



Reprinted
February 24, 2017

HOUSE BILL No. 1463

DIGEST OF HB 1463 (Updated February 23, 2017 10:37 am - DI 113)

Citations Affected: IC 5-10.2; IC 5-10.4; IC 5-10.5.

Synopsis: Teachers' defined contribution plan. Establishes the teachers' defined contribution plan (plan) as an account within the Indiana state teachers' retirement fund (fund). Provides that an individual who begins employment with a school corporation in a covered position that would otherwise be eligible for membership in the fund may elect to become a member of the plan. Provides that an individual who does not elect to become a member of the plan becomes a member of the fund. Provides that an individual has 36 months after the individual's initial election to make a second election concerning membership in the fund or the plan. Requires the board of trustees of the Indiana public retirement system (board) to establish, subject to any approval from the Internal Revenue Service that the board considers necessary or desirable, alternative investment programs within the annuity savings account as the initial alternative investment programs for the plan. Provides that, if the board considers it necessary or appropriate, the board may establish different or additional alternative investment programs for the plan, except that the board shall maintain the stable value fund. Provides that each member's contribution to the plan is 3% of the member's compensation and requires the employer to pay the member's contribution on behalf of the member. Allows a member to make additional contributions to the plan up to 10% of the
(Continued next page)

Effective: July 1, 2017.

Carbaugh, Ober, Huston, Torr

January 18, 2017, read first time and referred to Committee on Employment, Labor and Pensions.

February 21, 2017, amended, reported — Do Pass.

February 23, 2017, read second time, amended, ordered engrossed.

HB 1463—LS 7438/DI 102



Digest Continued

member's compensation. Provides that the employer's contribution rate for the plan is equal to the employer's contribution rate for the fund as determined by the board, although the amount credited from the employer's contribution rate to the member's account may not be greater than the normal cost of the fund, and any amount not credited to the member's account is applied to the unfunded accrued liability of the fund. Provides that an employer's minimum contribution to the plan is 3% of the compensation of all members of the plan. Provides that member contributions and net earnings on the member contributions belong to the member at all times and do not belong to the employer. Provides that a member vests in the employer contribution subaccount at 50% after four years of participation in the plan with full vesting after five years of participation. Provides that, if a member separates from service with an employer before the member is fully vested in the employer contribution subaccount, the amount in the subaccount that is not vested is: (1) transferred to the member's new employer, if the new employer participates in the plan; or (2) held in the member's employer contribution subaccount until forfeited. Provides that a member who: (1) terminates service in a covered position; and (2) does not perform any service in a covered position for at least 30 days after the date on which the member terminates service; is entitled to withdraw vested amounts in the member's account. Provides that a member may elect to have withdrawals paid as: (1) a lump sum; (2) a direct rollover to another eligible retirement plan; or (3) if the member is at least 62 years of age with at least five years of participation in the plan, a monthly annuity in accordance with the rules of the board. Provides that, on the plan's effective date, school corporations become participants in the plan. Allows a member of the public employees' retirement fund (PERF) or the fund to receive a disability retirement from PERF or the fund without requiring the member to be currently employed, to be receiving employer provided income protection benefits, or to be on leave under the Family and Medical Leave Act. Provides the board shall provide education to employers and members regarding retirement benefit options of all applicable pension and retirement funds that the board administers.



Reprinted
February 24, 2017

First Regular Session of the 120th General Assembly (2017)

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 2016 Regular Session of the General Assembly.

HOUSE BILL No. 1463

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 5-10.2-2-11, AS AMENDED BY P.L.241-2015,
2 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2017]: Sec. 11. (a) Based on the actuarial investigation and
4 valuation in section 9 of this chapter, the board shall determine:
5 (1) the normal contribution for each contribution rate group,
6 which is the amount necessary to fund the pension portion of the
7 retirement benefit;
8 (2) the rate of normal contribution;
9 (3) the unfunded accrued liability of the public employees'
10 retirement fund, the pre-1996 account, and the 1996 account,
11 which is the excess of total accrued liability over the fund's or
12 account's total assets, respectively; and
13 (4) the period, which must be thirty (30) years or a shorter period,
14 necessary to amortize the unfunded accrued liability determined
15 in subdivision (3).

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1 (b) Based on the information in subsection (a), the board may
 2 determine, in its sole discretion, contributions and contribution rates for
 3 individual employers or for a group of employers.

4 (c) The board shall require an employer to make a supplemental
 5 contribution to the fund in addition to the amounts described in
 6 subsection (a)(3) and (a)(4) in an amount necessary to pay the
 7 employer's share of the fund's actuarial unfunded liability that other
 8 employers would otherwise be required to pay because the employer's
 9 employees are becoming members of the plan under IC 5-10.3-12 **or**
 10 **IC 5-10.4-8** instead of the fund. The amount necessary to pay an
 11 employer's contribution under this subsection in full must be made in
 12 a lump sum or in a series of payments determined by the board.

13 (d) The board's determinations under subsection (a):

14 (1) are subject to sections 1.5 and 11.5 of this chapter; and

15 (2) may not include an amount for a retired member for whom the
 16 employer may not make contributions during the member's period
 17 of reemployment as provided under IC 5-10.2-4-8(e).

