

SENATE BILL No. 153

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10.2-2-3; IC 5-10.3-2-3; IC 5-10.4-2; IC 5-10.5-6-5.

Synopsis: PERF and TRF ASA administrative expenses. Requires the board of trustees of the Indiana public retirement system to allocate, as determined by the rules of the board, the expenses of administration of each program within the annuity savings accounts (ASA) of the public employees' retirement fund (PERF) and the teachers' retirement fund (TRF), including the guaranteed program and each alternative investment program, to the members of PERF and TRF participating in that program.

Effective: July 1, 2014.

Boots

January 8, 2014, read first time and referred to Committee on Pensions and Labor.



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

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

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

SENATE BILL No. 153



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 5-10.2-2-3, AS AMENDED BY P.L.35-2012,
2 SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2014]: Sec. 3. (a) The annuity savings account consists of:
4 (1) the members' contributions; and
5 (2) the interest credits on these contributions in the guaranteed
6 fund or the gain or loss in market value on these contributions in
7 the alternative investment program, as specified in section 4 of
8 this chapter.
9 Each member shall be credited individually with the amount of the
10 member's contributions and interest credits.
11 (b) **Except as provided in this subsection**, the board shall maintain
12 the annuity savings account program in effect on December 31, 1995
13 (referred to in this chapter as the guaranteed program). In addition, the
14 board shall establish and maintain a guaranteed program within the
15 1996 account. **Beginning on July 1, 2014, the board shall allocate,**
16 **as determined by the rules of the board, the administrative costs of**



1 **the guaranteed program within the annuity savings accounts to the**
 2 **members participating in the guaranteed program.** The board may
 3 establish investment guidelines and limits on all types of investments
 4 (including, but not limited to, stocks and bonds) and take other actions
 5 necessary to fulfill its duty as a fiduciary of the annuity savings
 6 account, subject to the limitations and restrictions set forth in
 7 IC 5-10.3-5-3, IC 5-10.4-3-10, and IC 5-10.5-5.

8 (c) The board shall establish alternative investment programs within
 9 the annuity savings account of the public employees' retirement fund,
 10 the pre-1996 account, and the 1996 account, based on the following
 11 requirements:

12 (1) The board shall maintain at least one (1) alternative
 13 investment program that is an indexed stock fund and one (1)
 14 alternative investment program that is a bond fund. The board
 15 may maintain one (1) or more alternative investment programs
 16 that:

17 (A) invest in one (1) or more commingled or pooled funds that
 18 consist in part or entirely of mortgages that qualify as five star
 19 mortgages under the program established by IC 24-5-23.6; or

20 (B) otherwise invest in mortgages that qualify as five star
 21 mortgages under the program established by IC 24-5-23.6.

22 (2) The programs should represent a variety of investment
 23 objectives under IC 5-10.3-5-3.

24 (3) No program may permit a member to withdraw money from
 25 the member's account except as provided in IC 5-10.2-3 and
 26 IC 5-10.2-4.

27 (4) All administrative costs of each alternative program shall be
 28 paid from the earnings on that program or as may be determined
 29 by the rules of the board.

30 (5) Except as provided in section 4(e) of this chapter, a valuation
 31 of each member's account must be completed as of:

32 (A) the last day of each quarter; or

33 (B) another time as the board may specify by rule.

34 (d) The board must prepare, at least annually, an analysis of the
 35 guaranteed program and each alternative investment program. This
 36 analysis must:

37 (1) include a description of the procedure for selecting an
 38 alternative investment program;

39 (2) be understandable by the majority of members; and

40 (3) include a description of prior investment performance.

41 (e) A member may direct the allocation of the amount credited to
 42 the member among the guaranteed fund and any available alternative



