

First Regular Session 115th General Assembly (2007)

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 2006 Regular Session of the General Assembly.

HOUSE ENROLLED ACT No. 1067

AN ACT to amend the Indiana Code concerning pensions.

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

SECTION 1. IC 5-10.2-4-7, AS AMENDED BY P.L.2-2006, SECTION 25, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 7. (a) Benefits provided under this section are subject to IC 5-10.2-2-1.5.

(b) A member who retires is entitled to receive monthly retirement benefits, which are guaranteed for five (5) years or until the member's death, whichever is later. A member may select in writing any of the following nonconflicting options for the payment of the member's retirement benefits instead of the five (5) year guaranteed retirement benefit payments. The amount of the optional payments shall be determined under rules of the board and shall be the actuarial equivalent of the benefit payable under sections 4, 5, and 6 of this chapter.

(1) Joint and Survivor Option.

(A) The member receives a decreased retirement benefit during the member's lifetime, and there is a benefit payable after the member's death to a designated beneficiary during the lifetime of the beneficiary, which benefit equals, at the option of the member, either the full decreased retirement benefit or two-thirds (2/3) or one-half (1/2) of that benefit.

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(B) If the member dies before retirement, the designated beneficiary may receive only the amount credited to the member in the annuity savings account unless the designated beneficiary is entitled to survivor benefits under IC 5-10.2-3.

(C) If the designated beneficiary dies before the member retires, the selection is automatically canceled and the member may make a new beneficiary election and may elect a different form of benefit under this subsection.

(2) Benefit with No Guarantee. The member receives an increased lifetime retirement benefit without the five (5) year guarantee specified in this subsection.

(3) Integration with Social Security. If the member retires before the age of eligibility for Social Security benefits, in order to provide a level benefit during the member's retirement the member receives an increased retirement benefit until the age of Social Security eligibility and decreased retirement benefits after that age.

(4) Cash Refund Annuity. The member receives a lifetime annuity purchasable by the amount credited to the member in the annuity savings account, and the member's designated beneficiary receives a refund payment equal to:

- (A) the total amount used in computing the annuity at the retirement date; minus
- (B) the total annuity payments paid and due to the member before the member's death.

(c) This subsection does not apply to a member of the Indiana state teachers' retirement fund after June 30, 2007. If:

- (1) the designated beneficiary dies while the member is receiving benefits; or
- (2) the member is receiving benefits, the member marries, either for the first time or following the death of the member's spouse, after the member's first benefit payment is made, and the member's designated beneficiary is not the member's current spouse or the member has not designated a beneficiary;

the member may elect to change the member's designated beneficiary or form of benefit under subsection (b) and to receive an actuarially adjusted and recalculated benefit for the remainder of the member's life or for the remainder of the member's life and the life of the newly designated beneficiary. The member may not elect to change to a five (5) year guaranteed form of benefit. If the member's new election is the joint and survivor option, the member shall indicate whether the designated beneficiary's benefit shall equal, at the option of the

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member, either the member's full recalculated retirement benefit or two-thirds (2/3) or one-half (1/2) of this benefit. The cost of recalculating the benefit shall be borne by the member and shall be included in the actuarial adjustment.

(d) Except as provided in subsection (c) **or section 7.2 of this chapter**, a member who files for regular or disability retirement may not change:

- (1) the member's retirement option under subsection (b);
- (2) the selection of a lump sum payment under section 2 of this chapter; or
- (3) the beneficiary designated on the member's application for benefits if the member selects the joint and survivor option under subsection (b)(1);

after the first day of the month in which benefit payments are scheduled to begin. For purposes of this subsection, it is immaterial whether a benefit check has been sent, received, or negotiated.

(e) A member may direct that the member's retirement benefits be paid to a revocable trust that permits the member unrestricted access to the amounts held in the revocable trust. The member's direction is not an assignment or transfer of benefits under IC 5-10.3-8-10 or IC 5-10.4-5-14.

