.
- 5 (2) If an employee who may elect whether to become a member  
 6 of the fund or a member of the plan does not make an election  
 7 under IC 5-10.3-12-20.5, the employee becomes a member of the  
 8 fund.
- 9 If an ordinance or resolution adopted under subsection (a) that includes  
 10 a provision described under subsection (a)(3) does not include either  
 11 of the provisions described in subdivision (1) or (2), subdivision (2)  
 12 applies to the departmental, occupational, or other definable  
 13 classification of employees that may elect to become members of the  
 14 fund or members of the plan.
- 15 (c) If an ordinance or resolution adopted under subsection (a)  
 16 includes a provision described under subsection (a)(2) or (a)(3), or  
 17 both, the ordinance or resolution must include a specification of the  
 18 political subdivision's contribution rate to the plan as a percentage of  
 19 each member's compensation. Each year, the political subdivision's  
 20 contribution rate specified under this subsection must be greater than  
 21 or equal to zero percent (0%) and may not exceed the percentage that  
 22 would produce the normal cost for participation in the fund under  
 23 IC 5-10.2-2-11, if the political subdivision were a participant in the  
 24 fund. If a provision specifying the political subdivision's contribution  
 25 rate is not included in the ordinance or resolution, the political  
 26 subdivision's contribution rate to the plan is zero percent (0%).
- 27 (d) If an ordinance or resolution adopted under subsection (a)  
 28 includes a provision described under subsection (a)(2) or (a)(3), or  
 29 both, the ordinance or resolution must include a specification of the  
 30 political subdivision's matching rate that is the percentage of each  
 31 member's additional contributions to the plan that the political  
 32 subdivision will match. A political subdivision may specify only:
- 33 (1) zero percent (0%); or  
 34 (2) fifty percent (50%).
- 35 If a provision specifying the political subdivision's matching rate is not  
 36 included in the ordinance or resolution, the political subdivision's  
 37 matching rate for the plan is zero percent (0%).
- 38 (e) A governing body may include in its ordinance or resolution  
 39 adopted under subsection (a) a determination of the date from which  
 40 prior service for its employees will be computed. Creditable service for  
 41 these employees is determined under IC 5-10.3-7-7.5.
- 42 (f) The effective date of participation is ~~the earlier of January 1 or~~



1 **July † a date approved by the board, either a date suggested by the**  
 2 **political subdivision or a date selected by the board, but the date**  
 3 **may not be later than sixty (60) days** after the date of approval.  
 4 However, no retirement benefit may be paid until six (6) months after  
 5 the effective date of participation.

6 SECTION 10. IC 5-10.3-12-29, AS ADDED BY P.L.22-2011,  
 7 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 8 JULY 1, 2018]: Sec. 29. (a) To the extent permitted by the Internal  
 9 Revenue Code and the applicable regulations and guidance, the plan  
 10 may accept, on behalf of any member, ~~who is employed in a covered~~  
 11 ~~position~~, a rollover distribution from any of the following:

12 (1) A qualified plan described in Section 401(a) or Section 403(a)  
 13 of the Internal Revenue Code.

14 (2) An annuity contract or account described in Section 403(b) of  
 15 the Internal Revenue Code.

16 (3) An eligible plan maintained by a state, a political subdivision  
 17 of a state, or an agency or instrumentality of a state or political  
 18 subdivision of a state under Section 457(b) of the Internal  
 19 Revenue Code.

20 (4) An individual retirement account or annuity described in  
 21 Section 408(a) or Section 408(b) of the Internal Revenue Code.

22 (b) Any amounts rolled over under subsection (a) must be accounted  
 23 for in a "rollover account" that is separate from the member's account  
 24 in the plan. The member shall be fully vested in the member's rollover  
 25 account.

26 (c) A member may direct the investment of the member's rollover  
 27 account into any alternative investment option that the board may make  
 28 available to the member's rollover account under section 22 of this  
 29 chapter.

