INDIANA STATE POLICE DEPARTMENT

PENSION TRUST AGREEMENT

Restated —January 1, 2014

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DEPARTMENT OF STATE POLICE OF INDIANA

PENSION TRUST AGREEMENT

(Restated – Effective January 1, 2014)

PREAMBLE

WHEREAS, pursuant to authority granted by the General Assembly of the State of Indiana by Chapter 54, Acts of 1937, as amended, the Department of State Police of Indiana, a division of the Indiana State government with its principal office at Indianapolis, Indiana (hereinafter referred to as the "Department"), and the Treasurer of the State of Indiana (hereinafter referred to as the "Trustee") entered into a Pension Trust Agreement originally effective as of the first day of July, 1937; and

WHEREAS, such Trust Agreement has been amended and restated from time to time to reflect changes in its governing statutes; and

WHEREAS, the Trustee is an officer of the State of Indiana with full power to act as Trustee and with its principal place of business at Indianapolis, Indiana; and

WHEREAS, in its First Regular Session, the 105th General Assembly further amended the statutes (recodified by P.L. 2-2003 at IC 10-12) authorizing this Trust Agreement, to provide for maintenance of a two-part State Police Benefit System, to be known as the "Pre-1987 State Police Benefit System" (recodified by P.L. 2-2003 at IC 10-12-3) and the "1987 State Police Benefit System" (recodified by P.L. 2-2003 at IC 10-12-4); and

WHEREAS, the Department and the Trustee amended the Pension Trust Agreement to implement this two-part State Police Benefit System effective July 1, 1987; and

WHEREAS, the General Assembly further amended the statutes to reflect requirements for a qualified plan under Section 401(a) of the Internal Revenue Code; and

WHEREAS, the Department and the Trustee amended the Pension Trust Agreement to reflect the changes in the statute regarding qualification requirements under Section 401(a) of the Internal Revenue Code; and

WHEREAS, the Department and the Trustee amended the Pension Trust Agreement to conform with federal law changes in 2001, to add a deferred retirement option program ("DROP"), and to add the ability to pick-up the employee contributions; and

WHEREAS, in its Second Regular Session, the 112th Indiana General Assembly further amended the statutes authorizing the Trust Agreement; and

WHEREAS, the Department and the Trustee amended the Pension Trust Agreement to conform with amendments to the State governing statutes and to conform with the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Job Creation and Worker Assistance Act of 2002; and

WHEREAS, the Department and the Trustee amended the Pension Trust Agreement to conform with federal law changes under the Pension Protection Act of 2006 and to conform with amendments to the State governing statutes; and

WHEREAS, the Department and the Trustee amended the Pension Trust Agreement to conform with federal law changes under the Heroes Earnings Assistance and Relief Tax Act of 2008 and the Worker, Retiree, and Employer Recovery Act of 2008, to add a partial lump sum payment option for eligible employee beneficiaries, to permit investment in the Indiana State Police Department Group Trust, and to make various additional revisions to plan benefit provisions; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the Parties hereto agree to a complete amendment and restatement of the prior Trust Agreement, and such amended Trust Agreement (which is sometimes referred to herein as the "Indiana State Police Pension Plans" or the "Plans") shall read as follows:

PART I.

DEFINITIONS

1. **Pre-1987 Benefit System**. The term "Pre-1987 Benefit System" shall refer to the plan and the benefits provided hereunder to Employee Beneficiaries who are first employed as Employees by the Department before July 1, 1987, and who do not elect to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of this Trust Agreement. The benefits provided to Employee Beneficiaries who participate in the Pre-1987 Benefit System are described in Section 37 of this Trust Agreement. Any benefits provided to former Employees who qualified for such benefits under the terms of the Trust Agreement as in effect prior to July 1, 1987, shall also be deemed part of the Pre-1987 Benefit System. The rights of any such former Employees to benefits hereunder shall be governed by the provisions of the Trust Agreement as in effect at their respective dates of separation from employment.

2. **1987 Benefit System**. The term "1987 Benefit System" shall refer to the plan and the benefits provided hereunder to Employee Beneficiaries who are first employed as Employees by the Department on or after July 1, 1987, and to those Employee Beneficiaries who were first employed before July 1, 1987, provided they elected to be covered by the 1987 Benefit System in accordance with the provisions of Section 31 of this Trust Agreement. The benefits provided to Employee Beneficiaries who participate in the 1987 Benefit System are described in Section 38 of this Trust Agreement.

3. **Actuarial Equivalent or Actuarially Equivalent**. The term "Actuarial Equivalent" or "Actuarially Equivalent" for periodic benefits means a benefit of equivalent value

computed on the basis of the UP84 Group Annuity Mortality Table (adjusted for 90% male, 10% female), and using an interest rate of six percent (6%) per annum (compounded annually) for the purpose of determining any Actuarially Equivalent benefit, except for the purpose of determining Actuarially Equivalent lump sums.

Actuarially Equivalent lump sums shall be based on a floating Pension Benefit Guaranty Corporation (PBGC) interest rate as hereinafter described. For determining Actuarially Equivalent lump sums distributable in Plan Years beginning on or after July 1, 1991, the interest rate to be utilized shall be the applicable rate of interest used by the Pension Benefit Guaranty Corporation (PBGC) in immediate annuity calculations for the purpose of determining the present value of a lump sum distribution on plan termination and in effect as of the first day of such Plan Year. Provided, the calculation for the actuarial reduction in payment of a PLSO shall be determined under Section 37(h)(ii) or Section 38(g)(ii), as applicable.

4. **Application and Authorization Form**. The term "Application and Authorization Form" means the form prescribed by the Department, as most recently filed with the Department by the Employee.

5. **Average Monthly Salary**. The term "Average Monthly Salary" means the average monthly salary (excluding overtime) from the thirty-six (36) consecutive months of the Employee Beneficiary's employment with the Department that produce the highest such average. During the period of time an Employee Beneficiary is receiving disability payments under the Department of State Police Supplemental Trust Agreement, his Average Monthly Salary, for purposes of benefit calculations under this Trust Agreement, shall be increased pursuant to Section 9 of the Supplemental Trust Agreement. The term "Average Monthly Salary" is subject to the provisions of Section 40 with regard to military service.

6. **Basic**. The term "Basic" when used in connection with the words "retirement benefit," "pension," "benefit," or "monthly retirement benefit," in the 1987 Benefit System refers to the monthly retirement amount which is or may be available to an Employee Beneficiary thereunder on the day of his completion of twenty-five (25) Years of Service with the Department as an Employee; or if the Employee is participating in the Pre-1987 Benefit System, the term "Basic" refers to the amount which is or may be available to an Employee Beneficiary on the day of his completion of twenty (20) Years of Service with the Department as an Employee.

7. **Code**. The term "Code" shall refer to the Internal Revenue Code of 1986, as amended, or, in applicable cases, the Internal Revenue Code as in effect immediately prior to September 2, 1974.

8. **Contingent Beneficiaries and Estate**. The words "any person claiming by, through or under any Employee Beneficiary" as used in this Trust Agreement shall mean the person or persons entitled to payment of any amounts under this Trust Agreement after the Employee Beneficiary's death as a result of their relationship to such deceased Employee Beneficiary. It is noted that the Trust Agreement contains specific provisions that permit

only a surviving spouse, surviving dependent children, surviving dependent parents, or the estate of an Employee Beneficiary, to receive any amounts that are payable under the Trust Agreement after the Employee Beneficiary's death. Except with respect to the ability to name a subsequent spouse to obtain the survivor annuity payable under the 1987 Benefit System (or under the Pre-1987 Benefit System with respect to Employee Beneficiaries who retire on or after June 1, 2011), there is no ability for an Employee Beneficiary to name a beneficiary to receive any benefits under the Trust Agreement; instead, any such benefits are payable automatically to a surviving spouse, surviving dependent children, surviving dependent parents, or estate, to the extent and in the order of priority established in the Trust Agreement.

9. **Department**. The term "Department" shall refer to the Department of State Police of Indiana.

10. **DROP**. The term "DROP" means the deferred retirement option program under this Trust Agreement.

11. **Employee**. The term "Employee" as used in this Trust Agreement means any regular police employee of the Department. The term "Employee" shall also include any regular limited police employee of the Department who was hired prior to July 1, 1975 and became an Employee Beneficiary prior to July 1, 1975. The term "Employee" shall also include any such employee while in disability status, as determined by the Pension Advisory Board. Once an Employee in disability status is retired pursuant to the rules and regulations of the Department, the Employee shall be deemed to have retired for purposes of this Trust Agreement and the Supplemental Trust Agreement. When an Employee otherwise ceases to be a regular police employee or a regular limited police employee pursuant to the rules and regulations of the Department, the Employee shall be deemed to have retired or separated solely for purposes of this Trust Agreement and the Supplemental Trust Agreement and shall no longer be an Employee as defined in this Trust Agreement. Once an Employee enters the DROP, the Employee shall be deemed to have retired solely for purposes of calculating Years of Service under this Trust Agreement and the Supplemental Trust Agreement, but not for purposes of the actuarial valuations. Only service, including disability and military service as prescribed herein, with the Department while an Employee shall be recognized for purposes of determining benefits under this Trust Agreement. However, service with the Department while in the DROP shall not be recognized for purposes of determining benefits under this Trust Agreement or the Supplemental Trust Agreement, other than as provided for in the case of a revocation of a DROP election and payment of contributions plus interest pursuant to Section 37(m) or Section 38(*l*), or in the case of a revocation of a DROP election and retirement under the PLSO with a payment of contributions plus interest pursuant to Section 37(n) or (o) or Section 38(n) or (o).

12. **Employee Beneficiary**. The term "Employee Beneficiary" as used herein shall mean (a) any Employee, or (b) any former Employee who has complied with the terms of the Trust Agreement regarding the requirements for participation in either the Pre-1987 Benefit System or the 1987 Benefit System and is entitled to receive (currently or in the future) benefits under either the Pre-1987 Benefit System or the 1987 Benefit System.

13. **Employee Death and Disability Fund**. The "Employee Death and Disability Fund" shall refer to the fund established pursuant to Section 27 of the Supplemental Trust Agreement.

14. **Fiscal Year**. The term "Fiscal Year" as used herein shall mean the period from July 1 to June 30. This Fiscal Year shall be the Plan Year.

15. **Gross Value of Pension Fund.** The "Gross Value of the Pension Fund" for any purpose under this Trust Agreement shall be the total of the following:

    (a) Cash on hand.

    (b) The cash surrender value of any single premium life insurance policies and contracts having a then cash surrender value.

    (c) The purchase price of any single premium life insurance policy or contract which does not then have a cash surrender value.

    (d) The then market value of all other securities and investments.

16. **Net Amount**. The "Net Amount" paid into the Pension Fund from the wages of an Employee for the purposes of this Trust Agreement shall be deemed to be the amount of money actually paid in from the wages of such Employee, plus interest at the rate determined in accordance with Section 36, less any sums (and interest at the same rate) paid from the Pension Fund to the Employee and/or to any persons claiming by, through or under such Employee.

17. **Net Value of Pension Fund**. The "Net Value of the Pension Fund" for any purpose under this Trust Agreement shall be the gross value of the assets of the Pension Fund less the total of any liabilities (including necessary expenses involved in the event of liquidation) due and payable from the Pension Fund.

18. **Normal Retirement Age**. The term "Normal Retirement Age" as used in this Plan is the age at which an Employee Beneficiary becomes immediately eligible for a monthly pension that is not reduced because of his or her age at the time the benefit commences. The compulsory mandatory retirement age for regular police Employees is age sixty-five (65).

18.5. **PLSO.** The term "PLSO" means the partial lump sum option under this Trust Agreement.

19. **Pension Advisory Board**. The term "Pension Advisory Board" means the board consisting of the Superintendent of the Department of State Police of Indiana [chairman]; a representative of the Pension Consultants and the Trustee, who both shall serve on a nonvoting basis; three (3) active Employees who shall be elected as provided in this Section; and an Executive Secretary who shall be appointed by the Superintendent. The three (3) active Employee members of the Indiana State Police Pension Advisory Board who are elected by active Employees on or before July 1, of each year shall be elected to serve the following terms: in the first instance, one (1) of such members shall be elected for a term of one (1) year, one (1) member for a term of two (2) years, and one (1)

member for a term of three (3) years. Thereafter all members shall be elected for a term of three (3) years, and until their successors have been elected and qualified. Any vacancy which may occur in the membership of the Board for any cause shall be filled for the unexpired term by a special election, to be conducted in the same manner as regular elections. Upon ninety (90) days advance notice by the Pension Consultants or at the request of a majority of the other members of the Board, the representative of the Pension Consultants may cease to serve as a member of the Board. The duties of this Board shall be to approve pensions, adjust compensation used for Plan purposes, formulate policies and assist in the administration of these Plans. Meetings shall be held at least semiannually and more frequently if necessary to consider issues which may arise.

20. **Pension Consultants**. The term "Pension Consultants" as used in this Trust Agreement means any individual, firm or corporation of technical consultants who are competent and qualified to supervise and assist in the establishment, maintenance and operation of a pension plan and who are engaged in such capacity by the Trustee, subject to the approval of the Department and the Pension Advisory Board.

21. **Pension Fund**. The Pension Fund shall consist of voluntary contributions from the Department, moneys paid from the wages of Employees of the Department, and any other payments or contributions made to the Pension Fund by the State of Indiana or by any other person or persons, firm or corporation and the income and proceeds derived from the investment thereof. The Pension Fund shall be treated and accounted for as a single fund without distinguishing between amounts attributable to benefits payable under the Pre-1987 Benefit System and the 1987 Benefit System.

22. **Police Benefit Fund**. The term "Police Benefit Fund" shall refer to the fund established pursuant to IC 10-12-2-7.

23. **Regular Limited Police Employee**. The term "Regular Limited Police Employee" means any member of the Indiana State Police Pension Plans other than a sworn police employee.

24. **Supplemental Trust Agreement**. The term "Supplemental Trust Agreement" shall refer to the Department of State Police Supplemental Trust Agreement.

25. **Sixth Year Trooper Salary**. Effective July 1, 2007, the term "Sixth Year Trooper Salary," for purposes of this Trust Agreement, means the monthly salary (excluding overtime) received by an Employee at the beginning of his sixth (6th) year of service in the grade of trooper, as established by the Superintendent.

26. **Trustee**. The term "Trustee" shall refer to the Treasurer of the State of Indiana. The Trustee will act as Trustee of the Pension Fund established pursuant hereto and will receive and hold in trust, manage, invest and reinvest any money paid to it as such Trustee in accordance with the terms and provisions of this Trust Agreement.

27. **Vested Interest**. The term "Vested Interest" means the Actuarial Equivalent of the present value of twenty-five percent (25%) of the monthly separation benefit payable at

age fifty-five (55); provided, when paid as a Death Benefit under Section 37(k) or Section 38(j), the Vested Interest shall be calculated based on an immediate annuity commencing on the date of death, but with no early retirement adjustment as to the amount of the benefit.

28. **Years of Service**. The term "Years of Service" as used in this Trust Agreement, and solely for purposes of this Trust Agreement, means the period of time served as an Employee, and shall include any Years of Service purchased under Section 63, Purchase of Additional Years of Service. This period shall be calculated on the basis of days. Any days required to be credited for purposes of vesting, but not for purposes of benefit calculations, under the Family and Medical Leave Act shall be so credited. No credit will be granted under this Trust Agreement in excess of thirty-four (34) Years of Service. No credit for Years of Service will be granted for any period of time the Employee is in the DROP, other than as provided for in the case of a revocation of a DROP election and payment of contributions plus interest pursuant to Section 37(m) or Section 38(*l*), or in the case of a revocation of a DROP election and retirement under the PLSO with a payment of contributions plus interest pursuant to Section 37(n) or (o) or Section 38(n) or (o). The term "Years of Service" is subject to the provisions of Section 40 with regard to military service.

PART II.

PARTICIPATION RULES UNDER PRE-1987 AND 1987 BENEFIT SYSTEMS SECTION

29. **Participation in Pre-1987 Benefit System**. An Employee employed by the Department before July 1, 1987, who did not make an effective election to be covered by the 1987 Benefit System, as provided in Section 31 of the Trust Agreement, shall continue to participate in the Pre-1987 Benefit System, provided the Employee executed the necessary Application and Authorization Form within the time limit provided by the provisions of the Trust Agreement as in effect at the date of employment. The employee contributions being made by an Employee participating in the Pre-1987 Benefit System shall be determined as provided in Section 34 of the Trust Agreement and shall not exceed five percent (5%) of the Sixth Year Trooper Salary. In the event of the re-employment after July 1, 1987, of an individual who was first employed by the Department prior to July 1, 1987, then such individual could elect to participate in the 1987 Benefit System only if the election was filed prior to July 1, 1988, as provided in Section 31; if for any reason (including the fact that re-employment only occurred after June 30, 1988) such election was not timely filed, then such an individual can only participate in the Pre-1987 Benefit System.