18 (e) If the board determines contributions and contribution rates for
 19 one (1) or more employers under this section differ from the
 20 contributions and contribution rates determined by the actuarial
 21 investigation under section 9 of this chapter, the board shall notify the
 22 interim study committee for pension management oversight of this fact
 23 by reporting the board's action to the legislative services agency in an
 24 electronic format under IC 5-14-6.

25 SECTION 2. IC 5-10.2-4-6, AS AMENDED BY P.L.35-2012,
 26 SECTION 43, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 27 JULY 1, 2017]: Sec. 6. (a) A member who becomes disabled ~~while~~
 28 ~~receiving a salary or employer provided income protection benefits or~~
 29 ~~who is on leave under the Family and Medical Leave Act~~ may retire for
 30 the duration of the member's disability if:

31 (1) the member has at least five (5) years of creditable service;
 32 ~~before the:~~

33 ~~(A) termination of a salary or employer provided income~~
 34 ~~protection benefits or Family and Medical Leave Act leave; or~~

35 ~~(B) exhaustion of all worker's compensation benefits;~~

36 (2) the member has qualified for Social Security disability
 37 benefits and has furnished proof of the Social Security
 38 qualification to the board; and

39 (3) at least once each year until the member reaches age sixty-five

40 (65) a representative of the board verifies the continued disability.

41 For the purposes of this section, a member of the public employees'
 42 retirement fund who has qualified for disability benefits under the



1 federal civil service system is considered to have met the requirement
2 of subdivision (2) if the member furnishes proof of the qualification to
3 the board.

4 (b) Benefits for disability shall be paid beginning with the month
5 following the onset of disability as determined by the Social Security
6 Administration. The benefit is the retirement benefit specified in
7 section 4 of this chapter with the pension computed using only the
8 years of creditable service worked to the date of disability and without
9 reduction for early retirement. The monthly disability retirement
10 benefit payable before July 1, 2008, may not be less than one hundred
11 dollars (\$100). The monthly disability retirement benefit payable after
12 June 30, 2008, may not be less than one hundred eighty dollars (\$180).

13 (c) The member may have the member's benefit paid under any of
14 the retirement benefit options specified in section 7 of this chapter,
15 except that the member may not choose to have the member's disability
16 retirement benefit paid under the method specified under section
17 7(b)(3) of this chapter.

18 (d) This section applies to:

- 19 (1) a member of the public employees' retirement fund who
20 became disabled after June 30, 1973; and
- 21 (2) a member of the Indiana state teachers' retirement fund who
22 becomes disabled after June 30, 1984, and who chooses disability
23 retirement under this section.

24 (e) To the extent required by the Americans with Disabilities Act
25 (42 U.S.C. 12101 et seq.) and any amendments and regulations to the
26 Act, the transcripts, records, and other material compiled to determine
27 the existence of a disability shall be:

- 28 (1) kept in separate medical files for each member; and
- 29 (2) treated as confidential medical records.

30 (f) A member may continue to receive disability benefits from the
31 public employees' retirement fund or the Indiana state teachers'
32 retirement fund so long as the member is entitled to receive Social
33 Security benefits, including periods of trial employment or
34 rehabilitation under the Social Security guidelines. However, during a
35 period of trial employment or rehabilitation, service credit may not be
36 granted under the public employees' retirement fund or the Indiana
37 state teachers' retirement fund.

38 (g) If the fund is authorized to make, in the form of a single check
39 or a series of checks, a one (1) time distribution that does not increase
40 the pension portion of the monthly benefit, the distribution must
41 include members eligible for disability benefits. A member eligible for
42 disability benefits is required to meet all additional requirements



1 necessary to receive the check or series of checks issued by the fund
2 under this subsection.

3 SECTION 3. IC 5-10.4-4-1, AS AMENDED BY P.L.119-2012,
4 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
5 JULY 1, 2017]: Sec. 1. (a) The members of the fund include:

6 (1) legally qualified and regularly employed teachers in the public
7 schools;

8 (2) persons employed by a governing body, who were qualified
9 before their election or appointment;

10 (3) legally qualified and regularly employed teachers at Ball State
11 University, Indiana State University, University of Southern
12 Indiana, and Vincennes University;

13 (4) legally qualified and regularly employed teachers in a state
14 educational institution whose teachers devote their entire time to
15 teaching;

16 (5) legally qualified and regularly employed teachers in state
17 benevolent, charitable, or correctional institutions;

18 (6) legally qualified and regularly employed teachers in an
19 experimental school in a state university who teach elementary or
20 high school students;

21 (7) as determined by the board, certain instructors serving in a
22 state educational institution extension division not covered by a
23 state retirement law;

24 (8) employees and officers of the department of education and of
25 the fund who were qualified before their election or appointment;

26 (9) a person who:

27 (A) is employed as a nurse appointed under IC 20-34-3-6 by
28 a school corporation located in a city having a population of
29 more than eighty thousand (80,000) but less than eighty
30 thousand four hundred (80,400); and

31 (B) participated in the fund before December 31, 1991, in the
32 position described in clause (A); and

33 (10) persons who are employed by the fund.

34 (b) Teachers in any state institution who accept the benefits of a
35 state supported retirement benefit system comparable to the fund's
36 benefits may not come under the fund unless permitted by law or the
37 rules of the board.

38 (c) The members of the fund do not include substitute teachers who
39 have not obtained an associate degree or a baccalaureate degree.