SECTION 2. IC 5-10.2-4-7.2 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 7.2. (a) This section applies to a member of the Indiana state teachers' retirement fund after June 30, 2007.**

(b) If a member is receiving a benefit from the fund and:

- (1) the member's designated beneficiary dies;**
- (2) the member and the member's designated beneficiary are parties in an action for dissolution of marriage under IC 31-15-2 in which a final order is issued after the member's first benefit payment is made; or**
- (3) the member marries after the member's first benefit payment is made, and:**

(A) the member's designated beneficiary is not the member's current spouse; or

(B) the member has not designated a beneficiary;

the member may make the election described in subsection (c).

(c) A member described in subsection (b) may elect to:

- (1) change the member's designated beneficiary or form of benefit under section 7(b) of this chapter; and**
- (2) receive an actuarially adjusted and recalculated benefit for**

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the remainder of:

- (A) the member's life; or
- (B) the member's life and the life of the newly designated beneficiary.

(d) A member making the election under subsection (c) may not elect to change to a five (5) year guaranteed form of benefit under section 7(b) of this chapter.

(e) If a member elects a benefit under subsection (c)(2)(B), the member must indicate whether the newly designated beneficiary's benefit will equal:

- (1) the member's full recalculated benefit;
- (2) two-thirds (2/3) of the member's recalculated benefit; or
- (3) one-half (1/2) of the member's recalculated benefit.

(f) The member bears the cost of recalculating a benefit under subsection (c)(2), and the cost shall be included in the actuarial adjustment.

(g) Benefits may be recalculated under this section only to the extent permitted by the Internal Revenue Code and applicable regulations.

(h) Before implementing this section, the board of the Indiana state teachers' retirement fund may obtain any approvals that the board considers necessary or appropriate from the Internal Revenue Service.

SECTION 3. IC 5-10.2-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]:

Chapter 9. Sudan Divestment

Sec. 1. As used in this chapter, "active business operations" means all business operations that are not inactive business operations.

Sec. 2. As used in this chapter, "board" refers to the following:

- (1) The board of trustees of the Indiana state teachers' retirement fund.
- (2) The board of trustees of the public employees' retirement fund.

Sec. 3. As used in this chapter, "business operations" means engaging in any commerce in any form in Sudan.

Sec. 4. (a) As used in this chapter, "company" means any of the following:

- (1) A sole proprietorship.
- (2) An organization.
- (3) An association.

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- (4) A corporation.
- (5) A partnership.
- (6) A joint venture.
- (7) A limited partnership.
- (8) A limited liability partnership.
- (9) A limited liability company.
- (10) A business association.

(b) The term includes all wholly owned subsidiaries, majority owned subsidiaries, parent companies, and affiliates of such entities or business associations that exist for profit making purposes.

Sec. 5. For purposes of this chapter, a company is "complicit in the Darfur genocide" if the company took any actions during the preceding twenty (20) month period that directly support or promote the genocidal campaign in the Darfur region of Sudan, including any of the following:

- (1) Preventing Darfur's victimized population from communicating with each other.
- (2) Encouraging Sudanese citizens to speak out against an internationally approved security force in Darfur.
- (3) Actively working to deny, cover up, or alter the record on human rights abuses in Darfur.

Sec. 6. As used in this chapter, "cost of divestment" means the sum of the following:

- (1) The costs associated with the sale, redemption, divestment, or withdrawal of an investment.
- (2) The costs associated with the acquisition and maintenance of a replacement investment.
- (3) A cost not described in subdivision (1) or (2) that is incurred by the fund in connection with a divestment transaction.

Sec. 7. As used in this chapter, "direct holdings" means all securities of a company held directly by the fund or in an account in which the fund owns all shares or interests.

Sec. 8. As used in this chapter, "fund" refers to the following:

- (1) The Indiana state teachers' retirement fund.
- (2) The public employees' retirement fund.

