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# SENATE BILL No. 396

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-30-16-3; IC 21-3-3.2.

**Synopsis:** School corporation retirement plan conversion. Provides that a school corporation is entitled to a retirement plan conversion distribution if the school corporation establishes a defined contribution plan or a tax sheltered annuity for employees of the school corporation who: (1) were participants in a retirement plan or severance plan established by the school corporation before July 1, 1999; (2) integrate their benefits accrued under the retirement plan or severance plan with the defined contribution plan or tax sheltered annuity established by the school corporation; and (3) become participants in the defined contribution plan or tax sheltered annuity established by the school corporation. Provides that the distribution is initially equal to one-half of the amount contributed by the school corporation during the year to fund the present value of the benefits to which the employees were entitled, as of July 1, 1999, under the retirement plan or severance plan established by the school corporation before July 1, 1999. Transfers money from the administrative trust fund of the lottery to make the distributions. Phases out the distribution over ten years.

**Effective:** January 1, 2000 (retroactive); July 1, 2000.

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January 10, 2000, read first time and referred to Committee on Pensions and Labor.

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Second Regular Session 111th General Assembly (2000)

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

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

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1999 General Assembly.

# SENATE BILL No. 396



A BILL FOR AN ACT to amend the Indiana Code concerning education finance and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 4-30-16-3, AS AMENDED BY P.L.273-1999,  
2 SECTION 49, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2000]: Sec. 3. (a) The commission shall transfer the surplus  
4 revenue in the administrative trust fund as follows:  
5 (1) Before the last business day of January, April, July, and  
6 October, the commission shall transfer to the treasurer of state, for  
7 deposit in the Indiana state teachers' retirement fund  
8 (IC 21-6.1-2), an amount equal to the lesser of:  
9 (A) seven million five hundred thousand dollars (\$7,500,000);  
10 or  
11 (B) the additional quarterly contribution needed so that the  
12 ratio of the unfunded liability of the Indiana state teachers'  
13 retirement fund compared to total active teacher payroll is as  
14 close as possible to but not greater than the ratio that existed  
15 on the preceding July 1.  
16 On or before June 15 of each year, the board of trustees of the  
17 Indiana state teachers' retirement fund shall submit to the

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1 treasurer of state, each member of the pension management  
 2 oversight commission, and the auditor of state its estimate of the  
 3 quarterly amount needed to freeze the unfunded accrued liability  
 4 of the pre-1996 account (as defined in IC 21-6.1-1-6.9) as a  
 5 percent of payroll. The estimate shall be based on the most recent  
 6 actuarial valuation of the fund. Notwithstanding any other law,  
 7 including any appropriations law resulting from a budget bill (as  
 8 defined in IC 4-12-1-2), the money transferred under this  
 9 subdivision shall be set aside in a special account to be used as  
 10 a credit against the unfunded accrued liability of the pre-1996  
 11 account (as defined in IC 21-6.1-1-6.9) of the Indiana state  
 12 teachers' retirement fund. The money transferred is in addition to  
 13 the appropriation needed to pay benefits for the state fiscal year.

14 (2) Before the last business day of January, April, July, and  
 15 October, the commission shall transfer:

16 (A) two million five hundred thousand dollars (\$2,500,000) of  
 17 the surplus revenue to the treasurer of state for deposit in the  
 18 "k" portion of the pension relief fund (IC 5-10.3-11); and

19 (B) five million dollars (\$5,000,000) of the surplus revenue to  
 20 the treasurer of state for deposit in the "m" portion of the  
 21 pension relief fund (IC 5-10.3-11).

22 (3) **Before the last business day of October, the commission**  
 23 **shall transfer the following amount to the pension conversion**  
 24 **fund established under IC 21-3-3.2:**

25 (A) **Twenty-two million, eight hundred thousand dollars**  
 26 **(\$22,800,000) in 2000.**

27 (B) **Twenty-two million, six hundred thousand dollars**  
 28 **(\$22,600,000) in 2001.**

29 (C) **Twenty-one million, six hundred thousand dollars**  
 30 **(\$21,600,000) in 2002.**

31 (D) **Nineteen million, six hundred thousand dollars**  
 32 **(\$19,600,000) in 2003.**

33 (E) **Seventeen million, one hundred thousand dollars**  
 34 **(\$17,100,000) in 2004.**

35 (F) **Fifteen million, eight hundred thousand dollars**  
 36 **(\$15,800,000) in 2005.**

37 (G) **Twelve million, eight hundred thousand dollars**  
 38 **(\$12,800,000) in 2006.**

39 (H) **Nine million, eight hundred thousand dollars**  
 40 **(\$9,800,000) in 2007.**

41 (I) **Six million, eight hundred thousand dollars (\$6,800,000)**  
 42 **in 2008.**



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1           **(J) Three million, eight hundred thousand dollars**  
 2           **(\$3,800,000) in 2009.**

3           **(4)** The surplus revenue remaining in the fund on the last day of  
 4           January, April, July, and October after the transfers under  
 5           subdivisions (1), ~~and~~ (2), **and (3)** shall be transferred by the  
 6           commission to the treasurer of state for deposit on that day in the  
 7           build Indiana fund.