40 **(d) The members of the fund do not include individuals who**
41 **participate in the teachers' defined contribution plan under**
42 **IC 5-10.4-8.**



1 SECTION 4. IC 5-10.4-8 IS ADDED TO THE INDIANA CODE
 2 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 3 JULY 1, 2017]:

4 **Chapter 8. Teachers' Defined Contribution Plan**

5 **Sec. 1. (a) Except as provided in subsection (b), this chapter**
 6 **applies after the effective date of the plan to an individual who:**

7 (1) **begins employment with a school corporation in a covered**
 8 **position that would otherwise be eligible for membership in**
 9 **the fund under IC 5-10.4-4; and**

10 (2) **makes an election described in section 6 or 7 of this**
 11 **chapter to become a member of the plan.**

12 **(b) This chapter does not apply to the following:**

13 (1) **An individual who, before the effective date of the plan, is**
 14 **or was a member (as defined in IC 5-10.4-1-9) of the fund.**

15 (2) **An individual who, on or after the effective date of the**
 16 **plan:**

17 (A) **begins employment with a school corporation that**
 18 **participates in the plan in a covered position that would**
 19 **otherwise be eligible for membership in the fund under**
 20 **IC 5-10.4-4; and**

21 **(B) either:**

22 (i) **does not make the election described in section 6 of**
 23 **this chapter to become a member of the plan; or**

24 (ii) **makes the election described in section 7 of this**
 25 **chapter to become a member of the fund.**

26 **Sec. 2. The following definitions apply throughout this chapter:**

27 (1) **"Account" means the plan account established for a**
 28 **member under section 8(b) of this chapter.**

29 (2) **"Annuity savings account" means the annuity savings**
 30 **account of the 1996 account maintained under**
 31 **IC 5-10.2-2-2(b)(2) and IC 5-10.2-2-2(c)(1).**

32 (3) **"Compensation" has the meaning set forth in**
 33 **IC 5-10.2-3-2(a).**

34 (4) **"Effective date" means the first day of the month that is**
 35 **six (6) months after the month in which the board adopts**
 36 **provisions to implement the plan under section 4(b) of this**
 37 **chapter.**

38 (5) **"Employer" means a school corporation.**

39 (6) **"Employer contribution subaccount" means the**
 40 **subaccount in a member's plan account established under**
 41 **section 8(b)(2) of this chapter.**

42 (7) **"Internal Revenue Code" has the meaning set forth in**



- 1 **IC 5-10.2-1-3.5.**
 2 **(8) "Member" means an individual described in section 1(a)**
 3 **of this chapter who is not otherwise excluded from**
 4 **membership in the plan.**
 5 **(9) "Member contribution subaccount" means the subaccount**
 6 **in a member's plan account established under section 8(b)(1)**
 7 **of this chapter.**
 8 **(10) "Normal retirement age" for a member means the**
 9 **member is at least sixty-two (62) years of age with at least five**
 10 **(5) years of participation in the plan.**
 11 **(11) "Plan" refers to the teachers' defined contribution plan**
 12 **established by section 4 of this chapter.**
 13 **(12) "Years of participation" means all periods of**
 14 **participation in the plan in a covered position, plus any**
 15 **additional service for which this chapter provides years of**
 16 **participation credit.**
 17 **Sec. 3. Except as otherwise provided in this chapter or by**
 18 **federal law, and subject to the board obtaining any approval from**
 19 **the Internal Revenue Service that the board considers necessary or**
 20 **desirable, the provisions of this article that apply to the annuity**
 21 **savings account apply to an account established under this chapter.**
 22 **Sec. 4. (a) The teachers' defined contribution plan is established**
 23 **for the purpose of providing amounts funded by an employer and**
 24 **a member for the use of the member or the member's beneficiaries**
 25 **or survivors after the member's retirement.**
 26 **(b) The board shall adopt provisions to implement the plan**
 27 **established under subsection (a) as follows:**
 28 **(1) The board shall initially offer the plan using the annuity**
 29 **savings account, subject to obtaining any approval from the**
 30 **Internal Revenue Service that the board considers necessary**
 31 **or desirable to preserve the qualified status of the plan and**
 32 **the fund. The plan as provided under this subdivision is a**
 33 **component within the fund.**
 34 **(2) If the approval of the Internal Revenue Service to offer the**
 35 **plan using the annuity savings account cannot be obtained in**
 36 **a manner satisfactory to the board, the board shall offer the**
 37 **plan as a separate fund under Section 401(a) or another**
 38 **applicable section of the Internal Revenue Code.**
 39 **(c) The board shall administer the plan.**
 40 **(d) The board may adopt a plan document that it considers**
 41 **appropriate or necessary to administer the plan.**
 42 **Sec. 5. The board may request from the Internal Revenue**



1 Service any rulings or determination letters that the board
2 considers necessary or appropriate in order to implement or
3 administer the plan.

4 Sec. 6. (a) An individual who, on or after the effective date of the
5 plan, begins employment with a school corporation that
6 participates in the plan in a covered position that would otherwise
7 be eligible for membership in the fund under IC 5-10.4-4 may elect
8 to become a member of the plan.

9 (b) An election under this section:

10 (1) must be made in writing;

11 (2) must be filed with the board, on a form prescribed by the
12 board; and

13 (3) except as provided in section 7 of this chapter, is
14 irrevocable.