30. **Participation for a Regular Limited Police Employee**. A Regular Limited Police Employee of the Department who was hired prior to July 1, 1975 who became an Employee Beneficiary prior to July 1, 1975 shall continue participating until the completion of 34 Years of Service. At such time, the Employee will become a member of the Public Employees Retirement Fund and shall not receive credit for any more Years of Service under this Trust. The Employee will be eligible to receive a benefit from this

Trust only upon retirement, death or separation from employment with the Department, calculated as of the completion of 34 Years of Service.

31. **Election to Participate in 1987 Benefit System by Employees First Employed Before July 1, 1987**. Each Employee employed by the Department before July 1, 1987, executed an Application and Authorization Form indicating whether such Employee elected to be covered under the 1987 Benefit System and delivered such form to the Trustee not later than June 30, 1988. Such Application and Authorization Form provides for employee contributions equal to six percent (6%) of such Employee's monthly salary (excluding overtime) as provided in Section 35. If an Employee who was first employed by the Department before July 1, 1987, failed to execute and deliver such a form by June 30, 1988, then he shall not be eligible to participate in the 1987 Benefit System, and shall remain in the Pre-1987 Benefit System.

    Once such an election is received by the Trustee and treated as effective, the election shall be irrevocable, except to the extent that subsequent statutory provisions governing the Trust Agreement may permit revocation.

32. **Participation in 1987 Benefit System by Employees First Employed After June 30, 1987**. Each Employee who is first employed by the Department after June 30, 1987, shall participate in the 1987 Benefit System. Any Employee who is first employed by the Department after June 30, 1987, shall sign and deliver to the Department within one hundred eighty (180) days after the date he becomes an Employee, an Application and Authorization Form as adopted from time to time by the Department. Such Application and Authorization Form shall provide for employee contributions equal to six percent (6%) of such Employee's monthly salary (excluding overtime) as provided in Section 35.

    The Department shall retain one or more copies of the signed Application and Authorization Form executed by each Employee for use in connection with administration of the Trust Agreement.

33. **Cessation of Participation by Employee Beneficiary**. An individual shall cease to be an Employee Beneficiary as soon as he has received the benefits or refunds to which he is entitled under the terms of this Trust Agreement.

PART III.

EMPLOYEE CONTRIBUTIONS

34. **Employee Contributions Under Pre-1987 Benefit System**. The contribution deducted from the salary of an Employee who is participating in the Pre-1987 Benefit System each month shall be equal to five percent (5%) of the monthly salary from which such deduction is made; provided, however, that the maximum monthly contribution with respect to an Employee participating under the Pre-1987 Benefit System shall be equal to five percent (5%) of the Sixth Year Trooper Salary. Employees participating in the Pre-1987 Benefit System shall make contributions to the Pension Fund equal to five percent

(5%) of their salary (excluding overtime) while they are connected with the Department as Employees, subject to the maximum described in the preceding sentence, provided that, effective July 1, 2002, Employees shall not make contributions to the Pension Fund during the time they are in disability status. Employees participating in the Pre-1987 Benefit System shall not make contributions to the Pension Fund while they are in the DROP. Deductions shall be made in the manner best suited to the State Police payroll department. Contributions pursuant to this Section may be picked-up by the Department, pursuant to Section 414(h) of the Code. Any such pick-up will be instituted prospectively only by resolution of the Department.

35. **Employee Contributions Under 1987 Benefit System**. Employees participating in the 1987 Benefit System shall make contributions to the Pension Fund equal to six percent (6%) of their monthly salary (excluding overtime) commencing on or after the effective date of their election to participate in the 1987 Benefit System pursuant to Section 31, during which they are connected with the Department as Employees, provided that, effective July 1, 2002, Employees shall not make contributions to the Pension Fund during the time they are in disability status. Employees participating in the 1987 Benefit System shall not make contributions to the Pension Fund while they are in the DROP. Deductions shall be made in the manner best suited to the State Police payroll department. Contributions pursuant to this Section may be picked-up by the Department, pursuant to Section 414(h) of the Code. Any such pick-up will be instituted prospectively only by resolution of the Department.

36. **Maintenance of Employee Contribution Records**. In order that the Employee contribution ledger may continually show the Net Amount paid into the Pension Fund from the wages of an Employee (including all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63), in accordance with the provisions of the Trust Agreement as in effect from time to time, interest at the rate specified herein shall be credited to each Employee's contribution account annually as of June 30 and shall be computed on the basis of the Net Amount (including all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63) showing to the Employee's credit as of June 30 of the year prior to the date of computation. The interest rate shall be three percent (3%) or such different interest rate as is mutually agreed to by the Superintendent and the Trustee, from time to time. The total amount of interest credited to all Employees shall not exceed an amount equal to the product of the amount of the net contribution reserve in the Trustee's ledger on June 30 of the fiscal year prior to the date of the interest credit multiplied by the percentage rate of interest in effect as of the date of the interest credit. No interest shall be credited on Employee contributions after the date an Employee separates from employment.

PART IV.

DETERMINATION OF BENEFITS UNDER PRE-1987 BENEFIT SYSTEM

37. Separation and Retirement Benefits Under Pre-1987 Benefit System.

(a) **Less than 5 Years of Service.** When an Employee who has completed less than five (5) Years of Service ceases to be an Employee for any reason other than death, there shall be paid to such Employee Beneficiary an amount equal to the Net Amount paid into the Pension Fund from the wages of the Employee Beneficiary.

(b) **5 Years but less than 10 Years of Service.** When an Employee who has completed at least five (5) Years of Service but less than ten (10) Years of Service, shall cease to be an Employee for any reason other than death, there shall be paid to such Employee Beneficiary an amount equal to the Net Amount paid into the Pension Fund from the wages of the Employee Beneficiary; plus the Employee Beneficiary's Vested Interest equal to the product of his Years of Service at separation from employment multiplied by the sum of one dollar ($1.00) plus two and one-half percent (2-½%) of the Employee Beneficiary's average monthly salary (excluding overtime) received during the highest paid consecutive twelve (12) months prior to retirement; provided, however, that the average monthly salary (excluding overtime) to be used in such calculation shall in no event exceed the Sixth Year Trooper Salary as of such Employee Beneficiary's date of separation from employment, as determined by the Department.

(c) **10 Years but less than 20 Years of Service.** When an Employee under the age of fifty-five (55) who has completed ten (10) Years of Service but less than twenty (20) Years of Service shall cease to be an Employee for any reason other than death, there shall be paid to such Employee Beneficiary (but only beginning as of the date of payment determined in accordance with subsection (f)) a monthly separation benefit (instead of a cash settlement as applied to an Employee Beneficiary with less than ten (10) Years of Service) equal to the percentage (based on his age at the date of separation from employment) determined in accordance with the following table, of the amount equal to the product of his Years of Service with the Department multiplied by the sum of one dollar ($1.00) plus two and one-half percent (2½%) of the Employee Beneficiary's average monthly salary (excluding overtime) received during the highest paid consecutive twelve (12) months prior to separation; provided, however, that the average monthly salary (excluding overtime) to be used in such calculation shall in no event exceed the Sixth Year Trooper Salary as of such Employee Beneficiary's date of separation from employment, as determined by the Department:

Age at Separation from Employment	Percentage of Basic Benefit Earned to Date
55	100.0%
54	97.7

Age at Separation from Employment	Percentage of Basic Benefit Earned to Date
53	95.5
52	93.4
51	91.4
50	89.5
49	87.7
48	86.0
47	84.4
46	82.8
45	81.3
44	79.9
43	78.6
42	77.3
41	76.1
40	74.9
39	73.8
38	72.7
37	71.7
36	70.7
35	69.8
34	68.9
33	68.0
32	67.2
31	66.4

(d) **20 or more Years of Service**. When an Employee who has completed twenty (20) Years of Service or more ceases to be an Employee for any reason other than death, his basic monthly retirement benefit under subsection (i) will be adjusted according to the following table:

Age at Retirement	Percentage of Basic Benefit Earned to Date
45	100.0%
44	98.0
43	96.0
42	94.0
41	92.0

(e) **DROP Option**. When an Employee has completed twenty (20) Years of Service or more, he may irrevocably elect to enter the DROP for a period ending as of the earlier of (1) thirty-six (36) consecutive months, (2) completion of thirty-four (34) Years of Service, or (3) attainment of age sixty-five (65), or, in the case of Regular Limited Police Employee, the DROP period shall end as of the earlier of (1) thirty-six (36) consecutive months or (2) completion of thirty-four (34) Years of Service. However, an Employee who has submitted a retirement notification which has been accepted by the Superintendent prior to September 1, 2002, shall not be permitted to enter DROP. Further, notwithstanding any provision in this

Pension Trust Agreement or in the Supplemental Trust Agreement, an Employee on disability status shall not be permitted to enter DROP. From the date the Employee enters the DROP, he will not be credited with any additional Years of Service. His DROP accrual will be the basic monthly benefit under subsection (i) and (j), adjusted according to the table in subsection (d), calculated as of the date he enters the DROP. That accrual will not be recalculated during the DROP period for any reason. To elect to enter the DROP, the Employee must submit the following:

(i) an irrevocable written election to participate in the DROP specifying a DROP benefit calculation date, which must be the first day of the Employee's DROP period;

(ii) an irrevocable notice of retirement date, which must be the last day of the Employee's DROP period; provided that an Employee in their DROP period is not precluded from voluntarily separating from employment with the Department before the expiration of the DROP period, nor is the Department precluded from terminating such Employee during the DROP period, in accordance with applicable laws; and

(iii) any forms and other information required by the Pension Advisory Board.

The following additional rules apply to the DROP election:

(i) an Employee may only make one DROP election during their lifetime;

(ii) an Employee's DROP period may not extend beyond the earlier of (1) thirty-six (36) consecutive months, (2) the Employee's attainment of age sixty-five (65), or (3) the Employee's completion of thirty-four (34) Years of Service; or, in the case of a Regular Limited Police Employee, the DROP period may not extend beyond the earlier of (1) thirty-six (36) consecutive months or (2) completion of thirty-four (34) Years of Service; and

(iii) an Employee may not apply for a loan during his DROP period.

An Employee may not purchase any Years of Service under Section 63 during his DROP period, nor may his DROP accrual be based on any Years of Service under Section 63 for which the Employee has not completed payment prior to entering the DROP. An Employee who is purchasing service under Section 63 under a payroll deduction may not enter the DROP until that payroll deduction is completed or terminated in accordance with its terms.

At the end of the DROP period, an Employee must separate from employment and retire. Pursuant to Section 30, in the case of a Regular Limited Police Employee, if at the end of the DROP period he has

completed at least thirty-four (34) Years of Service, he may continue employment but shall no longer be a participant. If a Regular Limited Police Employee completes the DROP period with less than thirty-four (34) Years of Service, he must separate from employment and retire.

Upon separation from employment at the end of the DROP period or during the DROP period, the Employee Beneficiary's basic monthly retirement benefit shall be calculated under subsections (i) and (j), adjusted according to the table in subsection (d), calculated as of the separation from employment date, or, in the case of a Regular Limited Police Employee no later than the date he ceased being a participant pursuant to Section 30. In addition, upon separation from employment, the Employee Beneficiary shall have the right to their accumulated DROP accruals in the form of a lump sum payment, a rollover to another retirement program to the extent allowed by law, a combination of both, or in such other actuarially equivalent forms as provided by the Pension Advisory Board.

If an Employee dies during the DROP period and before separation from employment, then any DROP accumulation as of the Employee's date of death will be distributed to the Employee's surviving spouse, surviving dependent children, surviving dependent parents, or estate, in that order, within one (1) year after the date of the Employee's death. This payment will be in addition to any other Death Benefits that may be payable to anyone on account of the Employee's death, and when the payment is made to an estate the payment will not reduce the Net Amount payable as a Death Benefit.

If an Employee becomes disabled during the DROP period and before separation from employment, the Employee will continue in the DROP until the earlier of the date the Employee has exhausted all authorized sick leave period and/or earned sick days, compensatory time, personal leave time and vacation time, or the last day of the Employee's DROP period. As of such earlier date, the Employee will be retired. Upon such retirement and separation from employment, the Employee Beneficiary's basic monthly retirement benefit shall be calculated under subsections (i) and (j), adjusted according to the table in subsection (d), calculated as of the separation from employment date, or, in the case of a Regular Limited Police Employee no later than the date he ceased being a participant pursuant to Section 30. In addition, upon separation from employment, the Employee Beneficiary shall have the right to their accumulated DROP accruals in the form of a lump sum payment, a rollover to another retirement program to the extent allowed by law, a combination of both, or in such other actuarially equivalent forms as provided by the Pension Advisory Board.

In the case of a revocation of a DROP election and the payment of contributions plus interest as provided for in Section 37(m), the treatment

of the period of service spent in the DROP prior to revocation shall be determined pursuant to the provisions of Section 37(m), and any provisions in this Section 37(e) which would contradict the provisions of Section 37(m) shall be disregarded with respect to such revoked DROP election and the period of service related thereto. However, to the extent an Employee has revoked a DROP election and made a new, subsequent DROP election as provided for in Section 37(m), the new DROP election shall be subject to all terms and conditions of this Section 37(e) and all corresponding provisions of the Pension Trust.

(f) **Date of Payment.**

(i) Separation benefits paid in a lump sum shall be payable as soon as administratively feasible after separation from employment.

(ii) Subject to subsection (iii), the first monthly payment of benefits payable on a monthly basis shall be payable one (1) month after the Employee Beneficiary ceases service with the Department as an Employee when such separation follows age fifty-five (55) or twenty (20) Years of Service or more, or, in the case of persons becoming Employee Beneficiaries prior to January 1, 1963, when such separation follows ten (10) Years of Service or more. Provided, in the case of persons becoming Employee Beneficiaries on or after January 1, 1963, no monthly retirement benefit shall be payable to such Employee Beneficiary in any event before one (1) month after the twentieth (20th) anniversary of such person having become an Employee, or age fifty-five (55), whichever occurs first. Provided, further, that nothing in this paragraph shall be construed to alter the method of payment of death benefits. In no event will a monthly retirement benefit be payable to an Employee Beneficiary while they are in DROP.

(iii) In the case of an Employee Beneficiary who fails to submit all retirement documentation necessary to file payment paperwork with the Trustee within sixty (60) days of his or her separation date, the monthly retirement benefit shall be payable as of six (6) months prior to the month the Employee Beneficiary has provided all such documentation (but in no event earlier than the payment date under subsection (ii)).

(iv) Employee Beneficiaries who have separated prior to August 1, 2012 and have not yet submitted all retirement documentation necessary to file payment paperwork with the Trustee shall be provided a sixty (60) day period of time to provide such documentation in order to have benefits payable as of the date specified in subsection (ii). If such documentation is not submitted within the sixty (60) day period, the monthly retirement benefit shall be payable as provided in subsection (iii).

(v) In the case of an Employee Beneficiary who is making a service purchase under a payroll deduction agreement under Section 63; separates from

employment before the service purchase has been completed under the terms of the payroll deduction agreement; and is eligible for immediate commencement of an unreduced monthly benefit, the following applies:

(1) the Employee Beneficiary may irrevocably elect to defer the commencement date of his or her benefit until the month after the date that the Employee Beneficiary's payroll deduction agreement would have been completed if the Employee Beneficiary had remained employed.

(2) The decision to defer the commencement date for benefits may not be changed for any reason and must be made no later than thirty (30) days after the Employee Beneficiary's separation from service.

Note: The following version of Section 37(g) is effective for Employee Beneficiaries who retire before June 1, 2011.

(g) **Normal Form - Joint and 50% Survivor Annuity**. If a Joint and 100% Survivor monthly benefit is not elected at separation from employment or retirement, a surviving spouse or surviving dependent minor children under eighteen (18) years of age are entitled to the following benefits upon the death of the Employee Beneficiary.

If a surviving spouse is older or ten (10) years or less younger than the Employee Beneficiary, upon the death, after retirement or separation from employment, of the Employee Beneficiary, one-half (½) the amount of his monthly retirement benefit will be guaranteed to such surviving spouse for the remainder of the life of said surviving spouse (only wife or husband at the time of separation or retirement is entitled to receive such benefit, whether or not they are divorced thereafter; a surviving spouse from a marriage that occurs after separation or retirement shall not be entitled to receive such benefits).

In the event said surviving spouse is more than ten (10) years younger than said Employee, the Joint and 50% Survivor Annuity will be reduced by one and one half percent (1½%) for each year or fraction thereof over said ten (10) years of difference in age.