30 (d) A member may withdraw the member's rollover account from  
 31 the plan in a lump sum or direct a rollover to an eligible retirement plan  
 32 at any time. Upon attainment of normal retirement age, in addition to  
 33 these payment options, the member may withdraw the member's  
 34 rollover account as a monthly annuity as established by the board in  
 35 accordance with the annuity options that are available for the member's  
 36 account in the plan. A member must make a required withdrawal from  
 37 the member's account in the plan not later than the required beginning  
 38 date under the Internal Revenue Code.

39 SECTION 11. IC 5-10.4-8-15, AS ADDED BY P.L.217-2017,  
 40 SECTION 58, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 41 JULY 1, 2018]: Sec. 15. (a) To the extent permitted by the Internal  
 42 Revenue Code and the applicable regulations and guidance, the plan



1 may accept, on behalf of any member, ~~who is employed in a covered~~  
2 ~~position~~, a rollover distribution from any of the following:

3 (1) A qualified plan described in Section 401(a) or Section 403(a)  
4 of the Internal Revenue Code.

5 (2) An annuity contract or account described in Section 403(b) of  
6 the Internal Revenue Code.

7 (3) An eligible plan maintained by a state, a political subdivision  
8 of a state, or an agency or instrumentality of a state or political  
9 subdivision of a state under Section 457(b) of the Internal  
10 Revenue Code.

11 (4) An individual retirement account or annuity described in  
12 Section 408(a) or Section 408(b) of the Internal Revenue Code.

13 (b) Any amounts rolled over under subsection (a) must be accounted  
14 for in a rollover account that is separate from the member's account in  
15 the plan. The member is fully vested in the member's rollover account.

16 (c) A member may direct the investment of the member's rollover  
17 account into any alternative investment option that the board may make  
18 available to the member's rollover account under section 8 of this  
19 chapter.

20 (d) A member may withdraw the member's rollover account from  
21 the plan in a lump sum or direct a rollover to an eligible retirement plan  
22 at any time. Upon attainment of normal retirement age, in addition to  
23 these payment options, the member may withdraw the member's  
24 rollover account as a monthly annuity as established by the board in  
25 accordance with the annuity options that are available for the member's  
26 account in the plan. A member shall make a required withdrawal from  
27 the member's account in the plan not later than the required beginning  
28 date under the Internal Revenue Code.

29 SECTION 12. IC 36-8-8-13.1, AS AMENDED BY P.L.35-2012,  
30 SECTION 130, IS AMENDED TO READ AS FOLLOWS  
31 [EFFECTIVE JULY 1, 2018]: Sec. 13.1. (a) If:

32 (1) the local board has determined under this chapter that a  
33 covered impairment exists and the safety board has determined  
34 that there is no suitable and available work within the department,  
35 considering reasonable accommodation to the extent required by  
36 the Americans with Disabilities Act; or

37 (2) the fund member has filed an appeal under section 12.7(o) of  
38 this chapter;

39 the local board shall submit the local board's determinations and the  
40 safety board's determinations to the system board's director.

41 (b) Whenever a fund member is determined to have an impairment  
42 under section 12.7(i) of this chapter, the system board's director shall



1 initiate a review of the default award not later than sixty (60) days after  
2 the director learns of the default award.

3 (c) After the system board's director receives the determinations  
4 under subsection (a) or initiates a review under subsection (b), the fund  
5 member must submit to an examination by a medical authority selected  
6 by the system board. The authority shall determine if there is a covered  
7 impairment. With respect to a fund member who is covered by sections  
8 12.5 and 13.5 of this chapter, the authority shall determine the degree  
9 of impairment. The system board shall adopt rules to establish  
10 impairment standards, such as the impairment standards contained in  
11 the United States Department of Veterans Affairs Schedule for Rating  
12 Disabilities. The report of the examination shall be submitted to the  
13 system board's director. If a fund member refuses to submit to an  
14 examination, the authority may find that no impairment exists.