15 (c) An individual who does not elect to become a member of the
16 plan becomes a member (as defined in IC 5-10.4-1-9) of the fund.

17 Sec. 7. (a) An individual who makes an election under section 6
18 of this chapter to become a member of the plan may, not later than
19 thirty-six (36) months after the date of that election, elect to
20 become a member of the fund.

21 (b) An individual who becomes a member of the fund because
22 the individual did not elect under section 6 of this chapter to
23 become a member of the plan may, not later than thirty-six (36)
24 months after the date of that decision, elect to become a member
25 of the plan.

26 (c) An election under this section:

27 (1) must be made in writing;

28 (2) must be filed with the board, on a form prescribed by the
29 board; and

30 (3) is irrevocable.

31 (d) If an individual makes the election described in subsection
32 (a), the following apply:

33 (1) The individual's participation in the plan from the date the
34 individual first became employed with a school corporation
35 until the date immediately preceding the date of the
36 individual's election under subsection (a) is considered
37 creditable service in the fund under IC 5-10.2-3-1 and
38 IC 5-10.4-4-2. To the extent that an individual wants to use
39 this creditable service for the purpose of computing a
40 retirement benefit, an individual is required, to the extent
41 necessary to fully fund the retirement benefit provided by the
42 creditable service, to purchase the creditable service as



1 provided under subdivisions (2) and (3).

2 (2) The amount credited to the individual's member
3 contribution subaccount on the date of the individual's
4 election under subsection (a) is transferred to the individual's
5 annuity savings account in the fund. An individual may use all
6 or part of the amount transferred under this subdivision to
7 purchase the creditable service described in subdivision (1),
8 if the amount transferred under subdivision (3) is not enough
9 to fully fund the purchase of the creditable service.

10 (3) The amount credited to the individual's employer
11 contribution subaccount on the date of the individual's
12 election under subsection (a) is transferred to the retirement
13 allowance account of the 1996 account established under
14 IC 5-10.4-2-2. To the extent the amount transferred from the
15 individual's employer contribution subaccount does not fully
16 fund the cost of the benefit provided by each year of
17 creditable service described in subdivision (1), the individual
18 may use all or part of the amount transferred under
19 subdivision (2) to purchase all or part of the creditable service
20 not funded by the amount transferred under this subdivision.

21 (e) If an individual makes the election described in subsection
22 (b), the following apply:

23 (1) The individual's service from the date the individual first
24 became employed by a school corporation that participates in
25 the plan until the date immediately preceding the date of the
26 individual's election under subsection (b) is considered
27 participation in the plan for purposes of vesting in the
28 employer contribution subaccount under section 12 of this
29 chapter, and the individual waives service credit in the fund
30 for the service.

31 (2) The amount credited to the individual's annuity savings
32 account on the date of the individual's election under
33 subsection (b) is transferred to the individual's member
34 contribution subaccount.

35 (3) The amount credited to the individual's employer
36 contribution subaccount is equivalent to the amount that
37 would have been contributed to the plan for the individual
38 from the date the individual first became employed by a
39 school corporation that participates in the plan until the date
40 immediately preceding the date of the individual's election
41 under subsection (b).

42 Sec. 8. (a) The plan consists of the following:



- 1 (1) Each member's contributions to the plan under section 10
2 of this chapter.
- 3 (2) Contributions made by an employer to the plan on behalf
4 of each member under section 11 of this chapter.
- 5 (3) Rollovers to the plan by a member under section 16 of this
6 chapter.
- 7 (4) All earnings on investments or deposits of the plan.
- 8 (5) All contributions or payments to the plan made in the
9 manner provided by the general assembly.
- 10 (b) The plan shall establish an account for each member. A
11 member's account consists of two (2) subaccounts credited
12 individually as follows:
- 13 (1) The member contribution subaccount consists of:
- 14 (A) the member's contributions to the plan under section
15 10 of this chapter; and
- 16 (B) the net earnings on the contributions described in
17 clause (A) as determined under section 9 of this chapter.
- 18 (2) The employer contribution subaccount consists of:
- 19 (A) the employer's contributions made on behalf of the
20 member to the plan under section 11 of this chapter; and
- 21 (B) the earnings on the contributions described in clause
22 (A) as determined under section 9 of this chapter.
- 23 The board may combine the two (2) subaccounts established under
24 this subsection into a single account, if the board determines that
25 a single account is administratively appropriate and permissible
26 under applicable law.
- 27 (c) If a member makes rollover contributions under section 16
28 of this chapter, the plan shall establish a rollover account as a
29 separate subaccount within the member's account.
- 30 Sec. 9. (a) Subject to the board obtaining any approval from the
31 Internal Revenue Service that the board considers necessary or
32 desirable, the board shall establish alternative investment
33 programs (as described by IC 5-10.2-2-3) within the annuity
34 savings account as the initial alternative investment programs for
35 the plan. If the board considers it necessary or appropriate, the
36 board may establish different or additional alternative investment
37 programs for the plan, except that the board shall maintain the
38 stable value fund as described by IC 5-10.2-2-3(b).
- 39 (b) The requirements and rules that apply to the alternative
40 investment programs within the annuity savings account are the
41 initial requirements and rules that apply to the alternative
42 investment programs within the plan, including the following:



1 (1) The board's investment guidelines and limits for the
2 alternative investment programs.