Regardless of whether or not a Joint and 100% Survivor monthly benefit is elected at separation or retirement, in the event an Employee Beneficiary dies without a surviving spouse who is entitled to receive the benefit described herein, but leaves a surviving dependent minor child or children under the age of eighteen (18) years, an amount equal to one-half (½) of the Employee Beneficiary's monthly retirement benefit will be paid to said dependent minor child or equally divided among said dependent minor children who are under the age of eighteen (18) years. Similarly, monthly payments in an amount equal to one-half (½) of the Employee Beneficiary's monthly retirement benefit shall be made to any dependent minor children of the Employee Beneficiary under the age of

eighteen (18) years who are living at the date of death of a surviving spouse of the Employee Beneficiary who is entitled to receive the benefit described herein. Any such payments shall begin one (1) month after the death of the survivor of the Employee Beneficiary or his surviving spouse, if any, and shall cease with the last regular payment prior to the youngest of such surviving dependent minor children attaining eighteen (18) years of age.

Provided, that, in the event an Employee Beneficiary is not survived by a spouse or child entitled to receive the benefits described herein and is receiving monthly retirement benefits and has not received an amount in such monthly retirement benefits equal to his contributions together with interest at the date of his death, then the estate of such Employee Beneficiary will receive the difference between his contributions and interest and the total amount received in monthly retirement benefits as of the date of death.

Further, provided, that in the event an Employee Beneficiary elects a partial lump sum option (PLSO) under Section 37(h), the amount of the Employee's monthly benefit will be actuarially reduced as provided therein.

Note: The following version of Section 37(g) is effective for Employee Beneficiaries who retire on or after June 1, 2011.

(g) **Normal Form - Joint and 50% Survivor Annuity.** If a Joint and 100% Survivor monthly benefit is not elected at separation from employment or retirement, a surviving spouse or surviving dependent minor children under eighteen (18) years of age are entitled to the following benefits upon the death of the Employee Beneficiary.

If a surviving spouse is older, or ten (10) years or less younger than the Employee Beneficiary, upon the death, after retirement or separation, of the Employee Beneficiary, one-half (½) of the amount of his or her monthly retirement benefit will be guaranteed to such surviving spouse for the remainder of the life of said surviving spouse (only wife or husband at the time of separation or retirement is entitled to receive such benefit, whether or not they are divorced thereafter, unless the Employee Beneficiary designates a different spouse to receive such benefit by delivering a written change of beneficiary form to the Department).

In the event said surviving spouse is more than ten (10) years younger than said Employee Beneficiary, the Joint and 50% Survivor Annuity will be reduced by one and one half percent (1½%) for each year or fraction thereof over said ten (10) years of difference in age.

Regardless of whether or not a Joint and 100% Survivor monthly benefit is elected at separation or retirement, in the event an Employee Beneficiary dies without a surviving spouse who is entitled to receive the benefit described herein, but leaves a surviving dependent minor child or children under the age of eighteen (18) years, an amount equal to one-half (½) of the Employee

Beneficiary's monthly retirement benefit will be paid to said dependent minor child or divided equally among said dependent minor children who are under the age of eighteen (18) years. Similarly, monthly payments in an amount equal to one-half (½) of the Employee Beneficiary's monthly retirement benefit shall be made to any dependent minor children of the Employee Beneficiary under the age of eighteen (18) years who are living at the date of death of a surviving spouse of the Employee Beneficiary who is entitled to receive the benefit described herein. Any such payments shall begin one (1) month after the death of the survivor of the Employee Beneficiary or his or her surviving spouse, if any, and shall cease with the last regular payment prior to the youngest of such surviving dependent minor children attaining eighteen (18) years of age.

Provided, that, in the event an Employee Beneficiary is not survived by a spouse or child entitled to receive the benefits described herein and is receiving monthly retirement benefits and has not received an amount in such monthly retirement benefits equal to his or her contributions together with interest at the date of his or her death, then the estate of such Employee Beneficiary will receive the difference between his or her contributions and interest and the total amount received in monthly retirement benefits as of the date of death.

Further provided, that, in the event an Employee Beneficiary elects a partial lump sum option (PLSO) under Section 37(h), the amount of the Employee's monthly benefit will be actuarially reduced as provided therein.

Note: The following version of Section 37(h) is effective for Employee Beneficiaries who retire before June 1, 2011.

(h) **Optional Form - Joint and 100% Survivor Annuity and PLSO.**

(i) Joint and 100% Survivor Annuity. By reducing the amount of his monthly benefit otherwise payable as a straight single-life annuity, an Employee Beneficiary may have the monthly benefits guaranteed to a surviving spouse (only wife or husband at the time of separation or retirement is entitled to receive such benefit) in which event the reduced monthly benefits will be made as long as the Employee Beneficiary or his surviving spouse (only wife or husband at the time of separation or retirement) lives. The amount of the reduction of the monthly benefit because of this election will be based upon the age of the surviving spouse (only wife or husband at the time of separation from employment), and will be the Actuarial Equivalent of the monthly benefit otherwise payable. This option may be elected at the time of separation for any monthly retirement benefit. Payment of any such option may be made from the Pension Fund.

(ii) PLSO. An Employee who is eligible for retirement benefits under Section 37(d) and is not in the DROP under Section 37(e) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a PLSO. Under the PLSO payment option, an Employee may elect to

actuarially reduce the amount of his or her monthly benefit otherwise payable in accordance with this Section 37, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable under this Section 37. This calculation will be determined by the Pension Consultants computed on the basis of the UP84 Group Annuity Mortality Table (adjusted for 90% male, 10% female), and using an interest rate of seven percent (7%) per annum (compounded annually).

The PLSO benefit payment option under this subsection shall be available from September 1, 2011 through September 1, 2014.

Note: The following version of Section 37(h) is effective for Employee Beneficiaries who retire <u>on or after June 1, 2011</u>.

(h) **Optional Form - Joint and 100% Survivor Annuity and PLSO.**

(i) <u>Joint and 100% Survivor Annuity</u>. By reducing the amount of his or her monthly benefit otherwise payable as a straight single-life annuity, an Employee Beneficiary may have the monthly benefits guaranteed to a surviving spouse (only wife or husband at the date that such benefits commence unless the Employee Beneficiary designates a different spouse to receive such benefit, whether or not they are divorced thereafter) in which event the reduced monthly benefits will be made as long as the Employee Beneficiary or his or her named surviving spouse or former spouse lives. The amount of the reduction of the monthly benefit because of this election will be based upon the age of the named surviving spouse or former spouse, and will be the Actuarial Equivalent of the monthly benefit otherwise payable. This option may be elected at the time of separation from employment for any monthly retirement benefit. Payment of any such option may be made from the Pension Fund.

(ii) <u>PLSO</u>. An Employee who is eligible for retirement benefits under Section 37(d) and is not in the DROP under Section 37(e) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a PLSO. Under the PLSO payment option, an Employee may elect to actuarially reduce the amount of his or her monthly benefit otherwise payable in

accordance with this Section 37, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable under this Section 37. This calculation will be determined by the Pension Consultants computed on the basis of the UP84 Group Annuity Mortality Table (adjusted for 90% male, 10% female), and using an interest rate of seven percent (7%) per annum (compounded annually).

The PLSO benefit payment option under this subsection shall be available from September 1, 2011 through September 1, 2014.

(i) **Basic Monthly Retirement Benefit for 20 Years of Service**. The basic monthly retirement benefit for an Employee Beneficiary with at least 20 Years of Service is one-half (½) of the Employee Beneficiary's average monthly wages (excluding over-time) received during the highest paid consecutive twelve (12) months prior to retirement plus twenty dollars ($20.00); provided, however, that the monthly wages to be used in such calculation shall in no event exceed the Sixth Year Trooper Salary as of such Employee Beneficiary's date of retirement.

(j) **Additional Monthly Retirement Benefit for Over 20 Years of Service**. Employee Beneficiaries in the active service of the Department on or after July 1, 1971, will be entitled to add to their basic monthly retirement benefit the following amounts:

(i) two percent (2%) of such basic amount for each of the next two (2) Years of Service over twenty (20) years;

(ii) three percent (3%) of such basic amount for each of the next two (2) Years of Service over twenty-two (22) years;

(iii) four percent (4%) of such basic amount for each of the next two (2) Years of Service over twenty-four (24) years;

(iv) five percent (5%) of such basic amount for each of the next two (2) Years of Service over twenty-six (26) years;

(v) six percent (6%) of such basic amount for each of the next two (2) Years of Service over twenty-eight (28) years;

(vi) seven percent (7%) of such basic amount for each of the next two (2) Years of Service over thirty (30) years; and

(vii) eight percent (8%) of such basic amount for each of the next two (2) Years of Service over thirty-two (32) years;

provided, however, in no event shall the total of such additional amounts exceed seventy percent (70%) of such basic monthly retirement benefit.

(k) **Death Benefits.** If an Employee's death occurs, whether in the line of duty or not in the line of duty, before commencement of benefits under the Trust Agreement but after completion of at least five (5) Years of Service, his or her surviving spouse will receive an immediate pension based on the separation or retirement benefits that would have been payable to the Employee if he or she had separated from service and taken retirement benefits under the joint and 100% survivor option on the date of death. If there is no surviving spouse, the Net Amount plus Vested Interest will be paid to the surviving dependent children, surviving dependent parents, or estate, in that order, and in any event no later than one (1) year after the date of the Employee's death.

If the Employee has less than five (5) Years of Service at the date of death, the Net Amount will be paid to the surviving spouse, surviving dependent children, surviving dependent parents, or estate, in that order, and in any event no later than one (1) year after the date of the Employee's death.

(l) **Return of Net Amount Paid to Trust Fund.** Regardless of the type or form of benefit which is paid to an Employee Beneficiary, after separation from employment an Employee Beneficiary (together with survivors or the Employee Beneficiary's estate, if applicable) shall be entitled to receive in benefits under the Pension Trust at least the Net Amount paid into the Pension Trust by the Employee Beneficiary (including all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63). Further, for purposes of this Section 37, the term "Net Amount" shall include all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63. Nothing in this subsection (*l*) is intended to create a new form of benefit or payment option under this Section 37.

(m) **One-time Window to Revoke DROP Election.**

(i) An Employee who as of July 15, 2007 is participating in the DROP and has not had his or her retirement accepted by the Department shall have a one-time opportunity to revoke his or her election to enter the DROP. An Employee's written revocation of his or her election to enter the DROP must be filed with the Department on or before July 28, 2007. A written

revocation shall be completed on a form provided by the Department and must state the Employee's intention to pay to the Pension Trust, on or before December 31, 2007, all pension contributions that would have been made by the Employee during the time period that he or she was in DROP prior to revocation, plus interest as determined by the Board, based upon the actual salary the Employee was paid during the time he or she was in DROP, subject to any applicable limits under Section 34 of the Trust Agreement.

(ii) The payment of contributions plus interest described in subpart (i) of this Section 37(m) may be completed by means of a lump sum payment including, but not limited to, a rollover available under the Internal Revenue Code or a trustee-to-trustee transfer from a Code Section 457(b) governmental plan or a Code Section 403(b) plan permitted under the Internal Revenue Code. Any payment of contributions plus interest described in subpart (i) of this Section 37(m) must be made on or before December 31, 2007. The Department will not accept any such payments after December 31, 2007.

All payments are subject to any applicable limits under the Internal Revenue Code.

(iii) An Employee's revocation of a DROP election cannot be changed for any reason.

(iv) Upon completion of the payment of contributions plus interest described in subpart (i) of this Section 37(m), an Employee shall be entitled to Years of Service credit for the period of service spent in the DROP prior to revocation for all purposes under this Pension Trust. If an Employee revokes his or her DROP election but fails to complete the payment of contributions plus interest described in subpart (i) of this Section 37(m), the Employee shall only receive Years of Service credit for their DROP period of service prior to revocation in proportion to the amount of contributions plus interest paid by the Employee, and shall not in any event be entitled to all or any portion of any DROP benefit based upon the period of service spent in the DROP prior to revocation, regardless of whether or not the payment of contributions described in subpart (i) of this Section 37(m) is completed.

(v) Upon an Employee's revocation of his or her DROP election, he or she will not be entitled to receive any DROP benefit based upon the period of service the Employee had spent in the DROP prior to revocation.

(vi) An Employee who revokes a prior DROP election in accordance with this Section 37(m) and who completes the payment of contributions plus interest described in subpart (i) of this Section 37(m) shall thereafter be entitled to a one-time, irrevocable election to enter the DROP, which shall

be subject to all terms and conditions of this Pension Trust as though it were the Employee's original DROP election. If the payment of contributions plus interest described in subpart (i) of this Section 37(m) is not completed, the Employee shall not be entitled to an election to enter the DROP.

(n) **PLSO Retirement Window**.

(i) An Employee who as of March 31, 2010 or earlier is eligible for retirement benefits under Section 37(d) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a partial lump sum option ("PLSO") as described in this subsection (n). The following individuals are not eligible to make an election under this subsection (n):

(1) An individual currently receiving a pension benefit, a disability benefit, or a survivor benefit.

(2) An individual who is not actively employed with the Department on January 1, 2010.

(3) An individual who has a deferred vested pension benefit payable in the future.

(ii) A written election to retire under this subsection must be filed with the Department in a window from January 1, 2010 through February 1, 2010, and the retirement date must be effective no later than March 31, 2010. This election to retire under the PLSO is irrevocable.

(iii) An Employee currently participating in DROP is eligible for this PLSO if the DROP participant

(1) revokes his or her DROP participation and retirement date and instead elects to retire during the election window described above with an effective retirement date of March 31, 2010, and

(2) pays to the Pension Trust all pension contributions that would have been made by the Employee during the time period that he or she was a participant in DROP, plus interest as determined by the Board, based upon the actual salary the Employee was paid during the time he or she was a participant in DROP, and subject to any applicable limits under Section 34 of the Trust Agreement. This payment may only be made by a deduction from the amount of the partial lump sum payment otherwise payable under this Section.

If an Employee currently participating in DROP makes the election to retire under the PLSO as described above, the Employee's pension benefit and partial lump sum amount will be based upon the Employee's Years of

Service, including the period of service spent in DROP, calculated as of the separation from employment date. The Employee will not be entitled to any DROP accrual benefit if this election to retire under the PLSO is made.

(iv) Under the PLSO payment option, an Employee may elect to actuarially reduce the amount of his monthly benefit otherwise payable in accordance with this Section 37, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable under this Section 37. This calculation will be determined by the Pension Consultants.

(o) **Second PLSO Retirement Window.**

(i) An Employee who as of September 30, 2010, or earlier is eligible for retirement benefits under Section 37(d) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a PLSO as described in this subsection (o). The following individuals are not eligible to make an election under this subsection (o):

(1) An individual currently receiving a pension benefit, a disability benefit, or a survivor benefit.

(2) An individual who is not actively employed with the Department on August 16, 2010.

(3) An individual who has a deferred vested pension benefit payable in the future.

(4) An individual who has submitted a retirement notification which has been accepted by the Superintendent prior to August 16, 2010.

(ii) A written election to retire under this subsection must be filed with the Department in a window from August 16, 2010, through September 3, 2010, and the retirement date must be effective no later than September 30, 2010. This election to retire under the PLSO is irrevocable.

(iii) An Employee currently participating in DROP is eligible for this PLSO if the DROP participant

(1) revokes his or her DROP participation and retirement date and instead elects to retire during the election window described above with an effective retirement date of September 30, 2010, and

(2) pays to the Pension Trust all pension contributions that would have been made by the Employee during the time period that he or she was a participant in DROP, plus interest as determined by the Board, based upon the actual salary the Employee was paid during the time he or she was a participant in DROP, and subject to any applicable limits under Section 34 of the Trust Agreement. This payment may only be made by a deduction from the amount of the partial lump sum payment otherwise payable under this Section.

If an Employee currently participating in DROP makes the election to retire under the PLSO as described above, the Employee's pension benefit and partial lump sum amount will be based upon the Employee's Years of Service, including the period of service spent in DROP, calculated as of the separation from employment date. The Employee will not be entitled to any DROP accrual benefit if this election to retire under the PLSO is made. For all other purposes under the Pension Trust and Supplemental Trust, an Employee under this subsection (iii) shall be treated as a DROP participant until their effective retirement date of September 30, 2010.

(iv) Under the PLSO payment option, an Employee may elect to actuarially reduce the amount of his monthly benefit otherwise payable in accordance with this Section 37, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable under this Section 37. This calculation will be determined by the Pension Consultants.

PART V.

DETERMINATION OF BENEFITS UNDER 1987 BENEFIT SYSTEM

38. Separation and Retirement Benefits Under 1987 Benefit System.

(a) **Less than 5 Years of Service.** When an Employee who has completed less than five (5) Years of Service shall cease to be an Employee for any reason other than death, there shall be paid to such Employee Beneficiary an amount equal to the Net Amount paid into the Pension Fund from the wages of the Employee.