8           (b) The commission may make transfers to the treasurer of state  
 9           more frequently than required by subsection (a). However, the number  
 10          of transfers does not affect the amount that is required to be transferred  
 11          for the purposes listed in subsection (a)(1), ~~and~~ (a)(2), **and (a)(3)**. Any  
 12          amount transferred during the month in excess of the amount required  
 13          to be transferred for the purposes listed in subsection (a)(1), ~~and~~ (a)(2),  
 14          **and (a)(3)** shall be transferred to the build Indiana fund.

15          SECTION 2. IC 21-3-3.2 IS ADDED TO THE INDIANA CODE  
 16          AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 17          JANUARY 1, 2000 (RETROACTIVE)]:

18          **Chapter 3.2. Distribution for Retirement Plan Conversion**

19          **Sec. 1. This chapter applies only to a school corporation that**  
 20          **before July 1, 1999, established a retirement plan or severance plan**  
 21          **to pay post-retirement benefits to employees of the school**  
 22          **corporation.**

23          **Sec. 2. A school corporation is entitled to a retirement plan**  
 24          **conversion distribution under this chapter if the school corporation**  
 25          **establishes or has established a defined contribution plan under**  
 26          **Section 401(a) of the Internal Revenue Code or a tax sheltered**  
 27          **annuity under Section 403(b) of the Internal Revenue Code for**  
 28          **employees of the school corporation who:**

29                 **(1) were participants in a retirement plan or severance plan**  
 30                 **established by the school corporation before July 1, 1999;**

31                 **(2) integrate their benefits accrued under the retirement plan**  
 32                 **or severance plan described in subdivision (1) with the defined**  
 33                 **contribution plan or tax sheltered annuity established by the**  
 34                 **school corporation;**

35                 **(3) become participants in the defined contribution plan or**  
 36                 **tax sheltered annuity established by the school corporation;**  
 37                 **and**

38                 **(4) retire after June 30, 2000.**

39          **Sec. 3. Each year, a school corporation described in section 2 of**  
 40          **this chapter is entitled to a distribution in the amount determined**  
 41          **under STEP TWO of the following formula:**

42                 **STEP ONE: For all employees of the school corporation**

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1 described in section 2 of this chapter who retire during the  
 2 school year, determine the amount contributed by the school  
 3 corporation during the year to fund the present value of the  
 4 benefits to which the employees were entitled, as of July 1,  
 5 1999, under the retirement plan or severance plan established  
 6 by the school corporation before July 1, 1999.

7 **STEP TWO: Determine the result of:**

8 (A) the STEP ONE amount; multiplied by

9 (B) the following factor:

10 (i) Fifty percent (50%) in 2001.

11 (ii) Forty-five percent (45%) in 2002.

12 (iii) Forty percent (40%) in 2003.

13 (iv) Thirty-five percent (35%) in 2004.

14 (v) Thirty percent (30%) in 2005.

15 (vi) Twenty-five percent (25%) in 2006.

16 (vii) Twenty percent (20%) in 2007.

17 (viii) Fifteen percent (15%) in 2008.

18 (ix) Ten percent (10%) in 2009.

19 (x) Five percent (5%) in 2010.

20 **Sec. 4. (a) Before September 15 of each year, the Indiana state**  
 21 **teachers' retirement fund shall make the distributions required**  
 22 **under this chapter from the pension conversion fund established by**  
 23 **section 5 of this chapter.**

24 (b) A school corporation receiving a distribution under this  
 25 chapter shall, before August 15 of the year in which the  
 26 distribution is received, report the following to the Indiana state  
 27 teachers' retirement fund:

28 (1) The number of employees who retired from the school  
 29 corporation during the school year that began in the previous  
 30 calendar year and who are participating in the defined  
 31 contribution plan or tax sheltered annuity established by the  
 32 school corporation after December 31, 1999.

33 (2) The benefits to which the employees described in  
 34 subdivision (1) are entitled under the defined contribution  
 35 plan or tax sheltered annuity.

36 (3) The total benefits paid to retired employees of the school  
 37 corporation and the amount of benefits paid from the defined  
 38 contribution plan or tax sheltered annuity to the retired  
 39 employees.

40 (c) The Indiana state teachers' retirement fund shall each year  
 41 provide the pension management oversight commission established  
 42 by IC 2-5-12 with a copy of the information reported to the fund



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1 under this section by school corporations.  
2 **Sec. 5. (a) The pension conversion fund is established for the**  
3 **purpose of receiving, holding, and disbursing funds under this**  
4 **chapter. The fund consists of money transferred to the fund under**  
5 **IC 4-30-16. The fund shall be administered by the Indiana state**  
6 **teachers' retirement fund.**  
7 **(b) Money in the fund at the end of a state fiscal year does not**  
8 **revert to the state general fund.**  
9 **Sec. 6. An amount sufficient to make the distributions required**  
10 **by this chapter is annually appropriated from the pension**  
11 **conversion fund to make distributions to school corporations under**  
12 **this chapter.**  
13 **Sec. 7. This chapter expires January 1, 2011.**  
14 **SECTION 3. An emergency is declared for this act.**

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