3 (2) A member's selection of and changes to the member's
4 investment options.

5 (3) The valuation of a member's account.

6 (4) The allocation and payment of administrative expenses for
7 the alternative investment programs.

8 (c) If the board considers it necessary or appropriate, the board
9 may establish different or additional requirements and rules that
10 apply to the alternative investment programs within the plan.

11 (d) The board shall determine the appropriate administrative
12 fees to be charged to the member accounts.

13 Sec. 10. (a) Each member's contribution to the plan is equal to
14 three percent (3%) of the member's compensation.

15 (b) An employer shall pay a member's contribution on behalf of
16 the member.

17 (c) To the extent permitted by the Internal Revenue Code and
18 applicable regulations, a member of the plan may make
19 contributions to the plan in addition to the contribution required
20 under subsection (a). IC 5-10.2-3-2(c) and IC 5-10.2-3-2(d) govern
21 additional contributions made under this subsection.

22 (d) Member contributions must be credited to the member's
23 account as specified in IC 5-10.2-3.

24 (e) Although designated as employee contributions, the
25 contributions made under subsection (b) by an employer must be
26 picked up and paid by the employer instead of the contributions
27 being paid by the employee in accordance with Section 414(h)(2) of
28 the Internal Revenue Code.

29 (f) A member may not receive any amounts paid by an employer
30 under this section directly instead of having the amounts paid to
31 the plan.

32 Sec. 11. (a) An employer shall make employer contributions to
33 the plan based on the rate determined under this section.

34 (b) The employer's contribution rate for the plan must be equal
35 to the employer's contribution rate for the fund as determined by
36 the board under IC 5-10.2-2-11(b). The amount credited from the
37 employer's contribution rate to the member's account shall be the
38 normal cost of the fund. Any amount not credited to the member's
39 account must be applied to the unfunded accrued liability of the
40 fund as determined under IC 5-10.2-2-11(c).

41 (c) Notwithstanding subsection (b), an employer's minimum
42 contribution under this section is equal to three percent (3%) of the



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compensation of all members of the plan.

(d) An employer shall submit the employer contributions determined under this section as provided in IC 5-10.2-2-12.5.

Sec. 12. (a) Member contributions and net earnings on the member contributions in the member contribution subaccount belong to the member at all times and do not belong to the employer.

(b) A member is vested in the employer contribution subaccount in accordance with the following schedule:

Years of participation in the plan	Vested percentage of employer contributions and earnings
1	0%
2	0%
3	0%
4	50%
5	100%

For purposes of vesting in the employer contribution subaccount, only a member's full years of participation in the plan may be counted.

(c) The amount that a member may withdraw from the member's account is limited to the vested portion of the account.

(d) A member who attains normal retirement age is fully vested in all amounts in the member's account.

(e) If a member separates from service with an employer before the member is fully vested in the employer contribution subaccount, the amount in the employer contribution subaccount that is not vested remains in the employer contribution subaccount as unvested employer contributions until, and only to the extent that, the unvested employer contributions:

- (1) become vested in accordance with subsection (b);
- (2) are forfeited in accordance with subsection (f); or
- (3) in some proportion, become vested under subdivision (1) and forfeited under subdivision (2).

(f) A member forfeits unvested employer contributions in the member's employer contribution account on the earliest of the following dates:

- (1) The date of the member's death.
- (2) The date that the member withdraws the member's money from the plan.
- (3) The date that the plan is required to distribute the member's money from the plan.



1 (g) Amounts forfeited under subsection (f) must be used as
2 determined by the board.

3 (h) A member may not earn creditable service (as defined in
4 IC 5-10.2-3-1(a)) under the plan.

5 Sec. 13. (a) Subject to the provisions of the Internal Revenue
6 Code applicable to qualified plan distributions, a member who:

7 (1) terminates service in a covered position; and

8 (2) does not perform any service in a position covered by the
9 fund for at least thirty (30) days after the date on which the
10 member terminates service;

11 is entitled to withdraw amounts in the member's account to the
12 extent the member is vested in the account. A member must make
13 a required withdrawal from the member's account not later than
14 the required beginning date under the Internal Revenue Code.

15 (b) A member may elect to have withdrawals paid as:

16 (1) a lump sum;

17 (2) a direct rollover to another eligible retirement plan; or

18 (3) if the member has attained normal retirement age, a
19 monthly annuity in accordance with the rules of the board.

20 (c) The board may establish a minimum account balance or a
21 minimum monthly payment amount in order for a member to
22 select the monthly annuity option. The board shall establish the
23 forms of annuity by rule, in consultation with the board's actuary.
24 The board shall give members information about these forms of
25 payment and any information required by federal law to
26 accompany such distributions.

27 (d) Unless otherwise required by federal or state law, the
28 requirements and rules that apply to the distribution of the annuity
29 savings account apply to distributions from a member's account.

30 Sec. 14. (a) If a member dies:

31 (1) while in service in a position covered by the plan; or

32 (2) after terminating service in a position covered by the plan
33 but before withdrawing the member's account;

34 to the extent that the member is vested, the member's account shall
35 be paid to the beneficiary or beneficiaries designated by the
36 member on a form prescribed by the board. The amount paid must
37 be valued as provided in IC 5-10.2-2-3. The board shall invest the
38 total amount in the member's account in the stable value fund not
39 later than thirty (30) days after receiving notification of a
40 member's death.