(b) **5 Years but less than 25 Years of Service.** When an Employee who has completed at least five (5) Years of Service but less than twenty-five (25) Years of Service shall cease to be an Employee for any reason other than death, there shall be paid to such Employee Beneficiary (but only beginning as of the date of payment determined in accordance with subsection (e)) a portion of the monthly separation benefit earned to date of separation from service (instead of a cash settlement as applied to an Employee Beneficiary with less than five (5) Years of Service). The monthly separation benefit earned to date shall be equal to Years of Service times two percent (2%) of Average Monthly Salary. The portion of such monthly separation benefit that is payable shall be based on age at the date that benefits are to commence and shall be determined in accordance with the following table:

Age at Separation from Service	Percentage of Basic Benefit Earned to Date
55	100.0%
54	98.0
53	96.0
52	94.0
51	92.0
50	90.0

(c) **25 Years or more of Service.** When an Employee who has completed twenty-five (25) Years of Service or more, ceases to be an Employee for any reason other than death, he shall be entitled to payment of the basic monthly retirement benefit determined under subsection (h) plus any additional benefits to which he may be entitled under subsection (i) based on Years of Service in excess of twenty-five (25). Such retirement benefit shall be payable in the normal form described in subsection (f) (or in the optional form described in subsection (g) at the election of the Employee Beneficiary) commencing as of the first day of the month on or after the date that the Employee Beneficiary retires from the Department.

(d) **DROP Option.** When an Employee has completed twenty-five (25) Years of Service or more, he may irrevocably elect to enter the DROP for a period ending as of the earlier of (1) thirty-six (36) consecutive months, (2) completion of

thirty-four (34) Years of Service, or (3) attainment of age sixty-five (65) or, in the case of a Regular Limited Police Employee, the DROP period shall end as of the earlier of (1) thirty-six (36) consecutive months or (2) completion of thirty-four (34) Years of Service. However, an Employee who has submitted a retirement notification which has been accepted by the Superintendent prior to September 1, 2002 shall not be permitted to enter DROP. Further, notwithstanding any provision in this Pension Trust Agreement or in the Supplemental Trust Agreement, an Employee on disability status shall not be permitted to enter DROP. From the date the Employee enters the DROP, he will not be credited with any additional Years of Service. His DROP accrual will be the basic monthly benefit under subsection (h) and (i), calculated as of the date he enters the DROP. That accrual will not be recalculated during the DROP period for any reason. To elect to enter the DROP, the Employee must submit the following:

(i) an irrevocable written election to participate in the DROP specifying a DROP benefit calculation date, which must be the first day of the Employee's DROP period;

(ii) an irrevocable notice of retirement date, which must be the last day of the Employee's DROP period; provided that an Employee in their DROP period is not precluded from voluntarily separating from employment with the Department before the expiration of the DROP period, nor is the Department precluded from terminating such Employee during the DROP period, in accordance with applicable laws; and

(iii) any forms and other information required by the Pension Advisory Board.

The following additional rules apply to the DROP election:

(i) an Employee may only make one DROP election during their lifetime;

(ii) an Employee's DROP period may not extend beyond the earlier of (1) thirty-six (36) consecutive months, (2) the Employee's attainment of age sixty-five (65) or (3) the Employee's completion of thirty-four (34) Years of Service; or, in the case of a Regular Limited Police Employee, the DROP period may not extend beyond the earlier of (1) thirty-six (36) consecutive months or (2) completion of thirty-four (34) Years of Service; and

(iii) an Employee may not apply for a loan during his DROP period.

An Employee may not purchase any Years of Service under Section 63 during his DROP period, nor may his DROP accrual be based on any Years of Service under Section 63 for which the Employee has not completed payment prior to entering the DROP. An Employee who is purchasing service under Section 63 under a payroll deduction may not enter the DROP until that payroll deduction is completed or terminated in accordance with its terms.

At the end of the DROP period, an Employee must separate from employment and retire. Pursuant to Section 30, in the case of a Regular Limited Police Employee, if at the end of the DROP period he has completed at least thirty-four (34) Years of Service, he may continue employment but shall no longer be a participant. If a Regular Limited Police Employee completes the DROP period with less than thirty-four (34) Years of Service, he must separate from employment and retire.

Upon separation from employment at the end of the DROP period or during the DROP period, the Employee Beneficiary's basic monthly retirement benefit shall be calculated under subsections (h) and (i), calculated as of the separation from employment date, or, in the case of a Regular Limited Police Employee no later than the date he ceased being a participant pursuant to Section 30. In addition, upon separation from employment, the Employee Beneficiary shall have the right to their accumulated DROP accruals in the form of a lump sum payment, a rollover to another retirement program to the extent allowed by law, a combination of both, or in such other actuarially equivalent forms as provided by the Pension Advisory Board.

If an Employee dies during the DROP period and before separation from employment, then any DROP accumulation as of the Employee's date of death will be distributed to the Employee's surviving spouse, surviving dependent children, surviving dependent parents, or estate, in that order, within one (1) year after the date of the Employee's death. This payment will be in addition to any other Death Benefits that may be payable to anyone on account of the Employee's death, and when the payment is made to an estate the payment will not reduce the Net Amount payable as a Death Benefit.

If an Employee becomes disabled during the DROP period and before separation from employment, the Employee will continue in the DROP until the earlier of the date the Employee has exhausted all authorized sick leave period and/or earned sick days, compensatory time, personal leave time and vacation time or the last day of the Employee's DROP period. As of such earlier date, the Employee will be retired. Upon such retirement and separation from employment, the Employee Beneficiary's basic monthly retirement benefit shall be calculated under subsections (h) and (i), calculated as of the separation from employment date, or, in the case of a Regular Limited Police Employee no later than the date he ceased being a participant pursuant to Section 30. In addition, upon separation from employment, the Employee Beneficiary shall have the right to their accumulated DROP accruals in the form of a lump sum payment, a rollover to another retirement program to the extent allowed by law, a combination of both, or in such other actuarially equivalent forms as provided by the Pension Advisory Board.

In the case of a revocation of a DROP election and the payment of contributions plus interest as provided for in Section 38(*l*), the treatment of the period of service spent in the DROP prior to revocation shall be determined pursuant to the provisions of Section 38(*l*), and any provisions in this Section 38(d) which would contradict the provisions of Section 38(*l*) shall be disregarded with respect to such

revoked DROP election and the period of service related thereto. However, to the extent an Employee has revoked a DROP election and made a new, subsequent DROP election as provided for in Section 38(*l*), the new DROP election shall be subject to all terms and conditions of this Section 38(d) and all corresponding provisions of the Pension Trust.

(e) **Date of Payment.**

(i) Separation benefits under subsection (a) to be paid in a lump sum shall be payable as soon as administratively feasible after separation from employment.

(ii) Subject to subsection (iii), with respect to an Employee Beneficiary whose separation from employment follows attainment of age fifty-five (55) or completion of twenty-five (25) Years of Service or more, the first monthly payment of benefits payable on a monthly basis shall be payable one (1) month after the Employee Beneficiary ceases service with the Department as an Employee. With respect to an Employee Beneficiary who separates from employment before attaining age fifty-five (55) and before completing twenty-five (25) Years of Service, the first monthly payment of benefits payable on a monthly basis shall be payable to such Employee Beneficiary in any event one (1) month after he attains age fifty (50) or the first day of the month on or after he separates from the Department, whichever is later. Provided, further, that nothing in this paragraph shall be construed to alter the method of payment of death benefits. In no event will a monthly retirement benefit be payable to an Employee Beneficiary while they are in DROP.

(iii) In the case of an Employee Beneficiary who fails to submit all retirement documentation necessary to file payment paperwork with the Trustee within sixty (60) days of his or her separation date, the monthly retirement benefit shall be payable as of six (6) months prior to the month the Employee Beneficiary has provided all such documentation (but in no event earlier than the payment date under subsection (ii)).

(iv) Employee Beneficiaries who have separated prior to August 1, 2012 and have not yet submitted all retirement documentation necessary to file payment paperwork with the Trustee shall be provided a sixty (60) day period of time to provide such documentation in order to have benefits payable as of the date specified in subsection (ii). If such documentation is not submitted within the sixty (60) day period, the monthly retirement benefit shall be payable as provided in subsection (iii).

(v) In the case of an Employee Beneficiary who is making a service purchase under a payroll deduction agreement under Section 63; separates from employment before the service purchase has been completed under the

terms of the payroll deduction agreement; and is eligible for immediate commencement of an unreduced monthly benefit, the following applies:

(1) the Employee Beneficiary may irrevocably elect to defer the commencement date of his or her benefit until the month after the date that the Employee Beneficiary's payroll deduction agreement would have been completed if the Employee Beneficiary had remained employed.

(2) The decision to defer the commencement date for benefits may not be changed for any reason and must be made no later than thirty (30) days after the Employee Beneficiary's separation from service.

(f) **Normal Form - Joint and 50% Survivor Annuity**. If a Joint and 100% Survivor monthly benefit is not elected at separation from employment or retirement, a surviving spouse or surviving dependent minor children under eighteen (18) years of age are entitled to the following benefits upon the death of the Employee Beneficiary.

If a surviving spouse is older, or ten (10) years or less younger than the Employee Beneficiary, upon the death, after retirement or separation, of the Employee Beneficiary, one-half (½) of the amount of his monthly retirement benefit will be guaranteed to such surviving spouse for the remainder of the life of said surviving spouse (only wife or husband at the time of separation or retirement is entitled to receive such benefit, whether or not they are divorced thereafter, unless the Employee Beneficiary designates a different spouse to receive such benefit by delivering a written change of beneficiary form to the Department).

In the event said surviving spouse is more than ten (10) years younger than said Employee Beneficiary, the Joint and 50% Survivor Annuity will be reduced by one and one half percent (1½%) for each year or fraction thereof over said ten (10) years of difference in age.

Regardless of whether or not a Joint and 100% Survivor monthly benefit is elected at separation or retirement, in the event an Employee Beneficiary dies without a surviving spouse who is entitled to receive the benefit described herein, but leaves a surviving dependent minor child or children under the age of eighteen (18) years, an amount equal to one-half (½) of the Employee Beneficiary's monthly retirement benefit will be paid to said dependent minor child or divided equally among said dependent minor children who are under the age of eighteen (18) years. Similarly, monthly payments in an amount equal to one-half (½) of the Employee Beneficiary's monthly retirement benefit shall be made to any dependent minor children of the Employee Beneficiary under the age of eighteen (18) years who are living at the date of death of a surviving spouse of the Employee Beneficiary who is entitled to receive the benefit described herein. Any such payments shall begin one (1) month after the death of the survivor of the Employee Beneficiary or his surviving spouse, if any, and shall cease with the last

regular payment prior to the youngest of such surviving dependent minor children attaining eighteen (18) years of age.

Provided, that, in the event an Employee Beneficiary is not survived by a spouse or child entitled to receive the benefits described herein and is receiving monthly retirement benefits and has not received an amount in such monthly retirement benefits equal to his contributions together with interest at the date of his death, then the estate of such Employee Beneficiary will receive the difference between his contributions and interest and the total amount received in monthly retirement benefits as of the date of death.

Further provided, that, in the event an Employee Beneficiary elects a partial lump sum option (PLSO) under Section 38(g), the amount of the Employee's monthly benefit will be actuarially reduced as provided therein.

(g) **Optional Form - Joint and 100% Survivor Annuity and PLSO.**

(i) Joint and 100% Survivor Annuity. By reducing the amount of his monthly benefit otherwise payable as a straight single-life annuity, an Employee Beneficiary may have the monthly benefits guaranteed to a surviving spouse (only wife or husband at the date that such benefits commence unless the Employee Beneficiary designates a different spouse to receive such benefit, whether or not they are divorced thereafter) in which event the reduced monthly benefits will be made as long as the Employee Beneficiary or his named surviving spouse or former spouse lives. The amount of the reduction of the monthly benefit because of this election will be based upon the age of the named surviving spouse or former spouse, and will be the Actuarial Equivalent of the monthly benefit otherwise payable. This option may be elected at the time of separation from employment for any monthly retirement benefit. Payment of any such option may be made from the Pension Fund.

(ii) PLSO. An Employee who is eligible for retirement benefits under Section 38(c) and is not in the DROP under Section 38(d) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a PLSO. Under the PLSO payment option, an Employee may elect to actuarially reduce the amount of his or her monthly benefit otherwise payable in accordance with this Section 38, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable under this Section 38. This calculation will be determined by the Pension Consultants computed on the basis of the UP84 Group Annuity Mortality Table (adjusted for 90% male, 10% female), and using an interest rate of seven percent (7%) per annum (compounded annually).

The PLSO benefit payment option under this subsection shall be available from September 1, 2011 through September 1, 2014.

(h) **Basic Monthly Retirement Benefit for 25 Years of Service**. The basic monthly retirement benefit for an Employee Beneficiary in the 1987 Benefit System with at least 25 Years of Service is one-half (½) of his Average Monthly Salary.

(i) **Additional Monthly Retirement Benefit for Over 25 Years of Service**. Employee Beneficiaries participating in the 1987 Benefit System will be entitled to add to their basic monthly retirement benefit the following amounts:

(i) five percent (5%) of such basic amount for each of the next three (3) Years of Service over twenty-five (25) Years;

(ii) six percent (6%) of such basic amount for each of the next two (2) Years of Service over twenty-eight (28) Years;

(iii) seven percent (7%) of such basic amount for each of the next two (2) Years of Service over thirty (30) Years; and

(iv) eight percent (8%) of such basic amount for each of the next two (2) Years of Service over thirty-two (32) Years;

provided, however, in no event shall the total of such additional amount exceed fifty-seven (57%) of the basic monthly retirement benefit under the 1987 Benefit System.

(j) **Death Benefits**. If an Employee's death occurs, whether in the line of duty or not in the line of duty, before commencement of his benefits under the Trust Agreement but after completion of at least five (5) Years of Service, the Employee's surviving spouse will receive an immediate pension for his or her remaining lifetime based on the separation or retirement benefits that would have been payable to the Employee if he or she had separated from service and taken retirement benefits under the joint and 100% survivor option on the date of death. If there is no surviving spouse, the Net Amount plus Vested Interest will be paid to the surviving dependent children, surviving dependent parents, or estate, in that order, and in any event no later than one (1) year after the date of the Employee's death.

If the Employee Beneficiary has less than five (5) Years of Service at the date of death, the Net Amount will be paid to the surviving spouse, surviving dependent children, surviving dependent parents, or estate, in that order, and in any event no later than one (1) year after the date of the Employee's death.

(k) **Return of Net Amount Paid to Trust Fund.** Regardless of the type or form of benefit which is paid to an Employee Beneficiary, after separation from employment an Employee Beneficiary (together with survivors or the Employee Beneficiary's estate, if applicable) shall be entitled to receive in benefits under the Pension Trust at least the Net Amount paid into the Pension Trust by the Employee Beneficiary (including all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63). Further, for purposes of this Section 38, the term "Net Amount" shall include all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63. Nothing in this subsection (k) is intended to create a new form of benefit or payment option under this Section 38.

(l) **One-time Window to Revoke DROP Election.**

(i) An Employee who as of July 15, 2007 is participating in the DROP and has not had his or her retirement accepted by the Department shall have a one-time opportunity to revoke his or her election to enter the DROP. An Employee's written revocation of his or her election to enter the DROP must be filed with the Department on or before July 28, 2007. A written revocation shall be completed on a form provided by the Department and must state the Employee's intention to pay to the Pension Trust, on or before December 31, 2007, all pension contributions that would have been made by the Employee during the time period that he or she was in DROP prior to revocation, plus interest as determined by the Board, based upon the actual salary the Employee was paid during the time he or she was in DROP.

(ii) The payment of contributions plus interest described in subpart (i) of this Section 38(l) may be completed by means of a lump sum payment including, but not limited to, a rollover available under the Internal Revenue Code or a trustee-to-trustee transfer from a Code Section 457(b) governmental plan or a Code Section 403(b) plan permitted under the Internal Revenue Code. Any payment of contributions plus interest described in subpart (i) of this Section 38(l) must be made on or before December 31, 2007. The Department will not accept any such payments after December 31, 2007.

All payments are subject to any applicable limits under the Internal Revenue Code.

(iii) An Employee's revocation of a DROP election cannot be changed for any reason.