Sec. 9. (a) As used in this chapter, "government of Sudan" refers to the government in Khartoum, Sudan, that is led by the National Congress Party (formally known as the National Islamic Front) or any successor government formed on or after October 13, 2006, including the coalition National Unity Government

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agreed upon in the Comprehensive Peace Agreement for Sudan.

(b) The term does not include the regional government of southern Sudan.

Sec. 10. As used in this chapter, "inactive business operations" means the mere continued holding or renewal of rights to property previously operated to generate revenues but not presently deployed for such purpose.

Sec. 11. As used in this chapter, "indirect holdings" means all securities of a company:

- (1) held in an account or a fund; and
- (2) managed by one (1) or more persons not employed by the fund, in which the fund owns shares or interests together with other investors not subject to this chapter.

Sec. 12. As used in this chapter, "marginalized populations of Sudan" includes the following:

- (1) The part of the population in the Darfur region that has been genocidally victimized.
- (2) The part of the population of southern Sudan victimized by Sudan's north-south civil war.
- (3) The Beja, Rashidiya, and other similarly underserved groups of eastern Sudan.
- (4) The Nubian and other similarly underserved groups in Sudan's Abyei, southern Blue Nile, and Nuba mountain regions.
- (5) The Amri, Hamadab, Manasir, and other similarly underserved groups of northern Sudan.

Sec. 13. (a) As used in this chapter, "military equipment" means weapons, arms, or military defense supplies provided directly or indirectly to any force actively participating in the conflict in Sudan. The term includes any equipment that readily may be used for military purposes, including:

- (1) radar systems; or
- (2) military grade transport vehicles.

(b) The term does not include weapons, arms, or military defense supplies sold to peacekeeping forces that may be dispatched to Sudan by the United Nations or the African Union.

Sec. 14. (a) As used in this chapter, "mineral extraction activities" means the exploration, extraction, processing, transporting, or wholesale sale of elemental minerals or associated metals or oxides, including:

- (1) gold;
- (2) copper;

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- (3) chromium;
- (4) chromite;
- (5) diamonds;
- (6) iron;
- (7) iron ore;
- (8) silver;
- (9) tungsten;
- (10) uranium; and
- (11) zinc.

(b) The term includes the facilitation of mineral extraction activities, including the provision of supplies or services in support of mineral extraction activities.

Sec. 15. (a) As used in this chapter, "oil related activities" includes:

- (1) the export of oil;
- (2) the extraction of or production of oil;
- (3) the exploration for oil;
- (4) the ownership of rights to oil blocks;
- (5) the refining or processing of oil;
- (6) the transportation of oil;
- (7) the selling or trading of oil; or
- (8) the construction or maintenance of a pipeline, a refinery, or another oil field infrastructure.

(b) The term includes the facilitation of oil related activities, including the provision of supplies or services in support of oil related activities. The mere retail sale of gasoline and related consumer products is not considered an oil related activity.

Sec. 16. As used in this chapter, "power production activities" means any business operation that involves a project commissioned by the National Electricity Corporation of Sudan or other similar entity of the government of Sudan whose purpose is to facilitate power generation and delivery. The term includes the following:

- (1) Establishing power generating plants or hydroelectric dams.
- (2) Selling or installing components for power generating plants or hydroelectric dams.
- (3) Providing service contracts related to the installation or maintenance of power generating plants or hydroelectric dams.
- (4) Facilitating power production activities, including providing supplies or services in support of power production activities.

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Sec. 17. As used in this chapter, "research firm" means a reputable, neutral third party research firm not controlled by the fund.