41 (b) If there is no properly designated beneficiary, or if no
42 beneficiary survives the member, the member's account shall be



- 1 paid to:
- 2 (1) the surviving spouse of the member;
- 3 (2) if there is not a surviving spouse, the surviving dependent
- 4 or dependents of the member in equal shares; or
- 5 (3) if there is not a surviving spouse or dependent, the
- 6 member's estate.
- 7 (c) The beneficiary or beneficiaries designated under subsection
- 8 (a) or a survivor determined under subsection (b) may elect to have
- 9 the member's account paid as:
- 10 (1) a lump sum;
- 11 (2) a direct rollover to another eligible retirement plan; or
- 12 (3) a monthly annuity in accordance with rules of the board.
- 13 A monthly annuity is an option only on or after the date the
- 14 beneficiary or survivor becomes sixty-two (62) years of age. The
- 15 board shall establish the forms of annuity by rule, in consultation
- 16 with the board's actuary. Further, the board may establish a
- 17 minimum account balance or a minimum monthly payment
- 18 amount that is required in order for a beneficiary or survivor to
- 19 select the monthly annuity option.
- 20 Sec. 15. (a) All assets in the plan are exempt from levy, sale,
- 21 garnishment, attachment, or other legal process.
- 22 (b) A member, beneficiary, or survivor may not assign any
- 23 payment under this chapter except for the following:
- 24 (1) Premiums on a life, hospitalization, surgical, or medical
- 25 group insurance plan maintained in part by a state agency.
- 26 (2) Dues to an association that proves to the board's
- 27 satisfaction that the association has as members at least
- 28 twenty percent (20%) of the retired members in the plan.
- 29 Sec. 16. (a) To the extent permitted by the Internal Revenue
- 30 Code and the applicable regulations and guidance, the plan may
- 31 accept, on behalf of any member who is employed in a covered
- 32 position, a rollover distribution from any of the following:
- 33 (1) A qualified plan described in Section 401(a) or Section
- 34 403(a) of the Internal Revenue Code.
- 35 (2) An annuity contract or account described in Section 403(b)
- 36 of the Internal Revenue Code.
- 37 (3) An eligible plan maintained by a state, a political
- 38 subdivision of a state, or an agency or instrumentality of a
- 39 state or political subdivision of a state under Section 457(b) of
- 40 the Internal Revenue Code.
- 41 (4) An individual retirement account or annuity described in
- 42 Section 408(a) or Section 408(b) of the Internal Revenue



1 Code.

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

6 (c) A member may direct the investment of the member's
7 rollover account into any alternative investment option that the
8 board may make available to the member's rollover account under
9 section 9 of this chapter.

10 (d) A member may withdraw the member's rollover account
11 from the plan in a lump sum or direct a rollover to an eligible
12 retirement plan at any time. Upon attainment of normal retirement
13 age, in addition to these payment options, the member may
14 withdraw the member's rollover account as a monthly annuity as
15 established by the board in accordance with the annuity options
16 that are available for the member's account in the plan. A member
17 shall make a required withdrawal from the member's account in
18 the plan not later than the required beginning date under the
19 Internal Revenue Code.

20 Sec. 17. (a) If a member becomes disabled while in a covered
21 position, subject to any federal law limitations concerning qualified
22 plan distributions and the member furnishing proof of the
23 member's qualification for Social Security disability benefits to the
24 board, to the extent that the member is vested, the member may
25 make a withdrawal from the member's account.

26 (b) The member may elect to have the withdrawal paid as:

- 27 (1) a lump sum;
28 (2) a direct rollover to another eligible retirement plan; or
29 (3) a monthly annuity in accordance with the rules of the
30 board.

31 (c) The board may establish a minimum account balance or a
32 minimum monthly payment amount in order for a member to
33 select the monthly annuity option.

34 Sec. 18. (a) If a member of the plan separates from employment
35 with the member's employer and later returns to employment in a
36 position covered by the plan:

- 37 (1) the individual resumes membership in the plan; and
38 (2) the member is entitled to receive credit for the member's
39 years of participation in the plan before the member's
40 separation. Any amounts forfeited by the member under
41 section 12(f) of this chapter shall be restored to the member's
42 account.



1 (b) An individual who elected under section 6 or 7 of this
 2 chapter to become a member of the plan resumes membership in
 3 the plan upon the individual's return to employment covered by
 4 the plan.

5 (c) An individual who:

6 (1) did not elect to become a member of the plan; or

7 (2) made an election described in section 7 of this chapter to
 8 become a member of the fund;

9 resumes membership in the fund.

10 (d) An individual who returns to employment in a position
 11 covered by the plan having had an opportunity to make an election
 12 under section 6 or 7 of this chapter during an earlier period of
 13 employment is not entitled to a second opportunity to make an
 14 election under section 6 or 7 of this chapter.

15 SECTION 5. IC 5-10.4-9 IS ADDED TO THE INDIANA CODE
 16 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
 17 JULY 1, 2017]:

18 **Chapter 9. Participation by School Corporations in the Defined**
 19 **Contribution Plan**

20 **Sec. 1. The following definitions apply throughout this chapter:**

21 (1) "Account" has the meaning set forth in IC 5-10.4-8-2(1).