(iv) Upon completion of the payment of contributions plus interest described in subpart (i) of this Section 38(l), an Employee shall be entitled to Years of Service credit for the period of service spent in the DROP prior to revocation for all purposes under this Pension Trust. If an Employee revokes his or her DROP election but fails to complete the payment of contributions plus interest described in subpart (i) of this Section 38(l), the Employee shall only receive Years of Service credit for their DROP period of service prior to revocation in proportion to the amount of contributions plus interest paid by the Employee, and shall not in any event be entitled to all or any portion of any DROP benefit based upon the period of service spent in the DROP prior to revocation, regardless of whether or not the payment of contributions described in subpart (i) of this Section 38(l) is completed.

(v) Upon an Employee's revocation of his or her DROP election, he or she will not be entitled to receive any DROP benefit based upon the period of service the Employee had spent in the DROP prior to revocation.

(vi) An Employee who revokes a prior DROP election in accordance with this Section 38(l) and who completes the payment of contributions plus interest described in subpart (i) of this Section 38(l) shall thereafter be entitled to a one-time, irrevocable election to enter the DROP, which shall be subject to all terms and conditions of this Pension Trust as though it were the Employee's original DROP election. If the payment of contributions plus interest described in subpart (i) of this Section 38(l) is not completed, the Employee shall not be entitled to an election to enter the DROP.

(m) **Increases in Pensions**. Monthly pension benefits paid under the 1987 Benefit System shall include any increases passed by the General Assembly under IC 10-12-4.

(n) **PLSO Retirement Window**.

(i) An Employee who as of March 31, 2010 or earlier is eligible for retirement benefits under Section 38(c) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a partial lump sum option ("PLSO") as described in this subsection (n). The following individuals are not eligible to make an election under this subsection (n):

(1) An individual currently receiving a pension benefit, a disability benefit, or a survivor benefit.

(2) An individual who is not actively employed with the Department on January 1, 2010.

(3) An individual who has a deferred vested pension benefit payable in the future.

(ii) A written election to retire under this subsection must be filed with the Department in a window from January 1, 2010 through February 1, 2010, and the retirement date must be effective no later than March 31, 2010. This election to retire under the PLSO is irrevocable.

(iii) An Employee currently participating in DROP is eligible for this PLSO if the DROP participant

(1) revokes his or her DROP participation and retirement date and instead elects to retire during the election window described above with an effective retirement date of March 31, 2010, and

(2) pays to the Pension Trust all pension contributions that would have been made by the Employee during the time period that he or she was a participant in DROP, plus interest as determined by the Board, based upon the actual salary the Employee was paid during the time he or she was a participant in DROP, and subject to any applicable limits under Section 34 of the Trust Agreement. This payment may only be made by a deduction from the amount of the partial lump sum payment otherwise payable under this Section.

If an Employee currently participating in DROP makes the election to retire under the PLSO as described above, the Employee's pension benefit and partial lump sum amount will be based upon the Employee's Years of Service, including the period of service spent in DROP, calculated as of the separation from employment date. The Employee will not be entitled to any DROP accrual benefit if this election to retire under the PLSO is made.

(iv) Under the PLSO payment option, an Employee may elect to actuarially reduce the amount of his monthly benefit otherwise payable in accordance with this Section 38, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable

under this Section 38. This calculation will be determined by the Pension Consultants.

(o) **Second PLSO Retirement Window.**

(i) An Employee who as of September 30, 2010, or earlier is eligible for retirement benefits under Section 38(c) may irrevocably elect to retire from the Department and have his or her benefit under the Pension Trust paid in the form of a PLSO as described in this subsection (o). The following individuals are not eligible to make an election under this subsection (o):

(1) An individual currently receiving a pension benefit, a disability benefit, or a survivor benefit.

(2) An individual who is not actively employed with the Department on August 16, 2010.

(3) An individual who has a deferred vested pension benefit payable in the future.

(4) An individual who has submitted a retirement notification which has been accepted by the Superintendent prior to August 16, 2010.

(ii) A written election to retire under this subsection must be filed with the Department in a window from August 16, 2010, through September 3, 2010, and the retirement date must be effective no later than September 30, 2010. This election to retire under the PLSO is irrevocable.

(iii) An Employee currently participating in DROP is eligible for this PLSO if the DROP participant

(1) revokes his or her DROP participation and retirement date and instead elects to retire during the election window described above with an effective retirement date of September 30, 2010, and

(2) pays to the Pension Trust all pension contributions that would have been made by the Employee during the time period that he or she was a participant in DROP, plus interest as determined by the Board, based upon the actual salary the Employee was paid during the time he or she was a participant in DROP, and subject to any applicable limits under Section 34 of the Trust Agreement. This payment may only be made by a deduction from the amount of the partial lump sum payment otherwise payable under this Section.

If an Employee currently participating in DROP makes the election to retire under the PLSO as described above, the Employee's pension benefit and partial lump sum amount will be based upon the Employee's Years of Service, including the period of service spent in DROP, calculated as of

the separation from employment date. The Employee will not be entitled to any DROP accrual benefit if this election to retire under the PLSO is made. For all other purposes under the Pension Trust and Supplemental Trust, an Employee under this subsection (iii) shall be treated as a DROP participant until their effective retirement date of September 30, 2010.

(iv) Under the PLSO payment option, an Employee may elect to actuarially reduce the amount of his monthly benefit otherwise payable in accordance with this Section 38, and receive a lump sum payment equal to one of the following:

(1) an amount equal to 18 times his or her monthly benefit;

(2) an amount equal to 27 times his or her monthly benefit; or

(3) an amount equal to 36 times his or her monthly benefit.

Upon election of one of these three partial lump sum payment amounts, the amount of the Employee's monthly benefit will be actuarially reduced such that the reduced monthly benefit and the partial lump sum payment amount will be the actuarial equivalent of the monthly benefit otherwise payable under this Section 38. This calculation will be determined by the Pension Consultants.

PART VI.

GENERAL PROVISIONS APPLICABLE TO BOTH PRE-1987 AND 1987 BENEFIT SYSTEMS

39. Leaves of Absence. In the event an Employee is granted a leave of absence without pay from the service of the Department (other than military leave of absence) retirement benefits and service credits will not increase after severance from the payroll until the Employee returns to duty at which time service credits will resume. In no event shall an Employee in DROP who goes on leave of absence without pay continue to accrue the DROP benefit while on leave of absence, nor shall such leave of absence extend the original DROP period.

40. Military Service.

(a) An Employee on military leave may make payments to the Pension Fund in an amount equal to the contributions the Employee would have been required to make had the Employee not been on military leave, plus the interest rate established under Section 36, if such payments are made no later than one (1) year following return to duty, and will receive full service credit for time spent on military leave; otherwise no credit will be received. However, if such military service is covered by Section 414(u) of the Internal Revenue Code, no interest shall be due if such contributions are paid within the time period set forth in Code

Section 414(u)(2)(A)(i) (generally the lesser of three (3) times the period of qualifying military service or five (5) years). An Employee on military service covered by Code Section 414(u) is entitled to receive Years of Service credit for vesting and eligibility purposes to the extent required by Code Section 414(u), but is not entitled to receive Years of Service credit for benefit accrual and calculation purposes unless the Employee makes the contributions described in this paragraph. Additionally, an Employee's Average Monthly Salary will not include the period of the Employee's military leave unless the Employee makes the contributions described in this paragraph. For any unpaid military leave prior to January 1, 1987, an Employee's contributions to the Pension Fund will be waived in accordance with the provisions of the Pension Trust Agreement then in effect. An Employee in DROP who goes on military leave shall continue to accrue all DROP benefits while on military leave, but such military leave shall not extend the original DROP period.

Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with § 414(u) of the Internal Revenue Code.

(b) Effective with respect to deaths occurring on or after January 1, 2007, while an Employee Beneficiary is performing qualified military service (as defined in chapter 43 of title 38, United States Code), to the extent required by section 401(a)(37) of the Internal Revenue Code, survivors of an Employee Beneficiary are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) that the Pension Trust or Supplemental Trust would provide if the Employee Beneficiary had resumed employment and then died, such as accelerated vesting or survivor benefits that are contingent on the Employee Beneficiary's death while employed.

(c) Effective with respect to deaths occurring on or after January 1, 2007, while an Employee Beneficiary is performing qualified military service (as defined in chapter 43 of title 38, United States Code), to the extent permitted by section 414(u)(9) of the Internal Revenue Code, for benefit accrual and calculation purposes, the Employee Beneficiary will be treated as having earned Years of Service for the period of qualified military service, having returned to employment on the day before the death, and then having terminated on the date of death, provided that the survivor of an Employee Beneficiary pays to the Pension Trust an amount equal to the contributions the Employee would have been required to make had the Employee not been on military leave. No interest shall be due if such contributions are paid within the time period set forth in section 414(u)(2)(A)(i) (generally the lesser of three (3) times the period of qualifying military service or five (5) years). This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

(d) Effective with respect to disabilities occurring on or after January 1, 2007, while an Employee Beneficiary is performing qualified military service (as defined in chapter 43 of title 38, United States Code), to the extent permitted by section

414(u)(9) of the Internal Revenue Code, for benefit accrual and calculation purposes, the Employee Beneficiary will be treated as having earned Years of Service for the period of qualified military service, having returned to employment on the day before the disability, and then having terminated on the date of disability, provided that the Employee Beneficiary pays to the Pension Trust an amount equal to the contributions the Employee would have been required to make had the Employee not been on military leave. No interest shall be due if such contributions are paid within the time period set forth in section 414(u)(2)(A)(i) (generally the lesser of three (3) times the period of qualifying military service or five (5) years). This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

(e) Beginning January 1, 2009, the Pension Trust will comply with the requirements of sections 3401(h) and 414(u)(12) of the Internal Revenue Code with respect to any differential wage payments from the Department relating to the Employee Beneficiary's performance of qualified military service (as defined in chapter 43 of title 38, United States Code). This provision shall be applied to all similarly situated individuals in a reasonably equivalent manner.

41. Method of Determining Benefits Upon Reemployment After Receiving Separation Benefits.

(a) After July 1, 1987, if an Employee Beneficiary or former Employee Beneficiary who has been receiving pension payments hereunder is rehired or reinstated by the State Police Department as an Employee, the total monthly pension checks and any DROP or PLSO payments (or any lump sum separation benefit previously paid) received by such Employee Beneficiary plus interest on any such monthly pension checks (or lump sums) at a rate of five percent (5%) compounded annually must be repaid in full to the Trustee of the Indiana State Police Pension Fund before the Employee Beneficiary or former Employee Beneficiary may be reinstated with prior service credit under the Indiana State Police Pension Plan (no partial repayments are permitted). The full repayment must be received by the Trustee within thirty-six (36) months of the Employee Beneficiary's rehire or reinstatement date with the Department. Upon reemployment as an Employee, an Employee must complete a form indicating whether or not he chooses to repay benefits in order to receive prior service credit, and must complete the repayment before the prior service is credited. This repayment may be completed using the following methods:

(i) an after-tax lump sum payment;

(ii) a rollover available under the Internal Revenue Code;

(iii) after-tax payroll deductions; or

(iv) a combination of these options.

Upon repayment of all such amounts, all prior service as an Employee shall be credited for purposes of determining benefits under the 1987 Benefit System or the Pre-1987 Benefit System, as applicable, and upon later separation from service the Employee will have the ability to select his desired option of payment consistent with the provisions of Section 37 or Section 38, as applicable.

If an Employee is making a repayment under a payroll deduction and he has a termination of employment, becomes disabled, or dies before the completion of the repayment, the Employee (or the surviving spouse Beneficiary) will be entitled to make a one-time final lump sum payment to the Pension Trust to fully complete the repayment under this subsection, subject to any applicable limits under the Internal Revenue Code. Any such lump sum payment must be received no later than thirty (30) days after the Employee's termination of employment, death or the date the Pension Advisory Board makes its determination of disability. If the repayment is not fully completed by the Beneficiary within this thirty (30) day period, all repayment amounts under this subsection (a) will be refunded, and benefits will be calculated as provided under subsection (b).

(b) In lieu of making the repayment under the preceding subsection (a), upon re-employment by the Department as an Employee, an Employee may elect to be treated as a new Employee for purposes of service credit hereunder. In such event, the Employee shall participate in the 1987 Benefit System. Upon the Employee's subsequent separation from service, he will be treated as having two separation and/or retirement benefits under the Pension Trust: one based upon the Employee's original period of service, as previously calculated and as restored, and one based upon the Employee's period of service following re-employment.

(c) An Employee Beneficiary who is re-employed or re-instated under this Section who has an outstanding pension loan which was treated as defaulted, and whose pension was actuarially reduced under Section 54, will have the option upon re-employment to repay the outstanding loan balance, including all accrued interest, and to have his or benefit paid upon his subsequent separation from service without the actuarial reduction as previously calculated. Any such repayment may be completed using the following methods:

(i) an after-tax lump sum payment;

(ii) a rollover available under the Internal Revenue Code;

(iii) after-tax payroll deductions; or

(iv) a combination of these options.

The total outstanding loan balance, plus accrued interest, must be received by the Trustee within thirty-six (36) months of the Employee Beneficiary's rehire or reinstatement date with the Department.

If an Employee is making a repayment under a payroll deduction and he has a termination of employment, becomes disabled, or dies before the completion of the repayment, the Employee (or the surviving spouse Beneficiary) will be entitled to make a one-time final lump sum payment to the Pension Trust to fully complete the repayment under this subsection, subject to any applicable limits under the Internal Revenue Code. Any such lump sum payment must be received no later than thirty (30) days after the Employee's termination of employment, death or the date the Pension Advisory Board makes its determination of disability.

If the Employee Beneficiary chooses not to repay the outstanding loan balance, plus accrued interest, upon his subsequent separation from service his benefit under the Pension Trust will continue to be subject to the actuarial reduction under Section 54; however, such actuarial reduction will be re-calculated based upon the Employee's subsequent benefit commencement date.

42. Right of Anticipation, Sale or Assignment. No person entitled to any interest in, or share of, or pension, or benefit from the trust fund shall, prior to the actual payment thereof, have the right to anticipate the same, or to sell, assign, pledge, or mortgage or otherwise dispose of or encumber the same, nor shall such interest, share, pension or benefit prior to the actual payment thereof be liable for the debts or liabilities of the person entitled thereto or be subject to attachment, garnishment, execution, or to levy or sale on judicial proceeding, or be transferable by any means, voluntarily or involuntarily.

43. Domestic Relations Orders. The Trustee, the Department and the Pension Advisory Board shall not recognize or accept any domestic relations orders. No person entitled to any benefits from the Pension Fund shall have the right to seek or require any domestic relations order payments to any other person.

44. Forfeitures. Forfeiture of benefits arising from severance of employment, death or for any other reason shall not be applied to increase the benefits any Employee Beneficiary would otherwise receive from the Plan.

44.5. Health Care Coverage Account.

(a) There is established within the Indiana State Police Pension Fund a separate account for the purpose of paying benefits for sickness, accident, hospitalization, and medical expenses, or any combination thereof. The account is established pursuant to section 401(h) of the Internal Revenue Code. The assets in this account shall be accounted for separately from the other accounts in the Indiana State Police Pension Fund. However, the assets of this account may be commingled for investment purposes only with the other accounts of the Indiana State Police Pension Fund. Investment earnings and expenses will be allocated on a reasonable basis. All assets in the 401(h) account shall be held in trust for the exclusive benefit of eligible retirees and their spouses and dependents.

(b) Contributions to the 401(h) account established by this Section shall be made from appropriations and any other sources. Contributions to the 401(h) account are

subordinate to the contributions to the Indiana State Police Pension Fund and Police Benefit Fund. At no time shall contributions to the 401(h) account, plus any life insurance protection costs, be in excess of twenty-five percent (25%) of the total aggregate actual contributions made to the Indiana State Police Pension Fund and Police Benefit Fund (not including contributions to fund past service credits) and the 401(h) account plus any life insurance protection costs. The plan actuary shall annually determine whether the twenty-five percent (25%) limit has been exceeded. To the extent there is an excess, the excess amount shall be transferred to the Department's Health Fund established under IC 10-12-2-2.

(c) Forfeitures are not to be allocated to any individual accounts under the Indiana State Police Health Plan established under IC 10-12-2-2, but shall be used to provide the defined health care benefits under the Indiana State Police Health Plan.

(d) The assets of the 401(h) account shall only be used for the payment of health care coverage and medical benefits as provided in the Indiana State Police Health Plan for eligible retirees and their spouses and dependents.

(e) At no time prior to the satisfaction of all liabilities under the Indiana State Police Health Plan shall any assets in the 401(h) account be used for, or diverted to, any purpose other than providing the benefits under subsection (d) of this Section and the payment of administrative expenses. Assets in the 401(h) account may not be used for retirement, disability or survivor benefits, or for any other purpose for which the Pension Trust Agreement is used.

(f) Upon the satisfaction of all liabilities under the law to provide benefits pursuant to subsection (d) of this Section, any assets in the 401(h) account, if any, that are not used as provided in subsection (d) of this Section shall be transferred to the Department's Health Fund, as required by section 401(h)(5) of the Internal Revenue Code.