Sec. 18. (a) As used in this chapter, "scrutinized company" means a company that meets any of the following criteria:

(1) Both of the following apply to the company:

(A) The company has business operations that involve contracts with or the provision of supplies or services to:

- (i) the government of Sudan;**
- (ii) companies in which the government of Sudan has any direct or indirect equity share;**
- (iii) consortiums or projects commissioned by the government of Sudan; or**
- (iv) companies involved in consortiums or projects commissioned by the government of Sudan.**

(B) Either:

- (i) more than ten percent (10%) of the company's revenues or assets linked to Sudan involve oil related activities or mineral extraction activities, and less than seventy-five percent (75%) of the company's oil related or mineral extracting revenues or assets linked to Sudan involve contracts with the regional government of southern Sudan or a project or consortium created exclusively by the regional government, and the company has failed to take substantial action; or**
- (ii) more than ten percent (10%) of the company's revenues or assets linked to Sudan involve power production activities and less than seventy-five percent (75%) of the company's power production activities include projects that are intended to provide power or electricity to the marginalized populations of Sudan, and the company has failed to take substantial action.**

(2) The company is complicit in the Darfur genocide.

(3) The company supplies military equipment within Sudan, unless the company implements safeguards to prevent the use of the equipment by forces actively participating in armed conflict in Sudan. This subdivision does not apply to companies involved in the sale of military equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

(b) The term does not include a social development company

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that is not complicit in the Darfur genocide.

Sec. 19. As used in this chapter, "social development company" means a company whose primary purpose in Sudan is to provide humanitarian goods or services, including:

- (1) medicine or medical equipment;
- (2) agricultural supplies or infrastructure;
- (3) educational opportunities;
- (4) journalism related activities;
- (5) information or informational materials;
- (6) spiritual related activities;
- (7) services that are clerical or reporting in nature;
- (8) food;
- (9) clothing; or
- (10) general consumer goods that are unrelated to oil related activities, mineral extraction activities, or power production activities.

Sec. 20. As used in this chapter, "substantial action" means:

- (1) adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one (1) year and to refrain from any new business operations;
- (2) undertaking significant humanitarian efforts on behalf of one (1) or more marginalized populations of Sudan; or
- (3) materially improving conditions for the genocidally victimized population in Darfur through engagement with the government of Sudan.

Sec. 21. (a) Not later than March 30, 2008, each board shall make a good faith effort to identify all scrutinized companies in which the fund administered by the board has direct or indirect holdings.

(b) In carrying out its responsibilities under subsection (a), and at the board's discretion, each board may use existing research or contract with a research firm.

(c) A board or a research firm with which the board contracts under subsection (b) may take any of the following actions:

- (1) Review publicly available information regarding companies with business operations in Sudan.
- (2) Contact other institutional investors that invest in companies with business operations in Sudan.
- (3) Contact asset managers contracted by the fund that invest in companies with business operations in Sudan.

(d) Not later than the first meeting of the board after March 30, 2008, each board shall compile the names of all scrutinized

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companies into a scrutinized company list and indicate whether each scrutinized company has active or inactive business operations in Sudan.

(e) Each board shall update its scrutinized company list at least on an annual basis based on evolving information from sources described in subsections (b) and (c).

Sec. 22. After a board creates or updates the scrutinized company list under section 21 of this chapter, the board shall immediately identify the companies on the scrutinized company list in which the fund administered by the board has direct or indirect holdings.

Sec. 23. (a) Each fund shall send to each scrutinized company:

- (1) that is identified under section 22 of this chapter as one in which the fund has direct or indirect holdings; and
- (2) that has only inactive business operations;

a written notice concerning the contents of this chapter and a statement encouraging the company to continue to refrain from initiating active business operations in Sudan until the company is able to avoid scrutinized business operations altogether.

(b) The fund shall continue to correspond on a semiannual basis with scrutinized companies in which the fund has direct or indirect holdings and that have only inactive business operations.

Sec. 24. (a) Each fund shall send to each scrutinized company:

- (1) that is identified under section 22 of this chapter as one in which the fund has direct or indirect holdings; and
- (2) that has active business operations;

a written notice concerning the contents of this chapter and a statement indicating that the fund's holdings in the company may become subject to divestment by the fund.

(b) A notice sent under this section shall:

- (1) offer the company the opportunity to clarify the company's Sudan related activities; and
- (2) encourage the company, within ninety (90) days after the date of the written notice, to either:
 - (A) cease its scrutinized business operations; or
 - (B) convert the company's operations to inactive business operations in order to avoid divestment by the fund of the fund's holdings in the company.