22 (2) "Plan" has the meaning set forth in IC 5-10.4-8-2(11).

23 **Sec. 2. On the effective date of the plan, a school corporation**
 24 **becomes a participant in the plan.**

25 **Sec. 3. After a school corporation becomes a participant in the**
 26 **plan, its governing body may make appropriations, make**
 27 **payments, and do all things required under IC 5-10.4-8.**

28 **Sec. 4. The board shall maintain separate accounts for each**
 29 **contribution rate group. Credits and charges to these accounts**
 30 **shall be made as prescribed under IC 5-10.4-8.**

31 **Sec. 5. A school corporation shall make the appropriations and**
 32 **payments required under this article and IC 5-10.2 from its general**
 33 **fund.**

34 **Sec. 6. If a school corporation fails to make payments required**
 35 **by this chapter, the amount payable may be:**

36 (1) withheld by the auditor of state from money payable to the
 37 school corporation and transferred to the plan; or

38 (2) recovered in a suit in the circuit or superior court of the
 39 county in which the school corporation is located. The suit
 40 must be an action by the state on the relation of the board,
 41 prosecuted by the attorney general.

42 SECTION 6. IC 5-10.5-4-1, AS AMENDED BY P.L.181-2015,



1 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
2 JULY 1, 2017]: Sec. 1. The board shall do all of the following:

- 3 (1) Appoint and fix the salary of a director.
4 (2) Employ or contract with employees, auditors, technical
5 experts, legal counsel, and other service providers as the board
6 considers necessary to transact the business of the fund without
7 the approval of any state officer, and fix the compensation of
8 those persons.
9 (3) Establish a general office in Indianapolis for board meetings
10 and for administrative personnel.
11 (4) Provide for the installation in the general office of a complete
12 system of:
13 (A) books;
14 (B) accounts, including reserve accounts; and
15 (C) records;
16 to give effect to all the requirements of this article and to ensure
17 the proper operation of the fund.
18 (5) Provide for a report at least annually to each member of the
19 amount credited to the member in the annuity savings account in
20 each investment program under IC 5-10.2-2.
21 (6) With the advice of the actuary, adopt actuarial tables and
22 compile data needed for actuarial studies that are necessary for
23 the fund's operation.
24 (7) Act on applications for benefits and claims of error filed by
25 members.
26 (8) Have the accounts of the fund audited by the state board of
27 accounts and if the board determines that it is advisable, have the
28 operation of a public pension or retirement fund of the system
29 audited by a certified public accountant.
30 (9) Publish for the members a synopsis of the fund's condition.
31 (10) Adopt a budget on a calendar year or fiscal year basis that is
32 sufficient, as determined by the board, to perform the board's
33 duties and, as appropriate and reasonable, draw upon fund assets
34 to fund the budget.
35 (11) Expend money, including income from the fund's
36 investments, for effectuating the fund's purposes.
37 (12) Establish personnel programs and policies for the employees
38 of the system.
39 (13) Submit a financial report before November 1 each year to the
40 governor, the interim study committee on pension management
41 oversight established by IC 2-5-1.3-4 in an electronic format
42 under IC 5-14-6, and the budget committee. The report under this



- 1 subdivision must set forth a complete operating and financial
- 2 statement covering its operations during the most recent fiscal
- 3 year, and include any other information requested by the chair of
- 4 the interim study committee on pension management oversight
- 5 established by IC 2-5-1.3-4 in an electronic format under
- 6 IC 5-14-6.
- 7 (14) Provide the necessary forms for administering the fund.
- 8 (15) Submit to the auditor of state or the treasurer of state
- 9 vouchers or reports necessary to claim an amount due from the
- 10 state to the system.
- 11 **(16) Provide education to employers and members regarding**
- 12 **retirement benefit options of all applicable public pension and**
- 13 **retirement funds of the system.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Employment, Labor and Pensions, to which was referred House Bill 1463, 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, between lines 24 and 25, begin a new paragraph and insert:

"SECTION 2. IC 5-10.2-4-6, AS AMENDED BY P.L.35-2012, SECTION 43, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 6. (a) A member who becomes disabled ~~while receiving a salary or employer provided income protection benefits or who is on leave under the Family and Medical Leave Act~~ may retire for the duration of the member's disability if:

(1) the member has at least five (5) years of creditable service; ~~before the:~~

~~(A) termination of a salary or employer provided income protection benefits or Family and Medical Leave Act leave; or~~

~~(B) exhaustion of all worker's compensation benefits;~~

(2) the member has qualified for Social Security disability benefits and has furnished proof of the Social Security qualification to the board; and

(3) at least once each year until the member reaches age sixty-five

(65) a representative of the board verifies the continued disability.

For the purposes of this section, a member of the public employees' retirement fund who has qualified for disability benefits under the federal civil service system is considered to have met the requirement of subdivision (2) if the member furnishes proof of the qualification to the board.

(b) Benefits for disability shall be paid beginning with the month following the onset of disability as determined by the Social Security Administration. The benefit is the retirement benefit specified in section 4 of this chapter with the pension computed using only the years of creditable service worked to the date of disability and without reduction for early retirement. The monthly disability retirement benefit payable before July 1, 2008, may not be less than one hundred dollars (\$100). The monthly disability retirement benefit payable after June 30, 2008, may not be less than one hundred eighty dollars (\$180).