(g) It is the intent of the Department and Trustee in adopting this amendment to comply in all respects with sections 401(a) and 401(h) of the Internal Revenue Code, and regulations interpreting those sections. In applying this amendment, the Department and Trustee will apply the interpretation that achieves compliance with those sections and preserves the qualified status of the Indiana State Police Pension Fund as a governmental plan under sections 401(a) and 414(d) of the Internal Revenue Code.

PART VII.

LIMITATIONS ON BENEFITS

45. **Salary**. The annual compensation limitations of Code Section 401(a)(17) shall be applied as follows:

(a) For Fiscal Years beginning on or after January 1, 1994, but before January 1, 2001, the annual compensation limit of each Employee Beneficiary taken into account for determining benefits under the Pension Trust for any determination period shall not exceed $150,000 as adjusted for the cost-of-living in accordance with Section 401(a)(17) of the Code. The cost-of-living adjustment in effect for a calendar year applies to any determination beginning in that calendar year.

(b) The annual compensation limit under Code Section 401(a)(17), as amended by Omnibus Budget Reconciliation Act of '93 ("OBRA '93"), shall not apply to any eligible participant, in any future year, to the extent that the application of the annual compensation limit in Code Section 401(a)(17), as amended by OBRA '93, would reduce the amount of annual compensation that is allowed to be taken into account below the amount that was allowed to be taken into account as in effect on July 1, 1993. For purposes of this section, eligible participants shall include all Employee Beneficiaries who participated prior to July 1, 1996.

(c) The annual compensation limit under Code Section 401(a)(17), as amended by OBRA '93, will be effective with respect to non-eligible participants as of July 1, 1996. For purposes of this section, non-eligible participants include all Employee Beneficiaries who did not participate prior to July 1, 1996.

(d) The annual compensation of each participant taken into account in determining benefit accruals in any Fiscal Year beginning after December 31, 2000, shall not exceed $200,000. The $200,000 limit shall be adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). For purposes of determining benefit accruals in a Fiscal Year beginning after December 31, 2001, compensation for any prior determination period shall not exceed $200,000, as adjusted for cost of living increases in accordance with Code Section 401(a)(17)(B).

46. **Limitations on Benefits for the Pre-1987 Benefit System**. Notwithstanding any other provisions of the Trust Agreement or the Supplemental Trust Agreement, any benefits payable under the Trust Agreement or the Supplemental Trust Agreement shall be subject to the limitations for defined benefit plans under Code Section 415 and the regulations thereunder which are hereby incorporated by reference. The Employer did not maintain a defined contribution plan prior to October 22, 1999. Therefore, the prior limitations for defined contribution plans and the combined limits for defined benefit plans and defined contribution plans do not apply. For purposes of applying the requirements of Code Section 415, "limitation year" shall mean the Fiscal Year. Notwithstanding any other provision of this Section, and solely for the purposes of the benefits provided under the

Pre-1987 Benefit System, the benefit limitations of Code Section 415, as amended by the Technical and Miscellaneous Revenue Act, shall be determined by applying the provisions of Section 415(b)(10) of the Internal Revenue Code of 1988. This section constitutes an election under Code Section 415(b)(10)(C) to have Code Section 415(b), other than Code Section 415(b)(2)(G), applied without regard to Code Section 415(b)(2)(F) to anyone who did not first become a participant in the Pre-1987 Benefit System before January 1, 1990.

47. Limitations on Benefits for the 1987 Benefit System. Notwithstanding any other provisions of the Trust Agreement or the Supplemental Trust Agreement, any benefits payable under the Trust Agreement or the Supplemental Trust Agreement shall be subject to the limitations for defined benefit plans under Code Section 415, as amended, and the regulations thereunder which are hereby incorporated by reference. The Employer did not maintain a defined contribution plan prior to October 27, 1999. Therefore, the prior limitations for defined contribution plans and the combined limits for defined benefit plans and defined contribution plans do not apply. For purposes of applying the requirements of Code Section 415, "limitation year" shall mean the Fiscal Year.

47.5. Additional Limitations on Benefits and Contributions. For purposes of this Part VII, the following provisions apply:

(a) **Basic 415(b) Limitation.**

(i) An Employee Beneficiary may not receive an annual benefit that exceeds the dollar amount specified in Code Section 415(b)(1)(A), subject to the applicable adjustments in Code Section 415(b) and subject to any additional limits that may be specified in the Plan. In no event shall an Employee Beneficiary's benefit payable under the Plan in any limitation year be greater than the limit applicable at the annuity starting date, as increased in subsequent years pursuant to Code Section 415(d) and the regulations thereunder.

(ii) For purposes of Code Section 415(b), the "annual benefit" means a benefit payable annually in the form of a straight life annuity (with no ancillary benefits) without regard to the benefit attributable to after-tax employee contributions (except pursuant to Code Section 415(n)) and to rollover contributions (as defined in code Section 415(b)(2)(A)). The "benefit attributable" shall be determined in accordance with Treasury Regulations.

(b) **Adjustments to Basic 415(b) Limitation for Form of Benefit.**

(i) If the benefit under the Plan is other than the form specified in subsection (a)(ii), then the benefit shall be adjusted so that it is the equivalent of the annual benefit, using factors prescribed in Treasury Regulations.

(ii) If the form of benefit without regard to the automatic benefit increase feature is not a straight life annuity or a qualified joint and survivor

annuity, then the preceding sentence is applied by either reducing the Code Section 415(b) limit applicable at the annuity starting date or adjusting the form of benefit to an actuarially equivalent amount [determined using the assumptions specified in Treasury Regulation section 1.415(b)-1(c)(2)(ii)] that takes into account the additional benefits under the form of benefit as follows:

(iii) For a benefit paid in a form to which Code Section 417(e)(3) does not apply [a monthly benefit], the actuarially equivalent straight life annuity benefit that is the greater of (or the reduced Limit applicable at the annuity starting date which is the "lesser of" when adjusted in accordance with the following assumptions):

(1) The annual amount of the straight life annuity (if any) payable to the Employee Beneficiary under the Plan commencing at the same annuity starting date as the form of benefit to the Employee Beneficiary, or

(2) The annual amount of the straight life annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Employee Beneficiary, computed using a 5% interest assumption (or the applicable statutory interest assumption) and (i) for years prior to January 1, 2009, the applicable mortality tables described in Treasury Regulation section 1.417(e)-1(d)(2) (Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in Code Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing Code Section 417(e)(3)(B)); or

(iv) For a benefit paid in a form to which Code Section 417(e)(3) applies [a lump sum benefit], the actuarially equivalent straight life annuity benefit that is the greatest of (or the reduced Code Section 415(b) limit applicable at the annuity starting date which is the "least of" when adjusted in accordance with the following assumptions):

(1) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using the interest rate and mortality table, or tabular factor, specified in the Plan for actuarial experience;

(2) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable, computed using a 5.5 percent

interest assumption (or the applicable statutory interest assumption) and (i) for years prior to January 1, 2009, the applicable mortality table for the distribution under Treasury Regulation section 1.417(e)-1(d)(2) (the mortality table specified in Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in Code Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing Code Section 417(e)(3)(B)); or

(3) The annual amount of the straight life annuity commencing at the annuity starting date that has the same actuarial present value as the particular form of benefit payable (computed using the applicable interest rate for the distribution under Treasury Regulation section 1.417(e)-1(d)(3) (the 30-year Treasury rate (prior to January 1, 2007, using the rate in effect for the month prior to retirement, and on and after January 1, 2007, using the rate in effect for the first day of the plan year with a one-year stabilization period)) and (i) for years prior to January 1, 2009, the applicable mortality tables for the distribution under Treasury Regulation section 1.417(e)-1(d)(2) (the mortality table specified in Revenue Ruling 2001-62 or any subsequent Revenue Ruling modifying the applicable provisions of Revenue Ruling 2001-62), and (ii) for years after December 31, 2008, the applicable mortality tables described in Code Section 417(e)(3)(B) (Notice 2008-85 or any subsequent Internal Revenue Service guidance implementing Code Section 417(e)(3)(B)), divided by 1.05.

(c) **Benefits Not Taken into Account for 415(b) Limitation**. For purposes of this section, the following benefits shall not be taken into account in applying these limits:

(i) Any ancillary benefit which is not directly related to retirement income benefits;

(ii) That portion of any joint and survivor annuity that constitutes a qualified joint and survivor annuity;

(iii) Any other benefit not required under Code Section 415(b)(2) and Treasury Regulations thereunder to be taken into account for purposes of the limitation of Code Section 415(b)(1).

(d) **Other Adjustments in 415(b) Limitation.**

(i) In the event the Employee Beneficiary's retirement benefits become payable before age sixty-two (62), the limit prescribed by this section shall

be reduced in accordance with Treasury Regulations pursuant to the provisions of Code Section 415(b) so that such limit (as so reduced) equals an annual straight life benefit (when such retirement income benefit begins) which is equivalent to a one hundred sixty thousand dollar ($160,000) (as adjusted) annual benefit beginning at age sixty-two (62).

(ii) In the event the Employee Beneficiary's benefit is based on at least fifteen (15) years of service as a full-time employee of any police or fire department or on fifteen (15) years of military service, the adjustments provided for in (i) above shall not apply.

(iii) The reductions provided for in (i) above shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.

(e) **Less than Ten (10) Years of Participation.** The maximum retirement benefits payable under this Section 47.5 to any Employee Beneficiary who has completed less than ten (10) years of participation shall be the amount determined under Section 47.5(a), as adjusted under Section 47.5(b) and/or Section 47.5(d), multiplied by a fraction, the numerator of which is the number of the Employee Beneficiary's years of participation and the denominator of which is ten (10). The reduction provided by this Section 47.5(e) cannot reduce the maximum benefit below 10% of the limit determined without regard to this Section 47.5(e). The reduction provided for in this Section 47.5(e) shall not be applicable to pre-retirement disability benefits or pre-retirement death benefits.

(f) **Ten Thousand Dollar Limit; Less than Ten (10) Years of Service.** Notwithstanding anything in the Section 47.5 to the contrary, the retirement benefit payable with respect to an Employee Beneficiary shall be deemed not to exceed the limit set forth in this Section 47.5(f) if the benefits payable, with respect to such Employee Beneficiary under this Plan and under all other qualified defined benefit pension plans to which the Employee Beneficiary's employer contributes, do not exceed ten thousand dollars ($10,000) for the applicable limitation year and for any prior limitation year and the employer has not at any time maintained a qualified defined contribution plan in which the Employee Beneficiary participated; provided, however, that if the Employee Beneficiary has completed less than ten (10) years of service with the employer in this Plan, the limit under this Section 47.5(f) shall be a reduced limit equal to ten thousand dollars ($10,000) multiplied by a fraction, the numerator of which is the number of the Employee Beneficiary's years of service and the denominator of which is ten (10).

(g) **Effect of a COLA.** If a Employee Beneficiary's benefit is adjusted as a result of a post-retirement cost-of-living adjustment, the effect of that adjustment shall be taken into account for 415(b) testing purposes as permitted by Treasury Regulations and by the Plan.

(h) **Effect of COLA without a Lump Sum Component on 415(b) Testing.** Effective on and after January 1, 2009, for purposes of applying the limits under Code Section 415(b) (the "Limit") to a Employee Beneficiary with no lump sum benefit, the following will apply:

(i) an Employee Beneficiary's applicable Limit will be applied to the Employee Beneficiary's annual benefit in the Employee Beneficiary's first limitation year without regard to any cost of living adjustments under the Indiana Code;

(ii) to the extent that the Employee Beneficiary's annual benefit equals or exceeds the Limit, the Employee Beneficiary will no longer be eligible for cost of living increases until such time as the benefit plus the accumulated increases are less than the Limit; and

(iii) thereafter, in any subsequent limitation year, a Employee Beneficiary's annual benefit, including any cost of living increases under the Indiana Code, shall be tested under the then applicable benefit Limit including any adjustment to the Code Section 415(b)(1)(A) dollar limit under Code Section 415(d), and the regulations thereunder.

(i) **Effect of COLA with a Lump Sum Component on 415(b) Testing.** On and after January 1, 2009, with respect to an Employee Beneficiary who receives a portion of the Employee Beneficiary's annual benefit in a lump sum, a Employee Beneficiary's applicable Limit will be applied taking into consideration cost of living increases as required by Code Section 415(b) and applicable Treasury Regulations.

(j) **Section 415(c) Limitations on Contributions and Other Additions.** After-tax Employee Beneficiary contributions or other annual additions with respect to a Employee Beneficiary may not exceed the lesser of $40,000 (as adjusted pursuant to Code Section 415(d)) or 100% of the Employee Beneficiary's compensation.

(i) Annual additions are defined to mean the sum (for any year) of employer contributions to a defined contribution plan, Employee Beneficiary contributions, and forfeitures credited to a Employee Beneficiary's individual account. Employee Beneficiary contributions are determined without regard to rollover contributions and to picked-up employee contributions that are paid to a defined benefit plan.

(ii) For purposes of applying Code Section 415(c) and for no other purpose, the definition of compensation where applicable will be compensation actually paid or made available during a limitation year, except as noted below and as permitted by Treasury Regulation section 1.415(c)-2, or successor regulation; provided, however, that Employee Beneficiary contributions picked up under Code Section 414(h) shall not be treated as compensation.

(iii) Compensation will be defined as wages within the meaning of Code Section 3401(a) and all other payments of compensation to an employee by the Department for which the Department is required to furnish the employee a written statement under Code Sections 6041(d), 6051(a)(3) and 6052 and will be determined without regard to any rules under Code Section 3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)).

(1) However, for limitation years beginning on and after January 1, 1998, compensation will also include amounts that would otherwise be included in compensation but for an election under Code Section 125(a), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b). For limitation years beginning after on and after January 1, 2001, compensation shall also include any elective amounts that are not includible in the gross income of the Employee Beneficiary by reason of Code Section 132(f)(4).

(2) For limitation years beginning on and after January 1, 2009, compensation for the limitation year shall also include compensation paid by the later of 2½ months after a Employee Beneficiary's severance from employment or the end of the limitation year that includes the date of the Employee Beneficiary's severance from employment if:

(A) the payment is regular compensation for services during the Employee Beneficiary's regular working hours, or compensation for services outside the Employee Beneficiary's regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments, and, absent a severance from employment, the payments would have been paid to the Employee Beneficiary while the Employee Beneficiary continued in employment with the employer; or

(B) the payment is for unused accrued bona fide sick, vacation or other leave that the Employee Beneficiary would have been able to use if employment had continued.

Any payments not described in paragraph (2) above are not considered compensation if paid after severance from employment, even if they are paid within 2½ months following severance from employment, except for payments to the Employee Beneficiary who does not currently perform services for the Department by reason of qualified military service (within the meaning of section 414(u)(1) of the Internal Revenue Code) to the extent these payments do not exceed the amounts the individual would have received if the

Employee Beneficiary had continued to perform services for the Department rather than entering qualified military service.

An Employee Beneficiary who is in qualified military service (within the meaning of section 414(u)(1) of the Internal Revenue Code) shall be treated as receiving compensation from the Department during such period of qualified military service equal to (i) the compensation the Employee Beneficiary would have received during such period if the Employee Beneficiary were not in qualified military service, determined based on the rate of pay the Employee Beneficiary would have received from the Department but for the absence during the period of qualified military service, or (ii) if the compensation the Employee Beneficiary would have received during such period was not reasonably certain, the Employee Beneficiary's average compensation from the Department during the twelve month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service).

(3) Back pay, within the meaning of Treasury Regulation section 1.415(c)-2(g)(8), shall be treated as compensation for the limitation year to which the back pay relates to the extent the back pay represents wages and compensation that would otherwise be included under this definition.

(iv) For limitation years beginning on or after January 1, 2009, a Employee Beneficiary's compensation for purposes of subsection (j) shall not exceed the annual limit under Code Section 401(a)(17).

(v) If the annual additions for any Employee Beneficiary for a plan year exceed the limitation under Code Section 415(c), the excess annual addition shall be corrected as permitted under the Employee Plans Compliance Resolution System (or similar IRS correction program).

(vi) The 415(c) limit with respect to any Employee Beneficiary who at any time has been a member in any other defined contribution plan as defined in Code Section 414(i) maintained by the Employee Beneficiary's employer in this plan shall apply as if the total annual additions under all such defined contribution plans in which the Employee Beneficiary has been a member were payable from one (1) plan.

(k) **Repayment of Cashouts**. Any repayment of contributions (including interest thereon) to the Plan with respect to an amount previously refunded upon a forfeiture of service credit under the Plan or another governmental plan maintained by the State of Indiana shall not be taken into account for purposes of Code Section 415, in accordance with applicable Treasury Regulations.