Sec. 25. (a) If, within ninety (90) days after a fund's first engagement with a company under section 24 of this chapter, the company ceases scrutinized business operations, the company shall be removed from the fund's scrutinized company list and the

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provisions of sections 26, 27, 28, and 29 of this chapter shall cease to apply to the company unless the company resumes scrutinized business operations.

(b) If, within ninety (90) days after a fund first engages with a company under section 24 of this chapter, the company converts its scrutinized active business operations to inactive business operations, the company shall be subject to the provisions of section 23 of this chapter.

Sec. 26. (a) Except as provided in sections 28 and 29 of this chapter, if, after ninety (90) days after a fund's first engagement with a company under section 24 of this chapter, the company continues to have scrutinized active business operations, the fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the fund, as follows:

(1) At least fifty percent (50%) of such assets shall be removed from the fund's assets under management within nine (9) months after the company's appearance on the scrutinized company list.

(2) One hundred percent (100%) of such assets shall be removed from the fund's assets under management within fifteen (15) months after the company's appearance on the scrutinized company list.

(b) If a company that ceased scrutinized active business operations following engagement under section 24 of this chapter resumes scrutinized active business operations, and only while the company continues to have active business operations, the company shall immediately be placed back on the scrutinized company list. A fund that has holdings in the company shall sell, redeem, divest, or withdraw all publicly traded securities of the company as provided in subsection (a) based on the date the company is placed back on the scrutinized company list. The fund shall send a written notice to the company indicating that the company was placed back on the scrutinized company list and is subject to divestment.

(c) A board is not required to divest the board's holdings in a passively managed commingled fund that includes a scrutinized company with active business operations in Sudan if the estimated cost of divestment of the commingled fund is greater than ten percent (10%) of the total value of the scrutinized companies with active business operations held in the commingled fund. The board shall include any commingled fund that includes a scrutinized company that is exempted from divestment under this subsection

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in the board's report submitted to the legislative council under section 31 of this chapter.

Sec. 27. Except as provided in sections 28 and 29 of this chapter, a fund shall not acquire securities of companies on the scrutinized company list that have active business operations.

Sec. 28. If the government of the United States affirmatively declares any company on the scrutinized company list with active business operations in Sudan to be excluded from any federal sanctions relating to Sudan, the company is not subject to divestment or investment prohibition under this chapter.

Sec. 29. Notwithstanding any provision to the contrary, sections 26 and 27 of this chapter do not apply to indirect holdings in actively managed investment funds. However, if a fund has indirect holdings in actively managed investment funds containing the securities of scrutinized companies with active business operations, the fund shall submit letters to the managers of the investment funds requesting that the managers remove the scrutinized companies with active business operations from the fund or create a similar actively managed fund with indirect holdings without scrutinized companies with active business operations. If the manager creates a similar fund, the fund shall replace all applicable investments with investments in the similar fund in a period consistent with prudent investing standards.

Sec. 30. This chapter does not apply to private equity funds.

Sec. 31. (a) On or before November 1, 2007, and thereafter as directed by the legislative council, the board shall submit a report in an electronic format under IC 5-14-6 to the legislative council for distribution to the members of the general assembly.

(b) The report must include at least the following information, as of the date of the report:

- (1) A copy of the scrutinized company list.
- (2) A summary of correspondence with companies engaged by the fund under sections 23 and 24 of this chapter.
- (3) All investments sold, redeemed, divested, or withdrawn in compliance with section 26 of this chapter.
- (4) All commingled funds that are exempted from divestment under section 26 of this chapter.
- (5) All prohibited investments under section 27 of this chapter.
- (6) Any progress made under section 29 of this chapter.

Sec. 32. This chapter expires on the earliest of the following:

- (1) Twelve (12) months after the date the government of

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Sudan halts the genocide in Darfur as determined by the Congress of the United States and the United States Department of State.

(2) The date the United States revokes its current sanctions against the government of Sudan.