(c) The member may have the member's benefit paid under any of the retirement benefit options specified in section 7 of this chapter, except that the member may not choose to have the member's disability retirement benefit paid under the method specified under section 7(b)(3) of this chapter.



(d) This section applies to:

- (1) a member of the public employees' retirement fund who became disabled after June 30, 1973; and
- (2) a member of the Indiana state teachers' retirement fund who becomes disabled after June 30, 1984, and who chooses disability retirement under this section.

(e) To the extent required by the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and any amendments and regulations to the Act, the transcripts, records, and other material compiled to determine the existence of a disability shall be:

- (1) kept in separate medical files for each member; and
- (2) treated as confidential medical records.

(f) A member may continue to receive disability benefits from the public employees' retirement fund or the Indiana state teachers' retirement fund so long as the member is entitled to receive Social Security benefits, including periods of trial employment or rehabilitation under the Social Security guidelines. However, during a period of trial employment or rehabilitation, service credit may not be granted under the public employees' retirement fund or the Indiana state teachers' retirement fund.

(g) If the fund is authorized to make, in the form of a single check or a series of checks, a one (1) time distribution that does not increase the pension portion of the monthly benefit, the distribution must include members eligible for disability benefits. A member eligible for disability benefits is required to meet all additional requirements necessary to receive the check or series of checks issued by the fund under this subsection."

Page 7, line 16, delete ":".

Page 7, line 17, delete "(A)".

Page 7, line 21, delete "; and" and insert ".".

Page 7, run in lines 16 through 21.

Page 7, delete lines 22 through 23.

Page 10, line 10, delete "is:" and insert "**remains in the employer contribution subaccount as unvested employer contributions until, and only to the extent that, the unvested employer contributions:**

- (1) become vested in accordance with subsection (b);**
- (2) are forfeited in accordance with subsection (f); or**
- (3) in some proportion, become vested under subdivision (1) and forfeited under subdivision (2)."**

Page 10, delete lines 11 through 16, begin a new paragraph and insert:

"(f) A member forfeits unvested employer contributions in the



member's employer contribution account on the earliest of the following dates:

- (1) The date of the member's death.**
- (2) The date that the member withdraws the member's money from the plan.**
- (3) The date that the plan is required to distribute the member's money from the plan."**

Page 10, line 17, delete "(f) Amounts forfeited under subsection (e)" and insert "**(g) Amounts forfeited under subsection (f)**".

Page 10, line 19, delete "(g)" and insert "**(h)**".

Page 13, line 14, delete "However, any" and insert "**Any**".

Page 13, line 15, delete "12(e)" and insert "**12(f)**".

Page 13, line 15, delete "may not" and insert "**shall**".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1463 as introduced.)

VANNATTER

Committee Vote: yeas 9, nays 2.

HOUSE MOTION

Mr. Speaker: I move that House Bill 1463 be amended to read as follows:

Page 15, after line 41, begin a new paragraph and insert:

"SECTION 6. IC 5-10.5-4-1, AS AMENDED BY P.L.181-2015, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2017]: Sec. 1. The board shall do all of the following:

- (1) Appoint and fix the salary of a director.
- (2) Employ or contract with employees, auditors, technical experts, legal counsel, and other service providers as the board considers necessary to transact the business of the fund without the approval of any state officer, and fix the compensation of those persons.
- (3) Establish a general office in Indianapolis for board meetings and for administrative personnel.
- (4) Provide for the installation in the general office of a complete system of:
 - (A) books;
 - (B) accounts, including reserve accounts; and

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- (C) records;
to give effect to all the requirements of this article and to ensure the proper operation of the fund.
- (5) Provide for a report at least annually to each member of the amount credited to the member in the annuity savings account in each investment program under IC 5-10.2-2.
- (6) With the advice of the actuary, adopt actuarial tables and compile data needed for actuarial studies that are necessary for the fund's operation.
- (7) Act on applications for benefits and claims of error filed by members.
- (8) Have the accounts of the fund audited by the state board of accounts and if the board determines that it is advisable, have the operation of a public pension or retirement fund of the system audited by a certified public accountant.
- (9) Publish for the members a synopsis of the fund's condition.
- (10) Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the board, to perform the board's duties and, as appropriate and reasonable, draw upon fund assets to fund the budget.
- (11) Expend money, including income from the fund's investments, for effectuating the fund's purposes.
- (12) Establish personnel programs and policies for the employees of the system.
- (13) Submit a financial report before November 1 each year to the governor, the interim study committee on pension management oversight established by IC 2-5-1.3-4 in an electronic format under IC 5-14-6, and the budget committee. The report under this subdivision must set forth a complete operating and financial statement covering its operations during the most recent fiscal year, and include any other information requested by the chair of the interim study committee on pension management oversight established by IC 2-5-1.3-4 in an electronic format under IC 5-14-6.
- (14) Provide the necessary forms for administering the fund.
- (15) Submit to the auditor of state or the treasurer of state vouchers or reports necessary to claim an amount due from the state to the system.



(16) Provide education to employers and members regarding retirement benefit options of all applicable public pension and retirement funds of the system."

Renumber all SECTIONS consecutively.

(Reference is to HB 1463 as printed February 21, 2017.)

CARBAUGH