(l) **Permissive Service Credit Purchases.**

(i) This section establishes limits for the amount of after-tax contributions that can be made by an Employee Beneficiary to purchase permissive service credit as permitted under Section 63 of this Pension Trust. This section does not increase the opportunities to purchase service beyond what is authorized by Section 63. After-tax contributions to purchase permissive service credit under Section 63 will be accepted for a limitation year only if:

(1) the requirements of Code Section 415(b) are met (without regard to any reductions for early retirement age), determined by treating the accrued benefit derived from all such contributions as an annual benefit for purposes of code Section 415(b), or

(2) the requirements of Code Section 415(c)(1)(A) are met (without regard to the compensation limit), determined by treating all such contributions as annual additions for purposes of Code Section 415(c).

(ii) For purposes of this Section the term "permissive service credit" means service credit which meets all of the following conditions:

(1) which is specifically recognized by the Pension Trust for purposes of calculating an Employee Beneficiary's benefit under the Plan,

(2) which such Employee Beneficiary has not received under the Plan, and

(3) which such Employee Beneficiary may receive only by making a voluntary additional contribution, in an amount determined under Section 63, which does not exceed the amount necessary to fund the benefit attributable to such service credit.

(iii) After-tax member contributions for permissive service credit cannot be accepted if —

(1) the Employee Beneficiary is purchasing more than five years of nonqualified service credit, or

(2) any nonqualified service credit is taken into account under this rule before the Employee Beneficiary has at least five years of participation under the Pension Trust.

(iv) For purposes of paragraph (iii), effective for permissive service credit contributions, the term "nonqualified service credit" means permissive service credit other than that service defined in Code Section 415(n)(3)(C).

PART VIII.

DISTRIBUTION RULES APPLICABLE TO BOTH PRE-1987 AND 1987 BENEFIT SYSTEMS

48. Tax Reform Act Distribution Rules. Notwithstanding any provisions of the Plan to the contrary, the provisions in this Section shall govern all distributions under the Plan; provided, however, that the rules stated in subsections (a) and (b), which reflect the requirements of the Tax Reform Act of 1984 and subsequent amendments to the Internal Revenue Code, shall not be interpreted to make available any form of payment not otherwise available under the Plan, except to the extent necessary to comply with such requirements and any amendments thereto. The Plan will pay all benefits in accordance with a good faith interpretation of the requirements of Code Section 401(a)(9) and the regulations in effect under that section, as applicable to a governmental plan within the meaning of Code Section 414(d).

(a) **Distribution to a Living Employee Beneficiary**.

(i) Distributions shall be determined and made in accordance with the provisions of Code Section 401(a)(9), and its regulations, including the minimum distribution incidental benefit requirements, as set forth under section 401(a)(9)(G).

(ii) Distribution to a living Employee Beneficiary must be commenced not later than the required beginning date. For purposes of this Section, "required beginning date" shall mean April 1 of the calendar year following the calendar year in which the employee attains age seventy and one-half (70-½) or actually retires, if later.

(iii) In the case of a distribution that commences during an Employee Beneficiary's lifetime, the form of payment must be in accordance with regulations issued under the Code either (i) over the life of the Employee Beneficiary or over the lives of the Employee Beneficiary and his Beneficiary, or (ii) over a period not exceeding that of the life expectancy of the Employee Beneficiary or the life expectancy of the Employee Beneficiary and his Beneficiary.

(iv) Life expectancy and joint and survivor life expectancy shall be computed by the use of the return multiples contained in Section 1.72-9 of the Income Tax Regulations. For purposes of this computation, neither a Employee Beneficiary's life expectancy nor the joint life expectancy of the Employee Beneficiary and the Employee Beneficiary's Beneficiary shall be recalculated. If the Beneficiary is other than the Employee Beneficiary's

spouse, the present value of payment expected to be made to the Employee Beneficiary must exceed fifty (50%) of the present value of total payments expected to be made to the Employee Beneficiary and his Beneficiary.

(b) **Distribution to the Employee Beneficiary's Beneficiary.**

(i) In the event that distribution of a Employee Beneficiary's benefits under the Plan had begun but had not been completed prior to his date of death, then the remaining portion of such benefits shall be distributed in the same manner as the method of distribution being used as of the date of his death.

(ii) In the event that distribution of a Employee Beneficiary's benefits under the Plan had not begun prior to his date of death, then the Actuarial Equivalent of any remaining benefits shall be paid in full not later than five (5) years after the death of the Employee Beneficiary; provided, however, that payments may extend beyond such five (5) year period if such payments are made over the life of his Beneficiary (or over a period not extending beyond the life expectancy of such Beneficiary) and such payments to his Beneficiary begin not later than one (1) year after the date of the Employee Beneficiary's death.

(iii) For purposes of this Section, life expectancy shall be computed by the use of the return multiplies contained in Section 1.72-9 of the Income Tax Regulations. In the case of any designated Beneficiary, including a surviving spouse, life expectancy shall be calculated at the time payment first commences without further recalculations.

(c) **General Compliance.**

(i) With respect to distributions under the Plan made for calendar years beginning on or after January 1, 2001, the Plan will apply the minimum distribution requirements of Section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under Section 401(a)(9) that were proposed on January 17, 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under Section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service.

49. **Rollover Rules.** This Section applies to distributions made on or after January 1, 1993, unless a different effective date is otherwise indicated. Notwithstanding any provision of the plan to the contrary that would otherwise limit an Employee Beneficiary's or surviving spouse's election under this Section, an Employee Beneficiary or surviving spouse may elect, at the time and in the manner prescribed by the Pension Advisory Board, to have any portion of an eligible rollover distribution that is equal to at least $500 paid directly to an eligible retirement plan specified by the Employee Beneficiary or surviving spouse in a direct rollover.

An eligible rollover distribution is any distribution of any portion of the balance to the credit of the Employee Beneficiary or surviving spouse, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Employee Beneficiary or the joint lives (or joint life expectancies) of the Employee Beneficiary and the Employee Beneficiary's beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); the portion of any distribution that is not includable in gross income; and any other distribution(s) that is reasonably expected to total less than $200 during a year. Effective for distributions after December 31, 2001, the portion of any distribution that is not includable in gross income may be paid in a rollover to an individual retirement account or in a direct rollover to a qualified defined contribution plan, provided that such a plan accepts such amounts and accounts for them separately. Effective for distributions after December 31, 2006, the portion of any distribution that is not includable in gross income may be paid in a rollover to an individual retirement account or in a direct rollover to a qualified retirement plan (either defined benefit or defined contribution) or a tax-sheltered annuity plan under Code Section 403(b), provided that such a plan accepts such amounts and accounts for them separately.

An eligible retirement plan is an individual retirement account described in section 408(a) of the Code, an individual retirement annuity described in section 408(b) of the Code, an annuity plan described in section 403(a) of the Code, or a qualified plan described in section 401(a) of the Code, that accepts an eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is only an individual retirement account or individual retirement annuity. Effective for distributions after December 31, 2001, an eligible retirement plan shall also include a tax-sheltered annuity or account under Code Section 403(b) and an eligible deferred compensation plan described in Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which agrees to separately account for amounts transferred into such plan that accepts an eligible rollover distribution. Effective for distributions to a surviving spouse after December 31, 2001, an eligible retirement plan has the same meaning as it does for an Employee Beneficiary. Effective for distributions after December 31, 2007, an eligible retirement plan also includes a Roth individual retirement account or individual retirement annuity.

Effective for distributions after December 31, 2006, a surviving beneficiary of an Employee Beneficiary who is not his or her spouse may rollover an otherwise eligible rollover distribution to an individual retirement account described in section 408(a) of the Code or an individual retirement annuity described in section 408(b) of the Code established for the purpose of receiving the distribution on behalf of the non-spouse beneficiary, and such individual retirement account or annuity will be treated as an "inherited" individual retirement account or annuity pursuant to Code Section 402(c)(11).

A direct rollover is a payment by the Plan to an eligible retirement plan specified by the Employee Beneficiary, the surviving spouse, or a non-spouse beneficiary

50. Distribution Used for Retiree Health Coverage. To the extent permitted by the provisions of Section 402(*l*) of the Internal Revenue Code, an Employee Beneficiary who by reason of attainment of Normal Retirement Age has separated from service with the Department, and otherwise qualifies as an eligible retired public safety officer (as defined by Code Section 402(*l*)), may elect to utilize the favorable tax treatment afforded by that Code Section for eligible pension payments from the Plan used to pay an eligible retiree's cost for health coverage.

PART IX.

DEPARTMENT CONTRIBUTIONS

51. Contribution by Department. The contribution by the Department of any sum or sums to the Pension Fund shall establish no liability or duty on the part of the Department to make any further or subsequent contributions.

Provided however, that the minimum annual contribution by the Department shall be of sufficient amount as determined by the Pension Consultants to prevent any deterioration in the actuarial status of the trust fund during that year. In the event that the Department shall fail to make such minimum contribution for five (5) successive years, the Pension Trust shall terminate and the Trust Fund shall be liquidated.

The Pension Consultants shall determine the amount of the Department's minimum contribution in the following manner:

> The Pension Consultants shall make an annual valuation of Plan assets and liabilities and determine the minimum amount required for the current year (on the basis of actuarial assumptions deemed by the Pension Consultants to be reasonable under the circumstances) in order that there may be no deterioration during the year in the actuarial status of the Pension Fund. The Pension Consultants shall submit a copy of such annual valuation to the Department and shall, upon request, forward a copy of such annual valuation to the Trustee and the State Board of Accounts. If, at any time thereafter, it is deemed advisable to redetermine the Department's minimum contribution taking into account revised information or different actuarial assumptions, the Pension Consultants shall make a revised valuation.

PART X.

INVESTMENTS

52. Investment of the Fund.

(a) Subject to the provisions of IC 10-12-2, the Trustee, with the approval of the Department and the Pension Advisory Board, shall invest the Pension Fund assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise

of a like character with like aims and shall also diversify such investments in accordance with prudent investment standards. The Trustee shall maintain a written investment policy governing the investment and reinvestment of the Pension Fund.

(b) The Indiana State Police Department Group Trust Agreement ("Group Trust") is hereby adopted as part of this Trust Agreement. In accord with this Trust Agreement and the Group Trust, the Trustee, with the approval of the Department and the Pension Advisory Board, may invest the Pension Fund assets under the Group Trust.

53. Use of Investments. The Trustee, with the approval of the Department and the Pension Advisory Board shall invest, reinvest and manage the Pension Fund for the purpose of, or payment of, the following:

(a) Such investments as the Trustee may be authorized to invest Trust funds in under the laws of the State of Indiana, particularly IC 10-12-2-2.

(b) Stocks and other securities.

(c) Annuities for Employee Beneficiaries.

(d) Payments authorized to be made by the terms of this Trust Agreement.

(e) Current operating expenses authorized by the Department.

(f) Provided, however, that effective as of September 1, 2005, new loans to Employee Beneficiaries, and the refinancing of existing loans, shall not be permitted.

PART XI.

LOANS

54. Loans Prior to September 1, 2005.

(a) **General Provisions.** Effective as of September 1, 2005, new loans from the Pension Trust to Employees or Employee Beneficiaries, and the refinancing of existing loans, shall not be permitted. Any loans in existence as of September 1, 2005 shall be subject to the provisions of this Section 54.

(b) **General Loan Rules.** Each application for a loan by an Employee or an Employee Beneficiary receiving disability benefits shall be passed on individually by the Pension Advisory Board or its duly authorized representative and only approved if in the opinion of the Board or its representative such loan would serve a constructive or emergency purpose. The Board shall have the right to reduce the amount of any such loan application or to refuse the application altogether. Employees or Employee Beneficiaries receiving disability benefits shall be limited to one loan per calendar year. The Pension Advisory Board may review

applications for one additional loan in a calendar year, however; such loan will only be approved if in the opinion of the Board such loan would serve an emergency purpose. If there is more than one loan outstanding, the loans may be consolidated into one loan. An Employee may not apply for a loan while in the DROP.

(c) **Loan Amount.** No loan to such Employee Beneficiary can be made to the extent that such loan when added to the outstanding balance of all other loans to the Employee Beneficiary would exceed the lesser of (i) $50,000, reduced by the excess (if any) of the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made, or (ii) one-half the present value of the nonforfeitable accrued benefit of the participant or, if greater, the total accrued benefit up to $10,000. The amount of any such loan shall in no case exceed the Net Amount paid into the Pension Fund from the wages of such Employee Beneficiary, or any amount equivalent to six (6) months wages, whichever is the lesser sum. For the purpose of the above limitations, all loans from all Plans of the Department are aggregated.

(d) **Loan Repayments**. Such loans shall be repaid to the Pension Fund on a monthly basis by applying one twelfth (1/12) of the monthly salary until the total loan has been repaid or in such other manner as determined by the Pension Advisory Board. If an Employee Beneficiary fails to make a scheduled loan payment or otherwise fails to repay a loan within the designated time period, the Pension Fund shall report the outstanding loan balance as a distribution to the Employee Beneficiary. All such loans shall be repaid to the Pension Fund within five (5) years of the loan origination date pursuant to procedures established by the Board. Prepayment of loans and resultant refunds of interest and moratoriums on loans are subject to regulations of the Pension Advisory Board. Furthermore, any loan shall by its terms require that repayment (principal and interest) be amortized in level payments, not less frequently than quarterly, over a period not extending beyond five years from the date of the loan, unless such loan is used to acquire a dwelling unit which within a reasonable time (determined at the time the loan is made) will be used as the principal residence of the Employee Beneficiary.

In the event of a loan to an Employee Beneficiary who is receiving disability benefits, the Employee Beneficiary must repay the loan to the Pension Fund within five (5) years of the loan origination date pursuant to procedures established by the Board in level monthly payments, with a corresponding reduction in their disability payments.

In the event of the retirement of an Employee Beneficiary who is entitled to and is immediately commencing benefits, the Employee Beneficiary shall have three options with respect to any outstanding loan balance. The Employee Beneficiary may:

(i) continue to repay the balance with interest of any outstanding loan over the remaining level payments, with a corresponding reduction in their pension payments,

(ii) repay the entire remaining loan balance with interest, prior to termination of service and commencement of the immediate benefit, or

(iii) have the entire amount of their pension payments withheld and used to repay the loan until the entire remaining loan balance with interest is repaid.

In the event of termination of service or retirement of an Employee Beneficiary who is not immediately commencing benefits, the Employee Beneficiary shall have two options with respect to any outstanding loan balance. The first option is to repay the entire remaining loan balance, with interest, prior to termination of service, in which case the individual's benefit shall be as calculated under this Plan. The second option is to treat the remaining loan balance, with interest, as defaulted on the date of termination of service, with a corresponding actuarial reduction in the individual's benefit as otherwise calculated under this Plan as a loan offset. The loan offset amount will be reported as a distribution for the year in which the default and offset occur. The loan offset amount will be calculated based upon the earliest date upon which the Employee Beneficiary is eligible to commence benefits.

In the event of termination of service of an Employee Beneficiary who is not entitled to monthly benefits, the Employee Beneficiary shall have two options with respect to any outstanding loan balance. The first option is to repay the entire remaining loan balance with interest, prior to termination of service, in which case the Employee Beneficiary will be entitled to his Net Amount (and any Vested Interest under Section 37(b)) as otherwise calculated under this Plan. The second option is to have the Employee Beneficiary's Net Amount (and any Vested Interest under Section 37(b)) as otherwise calculated under this Plan reduced by the remaining loan balance plus interest as of the date of termination of service as a loan offset. If the Employee Beneficiary does not select either option before termination of service, the remaining loan balance plus interest will be treated as defaulted on the date of termination of service, with a corresponding reduction in the Employee Beneficiary's Net Amount (and any Vested Interest under Section 37(b)) as otherwise calculated under this Plan before payment of the Net Amount (and any Vested Interest under Section 37(b)) to the Employee Beneficiary as a loan offset. Any loan offset amount under this paragraph will be reported as a distribution for the year in which the offset occurs.

Notwithstanding any other provision of this Trust Agreement to the contrary, when an Employee becomes entitled to a distribution under the Pension Trust Agreement or the Supplemental Trust Agreement, the Board may reduce the Employee Beneficiary's accrued benefit to recover a defaulted loan amount.

Notwithstanding the above, any Employee Beneficiary who has terminated service on or after July 1, 2001, and on or before June 30, 2005, and is eligible for deferred benefits which have not commenced as of June 30, 2005, shall have a one-time opportunity to repay his or her entire remaining loan balance, with interest, in a lump-sum payment from September 30, 2005 through November 30, 2005. If the entire remaining loan balance, with interest, is paid in full within this time period, the individual's benefit shall be as calculated under this Plan (i.e., with no actuarial reduction in the individual's benefit). If an affected Employee Beneficiary does not repay his or her entire remaining loan balance, with interest, within this time period, his or her benefit as otherwise calculated under this Plan will be permanently reduced on an actuarial basis as a loan offset amount. In no event does this paragraph alter the income taxation and reporting requirements otherwise applicable to the affected loans.