(3) The date Congress or the President of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this chapter interferes with the conduct of foreign policy for the United States.

(4) The date Congress or the President of the United States declares that the government of Sudan:

(A) has honored its commitments to cease attacks on civilians;

(B) demobilizes and demilitarizes the Janjaweed and associated militias;

(C) grants free and unfettered access for deliveries of humanitarian assistance; and

(D) allows for the safe and voluntary return of refugees and international displaced persons.

Sec. 33. With respect to actions taken in compliance with this chapter, including all good faith determinations regarding companies on the scrutinized company list, the fund shall be exempt from any conflicting statutory or common law obligations, including any obligations with respect to choice of asset managers, investment funds, or investments for fund securities portfolios.

Sec. 34. (a) Notwithstanding any provision to the contrary, the fund shall be permitted to cease divesting and to reinvest in certain scrutinized companies on the scrutinized company list with active business operations in Sudan if evidence shows that the value for all assets under management by the fund becomes equal to or less than ninety-nine and five-tenths percent (99.5%) of the value of all assets under management by the fund, including the companies divested under section 26 of this chapter.

(b) As provided by this section, any cessation of divestment or reinvestment shall be strictly limited to the minimum steps necessary to avoid the contingency set forth in subsection (a).

(c) For any cessation of divestment, reinvestment, and subsequent ongoing investment authorized by this section, the fund shall submit a report in an electronic format under IC 5-14-6 to the legislative council for distribution to the members of the general assembly in advance of any initial reinvestment. The report shall

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be updated annually thereafter as applicable, setting forth the reasons and justifications for the decision to cease divestment, reinvest, or remain invested with companies with scrutinized active business operations. This section does not apply to companies that have ceased to have scrutinized business operations.

Sec. 35. (a) Both:

- (1) the state and its officers, agents, and employees; and
- (2) the fund and its board members, executive director, officers, agents, and employees;

are immune from civil liability for any act or omission related to the removal of an asset from the fund under this chapter.

(b) In addition to the immunity provided under subsection (a), both:

- (1) the officers, agents, and employees of the state; and
- (2) the board members, executive director, officers, agents, and employees of the fund;

are entitled to indemnification from the fund for all losses, costs, and expenses, including reasonable attorney's fees, associated with defending against any claim or suit relating to an act authorized under this chapter.

Sec. 36. The provisions of this chapter are severable in the manner provided in IC 1-1-1-8(b).

SECTION 4. IC 34-30-2-11.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 11.3. IC 5-10.2-9-33 (Concerning the state and certain public pension funds for divestment of fund assets authorized by law).**

SECTION 5. [EFFECTIVE JULY 1, 2007] **(a) This SECTION applies to IC 5-10.2-9, as added by this act.**

(b) The definitions in IC 5-10.2 apply throughout this SECTION.

(c) The general assembly finds the following:

- (1) **Mandatory divestment by the funds of the funds' holdings in certain companies is a measure that should be employed only under extraordinary circumstances.**
- (2) **The Congress and President of the United States have declared that genocide is occurring in the Darfur region of Sudan.**
- (3) **The Sudan crisis represents the first time the government of the United States has labeled ongoing atrocities a genocide.**
- (4) **The situation in Sudan is unique and constitutes the extraordinary circumstances necessary for mandatory**

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divestment by the funds of the funds' holdings in scrutinized companies with active business operations in Sudan.

SECTION 6. [EFFECTIVE JULY 1, 2007] (a) As used in this SECTION, "commission" refers to the pension management oversight commission established by IC 2-5-12-1.

(b) The commission shall study and make recommendations, including any recommended legislation, concerning the structure of the Indiana state teachers' retirement fund established by IC 5-10.4-2-1.

(c) The commission shall operate under the policies governing study committees adopted by the legislative council.

(d) This SECTION expires December 31, 2007.

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Speaker of the House of Representatives

President of the Senate

President Pro Tempore

Governor of the State of Indiana

Date: _____ Time: _____

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