15 (d) The system board's director shall review the medical authority's  
16 report and the local board's determinations and issue an initial  
17 determination within sixty (60) days after receipt of the local board's  
18 determinations. The system board's director shall notify the local board,  
19 the safety board, and the fund member of the initial determination. The  
20 following provisions apply if the system board's director does not issue  
21 an initial determination within sixty (60) days and if the delay is not  
22 attributable to the fund member or the safety board:

23 (1) In the case of a review initiated under subsection (a)(1):

24 (A) the determinations of the local board and the chief of the  
25 police or fire department are considered to be the initial  
26 determination; and

27 (B) for purposes of section 13.5(d) of this chapter, the fund  
28 member is considered to be totally impaired.

29 (2) In the case of an appeal submitted under subsection (a)(2), the  
30 statements made by the fund member under section 12.7(o) of this  
31 chapter are considered to be the initial determination.

32 (3) In the case of a review initiated under subsection (b), the  
33 initial determination is the impairment determined under section  
34 12.7(i) of this chapter.

35 (e) The fund member, the safety board, or the local board may  
36 object in writing to the director's initial determination within fifteen  
37 (15) days after the determination is issued. If no written objection is  
38 filed, the initial determination becomes the final order of the system  
39 board. If a timely written objection is filed, the system board shall issue  
40 the final order after a hearing. Unless an administrative law judge  
41 orders a waiver or an extension of the period for cause shown, the final  
42 order shall be issued not later than one hundred eighty (180) days after



1 the date of receipt of the local board's determination or the date the  
 2 system board's director initiates a review under subsection (b). The  
 3 following provisions apply if a final order is not issued within the time  
 4 limit described in this subsection and if the delay is not attributable to  
 5 the fund member or the chief of the police or fire department:

6 (1) In the case of a review initiated under subsection (a)(1):

7 (A) the determinations of the local board and the chief of the  
 8 police or fire department are considered to be the final order;  
 9 and

10 (B) for purposes of section ~~13.5(d)~~ **13.5(f)** of this chapter, the  
 11 fund member is considered to be totally impaired.

12 (2) In the case of an appeal submitted under subsection (a)(2), the  
 13 statements made by the fund member under section 12.7(o) of this  
 14 chapter are considered to be the final order.

15 (3) In the case of a review initiated under subsection (b), the  
 16 impairment determined under section 12.7(i) of this chapter is  
 17 considered to be the final order.

18 (f) If the system board approves the director's initial determination,  
 19 then the system board shall issue a final order adopting the initial  
 20 determination. The local board and the chief of the police or fire  
 21 department shall comply with the initial determination. If the system  
 22 board does not approve the initial determination, the system board may  
 23 receive additional evidence on the matter before issuing a final order.

24 (g) Appeals of the system board's final order may be made under  
 25 IC 4-21.5.

26 (h) The transcripts, records, reports, and other materials compiled  
 27 under this section must be retained in accordance with the procedures  
 28 specified in section 12.7(p) of this chapter.

29 SECTION 13. IC 36-8-8-17.2, AS AMENDED BY P.L.35-2012,  
 30 SECTION 135, IS AMENDED TO READ AS FOLLOWS  
 31 [EFFECTIVE JULY 1, 2018]: Sec. 17.2. (a) Notwithstanding any other  
 32 provision of this chapter, a person receiving a disability, retirement, or  
 33 survivor monthly benefit under this chapter may, after June 30, 2004,  
 34 authorize the system board to make a deduction from the benefit.

35 (b) An authorization for a deduction from a disability, retirement, or  
 36 survivor monthly benefit paid under this chapter is valid only if all the  
 37 following requirements are met:

38 (1) The authorization is:

39 (A) in writing;

40 (B) signed personally by the person receiving the benefit;

41 (C) revocable at any time by the person receiving the benefit  
 42 upon written notice to the system board; and



- 1 (D) agreed to in writing by the system board.
- 2 (2) An executed copy of the authorization is delivered to the
- 3 system board within ten (10) days after its execution.
- 4 (3) The deduction is made for a purpose described in subsection
- 5 (c).
- 6 (c) A deduction under this section may be made for the purpose of
- 7 paying any of the following:
- 8 (1) A premium on a policy of insurance for medical, surgical,
- 9 hospitalization, dental, vision, long term care, or Medicare
- 10 supplement coverage offered to retired fund members by the fund
- 11 member's former employer, the state, or the system board.
- 12 ~~(2) A pledge or contribution to a charitable or nonprofit~~
- 13 ~~organization.~~
- 14 ~~(3)~~ (2) Dues payable by the person receiving the benefit to a labor
- 15 organization of which the person is a member.