Notwithstanding the above, any Employee Beneficiary who is re-employed or re-instated under Section 41 with an outstanding loan and an actuarially reduced benefit will be subject to the provisions of Section 41(c).

(e) **Interest On Loans**. Interest calculated at the rate of five percent (5%) per annum on the unpaid balance at the beginning of each year shall be deducted at the time the loan is granted.

PART XII.

LIQUIDATION

55. **Events to Cause Liquidations**. The Pension Fund shall be liquidated if at any time the Department shall fail to make the minimum contribution to the Pension Fund for a period of five (5) successive years.

56. **Liquidation Process**. The liquidation of the Pension Fund shall be under the direction and supervision of the Pension Consultants and the Indiana Insurance Department.

If the Trust Agreement shall be terminated, the net assets of the Pension Fund shall be used as follows:

(a) Pension payments shall continue to persons then receiving pensions either directly or by purchase of annuities from eligible life insurance companies yielding the monthly pension amounts payable to the persons then receiving pensions.

(b) There shall be paid to each Employee Beneficiary an amount equal to the Net Amount paid into the Pension Fund from the wages of such Employee Beneficiary (including all amounts paid by an Employee to the Pension Trust in any manner to purchase service credit under Section 63), if any.

(c) Upon the termination of the Plan, the rights of each Employee Beneficiary to the benefits derived from employer contributions, accrued to the date of such termination, to the extent then funded, are nonforfeitable.

(d) Any balance of the Pension Fund remaining after the payments provided for in (a), (b) and (c) of this Section shall be paid to the Employee Beneficiary in such manner that each Employee Beneficiary shall receive the proportion of said balance which the net amount paid into the Pension Fund from his wages bears to the total net amount paid into the Pension Fund from the wages of all the Employee Beneficiaries.

The term "Employee Beneficiary" as used in this Section, includes only those persons who are Employee Beneficiaries at the date of liquidation.

The date of liquidation as used in this Trust Agreement means the date on which the event occurs which causes liquidation. In the event of liquidation by reason of the failure of the Department to make a minimum contribution, the date of liquidation as used in this Trust Agreement is the last day on which said contribution might have been made without causing a liquidation of the Pension Fund.

PART XIII.

MISCELLANEOUS PROVISIONS

57. **Actuarial Status of Pension Fund**. The Trustee shall at all times employ Pension Consultants as herein defined to assist and supervise the operation of this Trust so that there will be no deterioration in the actuarial status of the Pension Fund. Such Pension Consultants shall be engaged by the Trustee, with the approval of the Department and the Pension Advisory Board.

The Pension Consultants shall be compensated by the Trustee from the Pension Fund for their services in a manner to be agreed upon by the Trustee, the Department and the Pension Consultants.

58. **Trustee Expenses**. The Trustee shall be reimbursed from the trust assets for any extraordinary service or out-of-pocket expense necessarily and properly incurred by it in the administration of the trust, subject to the approval of the Department and the Pension Advisory Board. The Trustee shall receive no compensation for its services hereunder.

59. **Indemnification**. Neither the Trustee, the Department, the Pension Advisory Board, the Pension Consultants, nor their representatives, shall be liable for any error of judgment, mistake, or omission made in good faith, but only for negligence or willful misconduct in the performance of their duties hereunder.

60. **Reliance**. The Department shall keep complete records of the amounts paid from the wages of each Employee into the Pension Fund and complete employment records of

Employees. The Pension Consultants and the Trustee shall be entitled to rely upon the statements of the Department as to the following matters:

(a) The amounts paid into the Pension Fund from the wages of Employees.

(b) The ages of Employee Beneficiaries.

(c) Whether or not Employees were on the payroll of the Department on stated dates.

(d) The length of time Employees have been on the payroll of the Department.

(e) Wages paid by the Department to Employees.

The Department and the Pension Consultants shall be entitled to rely on the statements of the Trustee as to the amount held and the amounts paid from the Pension Fund to any person whomsoever.

The parties hereto shall be entitled to rely upon any statements contained in any Employee's Application.

A statement shall be deemed to have been made by the Department or the Pension Consultants if it is signed by one of their respective executive officers or any person authorized to sign such statement by one of their respective executive officers.

Any statement shall be deemed to have been made by the Trustee provided it shall be signed by the Treasurer of the State of Indiana or by any person authorized by the Treasurer of the State of Indiana to sign such statement.

61. Filing of Annual Report. Within ninety (90) days after the close of each fiscal year the Trustee, with the aid of the Pension Consultants, shall prepare and file an annual report with the Department and with the State Board of Accounts which shall include the following:

Schedule I.	Receipts and disbursements.
Schedule II.	Gross Value of the Pension Fund, listing investments as to book value and current market value as of the end of the fiscal year.
Schedule III.	List of separations, showing cause and amount of refund.
Schedule IV.	The application of actuarially computed "reserve factors" to the payroll data properly classified for the purpose of computing the reserve liability of the trust fund as of the end of the fiscal year.
Schedule V.	The application of actuarially computed "current liability factors" to the payroll data properly classified for the

purpose of computing the liability of the trust fund as of the end of the fiscal year.

Schedule VI. The actuarial computation of the pension liability for all Employees retired prior to the close of the fiscal year, and the Net Value of the Pension Fund.

The Trustee shall be reimbursed from the trust assets for an extraordinary service or out-of-pocket expense necessarily and properly incurred by it in the administration of the Trust, subject to the approval of the Department and the Pension Advisory Board. The Trustee shall receive no compensation for its services hereunder.

62. **No Court Supervision.** It is not intended that the trust created by this Trust Agreement shall be administered by or under the supervision of any court; but in the event that any party hereto shall apply to a court for a construction hereof, or for direction as to the duties or rights of any party hereunder, then in any such event, such application shall be made to any court of competent jurisdiction sitting in the State of Indiana and having jurisdiction of the subject matter, and such court shall have jurisdiction to issue such order, decree or judgment as the equity of the case may require. In the event of any such proceeding or proceedings being instituted, it shall not be necessary to make a party or to serve process upon any Employee Beneficiary, or any person claiming by, through or under any Employee Beneficiary or former Employee Beneficiary, whether resident or non-resident of the State of Indiana, but it shall be sufficient to publish such notice of the institution of said suit in two (2) newspapers of general paid circulation in the county in which such proceedings are instituted, as the court may direct. If in any such proceedings the court shall determine that the Pension Consultants are improperly performing its functions hereunder, the Trustee shall have the right to select successor Pension Consultants with the approval of the Department and the Pension Advisory Board and such successor shall perform the functions agreed hereunder to be performed by the Pension Consultants.

The Trust arising under the operation hereof shall constitute a Trust under the laws of the State of Indiana, and this Agreement shall be construed by the applicable laws of Indiana.

63. **Purchase of Additional Years of Service.** An Employee may purchase additional Years of Service for the following types of public safety service:

(a) Full-time service as a police officer in a municipality in the State of Indiana;

(b) Full-time service as a sheriff or other county police officer in the State of Indiana;

(c) Full-time service as an Indiana State excise police officer or an Indiana State conservation enforcement officer;

(d) Full-time service as a law enforcement officer, as defined in Indiana Code 5-2-1-2 within the State of Indiana, for which completion of the regular basic training course of the Indiana Law Enforcement Academy, pursuant to the provisions of

Indiana Code 5-2-1, is required, provided that such training was in fact successfully completed (or the requirement for such training was otherwise satisfied in accordance with Indiana Code 5-2-1); and

(e) Time while on full-time active duty in the armed services of the United States, if the Employee received an honorable discharge from the armed services.

An Employee may only purchase such Years of Service to the extent that the Employee is not eligible for, and will not become eligible for, monthly pension benefits under another retirement plan or system for that service (this limitation shall not apply to military service under subsection (e) for which an individual is receiving, or will become eligible to receive, a federal military pension). At least five (5) Years of Service as a contributing Employee under Section 34 or Section 35 (or as reinstated service under Section 41) are required before an Employee may receive a benefit based on Years of Service purchased under this Section. Years of Service may not be purchased under this Section during an Employee's DROP period. An individual who is currently receiving a benefit under this Trust Agreement or the Supplemental Trust Agreement may not purchase Years of Service under this Section. Any missed contributions to the Pension Trust due to military service while employed with the Department must be paid prior to any service purchase under this Section.

To purchase the Years of Service, the Employee must make contributions to the Pension Trust equal the product of the following:

(i) The additional accrued benefit resulting from the additional Years of Service (based on salary at the time of the purchase).

(ii) A rate, determined by the actuary of the Pension Trust, that is based on the age of the Employee at the time the Employee actually makes a contribution for the additional Years of Service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the Years of Service purchased.

The Employee may purchase such Years of Service by means of (i) a lump sum payment including, but not limited to, a rollover available under the Internal Revenue Code or a trustee-to-trustee transfer from a Code Section 457(b) governmental plan or a Code Section 403(b) plan permitted under the Internal Revenue Code, (ii) after-tax payroll deductions over a period not to exceed the lesser of ten (10) years or attainment of age 65 (or thirty-four (34) Years of Service for Limited Police Employees), or (iii) a combination of these options, provided that for Employees with payroll deduction agreements entered after December 31, 2008, the Employee may not purchase any additional Years of Service by any means so long as the Employee has an outstanding payroll deduction agreement.

The interest rate on any payroll deductions will be determined by the actuary. If a service purchase under a payroll deduction is not completed, the Employee will receive Years of Service credit that is the actuarial equivalent of the amount the Employee actually paid for such purchase; provided that, if an Employee purchases service credit under this Section

using a payroll deduction and he has a termination of employment, becomes disabled, or dies before the completion of the purchase, the Employee (or the surviving spouse Beneficiary) will be entitled to make a one-time final lump sum payment to the Pension Trust to partially or fully complete a purchase of additional years of service credit, subject to any applicable limits under the Internal Revenue Code. The payment amount shall be the actuarial equivalent of the outstanding balance or the portion of the outstanding balance of the additional years of service credit to be purchased, taking into account any election to delay the commencement of benefits in accordance with Section 37(f) or 38(e). Any such lump sum payment must be received no later than thirty (30) days after the Employee's termination of employment, death or the date the Pension Advisory Board makes its determination of disability. After the thirty (30) days, the opportunity to make a lump sum payment will end, and the payroll deduction agreement will be deemed terminated.

For irrevocable payroll deduction agreements entered prior to January 1, 2009, any such lump sum payment may not result in the payroll deduction ending prior to the Employee's termination of employment, disability or death. Payroll deductions under this Section entered prior to January 1, 2009 shall be picked-up, pursuant to Section 414(h) of the Code. The pick-up of payroll deductions will be instituted prospectively by resolution of the Department. An Employee will only have one (1) irrevocable election to purchase Years of Service under this Section pursuant to a picked up, irrevocable payroll deduction.

Payroll deduction agreements entered after January 1, 2009 shall be made on an after-tax basis. An Employee may cancel an after-tax payroll deduction agreement or pay off the cost of a service purchase under an after-tax payroll deduction agreement at any time. If a payroll deduction agreement is cancelled or paid off before the end of its original term, an Employee must wait at least one (1) year before entering a new payroll deduction agreement. Any new payroll deduction agreement will require the completion of a new application and a new calculation of the cost to purchase the service. An Employee may have only one service purchase payroll deduction agreement at a time.

Any contributions to purchase Years of Service under this Section will be subject to applicable limits under Section 415 of the Code, including Section 47.5(*l*).

If an Employee purchases service under this Section but separates from employment with the Department before the completion of five (5) years of mandatory contributions to the Pension Trust under Sections 34 or 35, as applicable, the Employee will be entitled to a refund of all contributions paid under this Section to purchase service, plus interest calculated at the same rate as on the Employee's mandatory contributions to the Pension Trust under Section 36.

64. **Determination of Benefits for Employee Beneficiaries Who Separate or Retire Prior to July 1, 1987**. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separated from employment before July 1, 1987 shall be determined in accordance with the provisions of the Trust Agreement that were in effect on the date of such separation from employment and in accordance with any

subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

65. **Determination of Benefit for Employee Beneficiaries Who Separate or Retire on or After July 1, 1987 but Prior to July 1, 1991**. The provisions of the 1987 restated Trust Agreement shall apply only to an Employee Beneficiary who separated from employment on or after the first day of July, 1987, but before July 1, 1991. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separated from employment before July 1, 1991 shall be determined in accordance with the provisions of the Trust Agreement that were in effect on the date of such separation from employment and in accordance with any subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

66. **Determination of Benefits for Employee Beneficiaries Who Separate or Retire on or After July 1, 1991 but Prior to July 1, 2001**. The provisions of the 1991 restated Trust Agreement shall apply only to an Employee Beneficiary who separated from employment on or after the first day of July, 1991, but before July 1, 2001. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separated from employment before July 1, 2001 shall be determined in accordance with the provisions of the Trust Agreement that were in effect on the date of such separation from employment and in accordance with any subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

67. **Determination of Benefits for Employee Beneficiaries who Separate or Retire on or After July 1, 2001, but Prior to September 1, 2002**. The provisions of the July 1, 2001 restated Trust Agreement shall apply only to an Employee Beneficiary who separated from employment on or after the first day of July, 2001, but before September 1, 2002. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separated from employment or whose notification of retirement was accepted on or after July 1, 2001, but before September 1, 2002, shall be determined in accordance with the provisions of the July 1, 2001 Trust Agreement and in accordance with any subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

68. **Determination of Benefits for Employee Beneficiaries who Separate or Retire on or After September 1, 2002 but Prior to September 1, 2008**. The provisions of the September 1, 2002 restated Trust Agreement shall apply only to an Employee Beneficiary who separated from employment on or after the first day of September, 2002 but before September 1, 2008. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separated from employment or whose notification of retirement was accepted on or after September 1, 2002, but before September 1, 2008, shall be determined in accordance with the provisions of the September 1, 2002 Trust Agreement and in accordance with any subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

69. **Determination of Benefits for Employee Beneficiaries who Terminate or Retire on or After September 1, 2008 but Prior to January 1, 2014**. The provisions of the September 1, 2008 restated Trust Agreement shall apply only to an Employee Beneficiary who separated from employment on or after the first day of September, 2008 but before January 1, 2014. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separated from employment or whose notification of retirement was accepted on or after September 1, 2008, but before January 1, 2014, shall be determined in accordance with the provisions of the September 1, 2008 Trust Agreement and in accordance with any subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

70. **Determination of Benefits for Employee Beneficiaries who Terminate or Retire on or after January 1, 2014**. The provisions of the January 1, 2014 restated Trust Agreement shall apply only to an Employee Beneficiary who separates from employment on or after the first day of January, 2014 or whose notification of retirement was accepted on or after January 1, 2014. Except as otherwise specifically provided herein, the rights and benefits, if any, of an Employee Beneficiary who separates from employment or whose notification of retirement was accepted on or after January 1, 2014 shall be determined in accordance with the provisions of the January 1, 2014 Trust Agreement and in accordance with any subsequent amendment to the Trust Agreement increasing such benefits or otherwise specifically affecting such benefits.

71. **Amendment of Trust Agreement**. The Trust Agreement may be changed, altered or amended in any particular way by the Department upon recommendation of the Pension Consultants and with the consent of a majority of the Pension Advisory Board, except that if such change, alteration or amendment shall modify or change the relative rights under the respective pension classification, the consent shall be required thereto of a majority of the Employees of each pension classification so affected. A copy of any amendment shall be filed with the Trustee and the Pension Consultants.

IN WITNESS WHEREOF, the undersigned have caused this document to be executed as of the 16TH day of JANUARY, 2014.

As approved:

DEPARTMENT OF STATE POLICE OF INDIANA

By: _____
Douglas G. ~~Carter~~, Superintendent

Date: 1-22-2014

PENSION ADVISORY BOARD

By: Chuck R. Smith

Date: 1-16-2014

I/3148271.3

TREASURER OF THE STATE OF INDIANA ("TRUSTEE")

By: _____
Richard Mourdock

Date: 1/24/14

INDIANA DEPARTMENT OF ADMINISTRATION

By: _____
(For) Jessica Robertson
Commissioner

Date: 3/17/14

Approved as to Form and Legality:

_____
(For) Gregory F. Zoeller, Attorney General

Date: 1 Apr 14

STATE BUDGET AGENCY

By: _____
(For) Brian E. Bailey
Director

Date: 3/28/14

I/3148271.3