- 1 investment funds, subject to the following conditions:
- 2 (1) A member may make a selection or change an existing
3 selection under rules established by the board. The board shall
4 allow a member to make a selection or change any existing
5 selection at least once each quarter.
- 6 (2) The board shall implement the member's selection beginning
7 on the first day of the next calendar quarter that begins at least
8 thirty (30) days after the selection is received by the board or on
9 an alternate date established by the rules of the board. This date
10 is the effective date of the member's selection.
- 11 (3) A member may select any combination of the guaranteed fund
12 or any available alternative investment funds, in ten percent
13 (10%) increments or smaller increments that may be established
14 by the rules of the board.
- 15 (4) A member's selection remains in effect until a new selection
16 is made.
- 17 (5) On the effective date of a member's selection, the board shall
18 reallocate the member's existing balance or balances in
19 accordance with the member's direction, based on:
- 20 (A) for an alternative investment program balance, the market
21 value on the effective date; and
- 22 (B) for any guaranteed program balance, the account balance
23 on the effective date.
- 24 All contributions to the member's account shall be allocated as of
25 the last day of that quarter or at an alternate time established by
26 the rules of the board in accordance with the member's most
27 recent effective direction. The board shall not reallocate the
28 member's account at any other time.
- 29 (f) When a member who participates in an alternative investment
30 program transfers the amount credited to the member from one (1)
31 alternative investment program to another alternative investment
32 program or to the guaranteed program, the amount credited to the
33 member shall be valued at the market value of the member's
34 investment, as of the day before the effective date of the member's
35 selection or at an alternate time established by the rules of the board.
36 When a member who participates in an alternative investment program
37 retires, becomes disabled, dies, or suspends membership and withdraws
38 from the fund, the amount credited to the member shall be the market
39 value of the member's investment as of the last day of the quarter
40 preceding the member's distribution or annuitization at retirement,
41 disability, death, or suspension and withdrawal, plus contributions
42 received after that date or at an alternate time established by the rules



1 of the board.

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

21 SECTION 2. IC 5-10.3-2-3 IS AMENDED TO READ AS
 22 FOLLOWS [EFFECTIVE JULY 1, 2014]: Sec. 3. The general
 23 assembly intends that, to the extent specified in this article:

- 24 (1) the payments to the fund by the state or the participating
 25 political subdivisions, **except payments to the fund that are the**
 26 **obligation of a member and are not paid on behalf of the**
 27 **member;**
 28 (2) the payment of all benefits;
 29 (3) the payment of interest credits; and
 30 (4) the payment of administration expenses, **except**
 31 **administrative expenses directly related to the members'**
 32 **annuity savings accounts that are paid by the members;**

33 are obligations of the state and the participating political subdivisions.
 34 However, this obligation is not a guarantee that the amount credited to
 35 a member in the annuity savings account will not vary in value as a
 36 result of the performance of the investment program selected by the
 37 member under IC 5-10.2-2, unless the member selected the guaranteed
 38 program, in which case the obligation is such a guarantee.

39 SECTION 3. IC 5-10.4-2-3, AS AMENDED BY P.L.35-2012,
 40 SECTION 87, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 41 JULY 1, 2014]: Sec. 3. (a) **Except as provided in subsection (b),** the
 42 board shall:



1 (1) prorate the expenses of administration of the fund between the
2 retirement allowance accounts; and

3 (2) pay the prorated expenses from those accounts.

4 **(b) The board shall allocate, as determined by the rules of the**
5 **board, the expenses of administration of each program within the**
6 **annuity savings accounts, including the guaranteed program and**
7 **each alternative investment program, to the members participating**
8 **in that program.**

9 ~~(b)~~ (c) The board shall pay the expenses for the administration of the
10 system as provided in IC 5-10.5-6-5.

11 SECTION 4. IC 5-10.4-2-6, AS AMENDED BY P.L.99-2010,
12 SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
13 JULY 1, 2014]: Sec. 6. **After allocating the administrative expenses**
14 **of the programs within the annuity savings accounts to the**
15 **members participating in each program as provided in section 3 of**
16 **this chapter**, the board shall do the following:

17 (1) Credit interest to the members' annuity savings accounts in the
18 guaranteed fund and actual earnings to the alternative investment
19 programs.

20 (2) After complying with subdivision (1), distribute any
21 remaining undistributed income reserve as of the end of each
22 accounting period as determined by the rules of the board.

23 SECTION 5. IC 5-10.5-6-5, AS ADDED BY P.L.23-2011,
24 SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
25 JULY 1, 2014]: Sec. 5. (a) **Except as provided by IC 5-10.2-2-3(b),**
26 **IC 5-10.3-2-3, and IC 5-10.4-2-3(b)**, each public pension and
27 retirement fund of the system shall pay the expenses of administration
28 attributable to that public pension or retirement fund.

29 (b) The board shall:

30 (1) prorate the expenses of administration of the system that
31 cannot be attributed to a particular public pension or retirement
32 fund and the bond of the director among; and

33 (2) pay the prorated expenses from;
34 the public pension and retirement funds of the system.