## COMMITTEE REPORT

Mr. Speaker: Your Committee on Employment, Labor and Pensions, to which was referred House Bill 1109, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to HB 1109 as introduced.)

VANNATTER

Committee Vote: Yeas 11, Nays 0

## COMMITTEE REPORT

Madam President: The Senate Committee on Pensions and Labor, to which was referred House Bill No. 1109, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 8, between lines 20 and 21, begin a new paragraph and insert:

"SECTION 9. IC 5-10.3-6-1, AS AMENDED BY P.L.241-2015, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 1. (a) The governing body of a political subdivision may adopt an ordinance or resolution specifying a departmental, occupational, or other definable classification of employees:

- (1) who are required to become members of the fund;
- (2) who are required to become members of the plan; or
- (3) who may each elect whether to become members of the fund or members of the plan.

An ordinance or resolution adopted by the governing body of a political subdivision under this subsection that specifies the departmental, occupational, or other definable classification of employees who are required under subdivision (2) to become members of the plan or who may under subdivision (3) elect whether to become members of the fund or plan may not take effect before January 2, 2016. A political subdivision may become a participant in the fund or the plan, or both, as applicable, if the ordinance or resolution is filed with and approved by the board.

(b) An ordinance or resolution adopted under subsection (a) that includes a provision described under subsection (a)(3) may also include one (1) of the following provisions:

- (1) If an employee who may elect whether to become a member

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of the fund or a member of the plan does not make an election under IC 5-10.3-7-1.1, the employee becomes a member of the plan.

(2) If an employee who may elect whether to become a member of the fund or a member of the plan does not make an election under IC 5-10.3-12-20.5, the employee becomes a member of the fund.

If an ordinance or resolution adopted under subsection (a) that includes a provision described under subsection (a)(3) does not include either of the provisions described in subdivision (1) or (2), subdivision (2) applies to the departmental, occupational, or other definable classification of employees that may elect to become members of the fund or members of the plan.

(c) If an ordinance or resolution adopted under subsection (a) includes a provision described under subsection (a)(2) or (a)(3), or both, the ordinance or resolution must include a specification of the political subdivision's contribution rate to the plan as a percentage of each member's compensation. Each year, the political subdivision's contribution rate specified under this subsection must be greater than or equal to zero percent (0%) and may not exceed the percentage that would produce the normal cost for participation in the fund under IC 5-10.2-2-11, if the political subdivision were a participant in the fund. If a provision specifying the political subdivision's contribution rate is not included in the ordinance or resolution, the political subdivision's contribution rate to the plan is zero percent (0%).

(d) If an ordinance or resolution adopted under subsection (a) includes a provision described under subsection (a)(2) or (a)(3), or both, the ordinance or resolution must include a specification of the political subdivision's matching rate that is the percentage of each member's additional contributions to the plan that the political subdivision will match. A political subdivision may specify only:

(1) zero percent (0%); or

(2) fifty percent (50%).

If a provision specifying the political subdivision's matching rate is not included in the ordinance or resolution, the political subdivision's matching rate for the plan is zero percent (0%).

(e) A governing body may include in its ordinance or resolution adopted under subsection (a) a determination of the date from which prior service for its employees will be computed. Creditable service for these employees is determined under IC 5-10.3-7-7.5.

(f) The effective date of participation is ~~the earlier of January 1 or July 1~~ **a date approved by the board, either a date suggested by the**



**political subdivision or a date selected by the board, but the date may not be later than sixty (60) days** after the date of approval. However, no retirement benefit may be paid until six (6) months after the effective date of participation."

Renumber all SECTIONS consecutively.  
and when so amended that said bill do pass.

(Reference is to HB 1109 as printed January 16, 2018.)

BOOTS, Chairperson

Committee Vote: Yeas 9, Nays 0.

