
SENATE BILL No. 55

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10.2-4-3.

Synopsis: Average of the annual compensation for PERF. Reduces from 20 to 12 the number of calendar quarters used by the public employees' retirement fund (PERF) in the computation of the "average of the annual compensation". (The introduced version of this bill was prepared by the pension management oversight commission.)

Effective: July 1, 2008.

Young R Michael

January 8, 2008, read first time and referred to Committee on Pensions and Labor.

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Second Regular Session 115th General Assembly (2008)

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 2007 Regular Session of the General Assembly.

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SENATE BILL No. 55



A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

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

1 SECTION 1. IC 5-10.2-4-3, AS AMENDED BY P.L.2-2007,
2 SECTION 93, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2008]: Sec. 3. (a) Except as provided in subsection (f), (g), in
4 computing the retirement benefit for a nonteacher member **who retires**
5 **before January 1, 2009**, "average of the annual compensation" means
6 the average annual compensation calculated using the twenty (20)
7 calendar quarters of service in a position covered by the retirement
8 fund before retirement in which the member's annual compensation
9 was the highest. However, in order for a quarter to be included in the
10 twenty (20) calendar quarters, the nonteacher member must have
11 performed service throughout the calendar quarter. All twenty (20)
12 calendar quarters do not have to be continuous but they must be in
13 groups of four (4) consecutive calendar quarters. The same calendar
14 quarter may not be included in two (2) different groups.

15 (b) **Except as provided in subsection (g), in computing the**
16 **retirement benefit for a nonteacher member who retires after**
17 **December 31, 2008, "average of the annual compensation" means**



1 the average annual compensation calculated using the twelve (12)
 2 calendar quarters of service in a position covered by the retirement
 3 fund before retirement in which the member's annual
 4 compensation was the highest. However, in order for a quarter to
 5 be included in the twelve (12) calendar quarters, the nonteacher
 6 member must have performed service throughout the calendar
 7 quarter. All twelve (12) calendar quarters do not have to be
 8 continuous but they must be in groups of four (4) consecutive
 9 calendar quarters. The same calendar quarter may not be included
 10 in two (2) different groups.

11 ~~(b)~~ (c) This subsection does not apply to a teacher member
 12 described in subsection ~~(c)~~: (d). In computing the retirement benefit for
 13 a teacher member, "average of the annual compensation" means the
 14 average annual compensation for the five (5) years of service before
 15 retirement in which the member's annual compensation was highest. In
 16 order for a year to be included in the five (5) years, the teacher member
 17 must have received for the year credit under IC 5-10.4-4-2 for at least
 18 one-half (1/2) year of service. The five (5) years do not have to be
 19 continuous.

20 ~~(c)~~ (d) This subsection applies to a member of the Indiana state
 21 teachers' retirement fund who serves in an elected position for which
 22 the member takes an unpaid leave of absence. In computing the
 23 retirement benefit for a teacher member described in this subsection for
 24 years of service to which IC 5-10.4-5-7 does not apply, "average of the
 25 annual compensation" means the annual compensation for the one (1)
 26 year of service before retirement in which the member's annual
 27 compensation was highest. In order for a year to be used, the teacher
 28 member must have received for the year credit under IC 5-10.4-4-2 for
 29 at least one-half (1/2) year of service.

30 ~~(d)~~ (e) Subject to IC 5-10.2-2-1.5, "annual compensation" means:
 31 (1) the basic salary earned by and paid to the member plus the
 32 amount that would have been part of that salary but for:
 33 (A) the state's, a school corporation's, a participating political
 34 subdivision's, or a state educational institution's paying the
 35 member's contribution to the fund for the member; or
 36 (B) the member's salary reduction agreement established under
 37 Section 125, 403(b), or 457 of the Internal Revenue Code; and
 38 (2) in the case of a member described in subsection ~~(c)~~ (d) and for
 39 years of service to which IC 5-10.4-5-7 does not apply, the basic
 40 salary that was not paid during the year but would have been paid
 41 to the member during the year under the member's employment
 42 contracts, if the member had not taken any unpaid leave of

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1 absence to serve in an elected position.
 2 The portion of a back pay award or a similar award that the board
 3 determines is compensation under an agreement or under a judicial or
 4 an administrative proceeding shall be allocated by the board among the
 5 years the member earned or should have earned the compensation.
 6 Only that portion of the award allocated to the year the award is made
 7 is considered to have been earned during the year the award was made.
 8 Interest on an award is not considered annual compensation for any
 9 year.
 10 ~~(e)~~ (f) Compensation of not more than two thousand dollars
 11 (\$2,000) received from the employer in contemplation of the member's
 12 retirement, including severance pay, termination pay, retirement bonus,
 13 or commutation of unused sick leave or personal leave, may be
 14 included in the total annual compensation from which the average of
 15 the annual compensation is determined, if it is received:
 16 (1) before the member ceases service; or
 17 (2) within twelve (12) months after the member ceases service.
 18 ~~(f)~~ (g) This subsection applies to a member of the general assembly:
 19 (1) who is a participant in the legislators' retirement system
 20 established under IC 2-3.5;
 21 (2) who is also a member of the public employees' retirement fund
 22 or the Indiana state teachers' retirement fund; and
 23 (3) whose years of service in the general assembly may not be
 24 considered in determining the average of the annual
 25 compensation under this section, as provided in
 26 IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).
 27 The board shall use the board's actuarial salary increase assumption to
 28 project the salary for any previous year needed to determine the
 29 average of the annual compensation.

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