
SENATE BILL No. 551

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10.2-11.

Synopsis: Public employees' defined contribution plan. Requires the board of trustees (board) of the public employees' retirement fund (PERF) and the Indiana state teachers' retirement fund (TRF) to establish, for individuals who, after June 30, 2011, become full-time employees of the state, a participating political subdivision, or a school corporation, a defined contribution plan (plan) using the PERF and TRF annuity savings accounts, or as a separate fund. Requires the board to establish the alternative investment programs within the PERF and TRF annuity savings accounts as the initial alternative investment programs for the plan. Requires the board to include a stable value fund as an investment option. Requires that each plan member, as a condition of employment, make an annual contribution equal to 3% of the member's compensation. Requires a plan member's employer to make an annual contribution in an amount determined by the rules of the board, with a minimum contribution of 3% of the member's compensation. Allows withdrawals at the earliest date, and requires withdrawals at the latest date, permitted by the Internal Revenue Service. Requires that a withdrawal amount be paid as a lump sum, a direct rollover to another eligible retirement plan, or a monthly annuity purchased by the board. Requires the general assembly to appropriate an amount sufficient to fund the required contributions.

Effective: July 1, 2011.

Waltz

January 20, 2011, read first time and referred to Committee on Pensions and Labor.

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First Regular Session 117th General Assembly (2011)

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 2010 Regular Session of the General Assembly.

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SENATE BILL No. 551



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

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

1 SECTION 1. IC 5-10.2-11 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2011]:
4 **Chapter 11. Public Employees' and Teachers' Defined**
5 **Contribution Plan**
6 **Sec. 1. (a) This chapter applies to an individual who, after June**
7 **30, 2011, becomes a full-time employee:**
8 (1) of the state or a participating political subdivision in a
9 covered position described in IC 5-10.3-7-1; or
10 (2) in a position described in IC 5-10.4-4-1.
11 (b) This chapter does not apply to an individual who, on July 1,
12 2011, is a member of:
13 (1) the public employees' retirement fund established by
14 IC 5-10.3-2-1; or
15 (2) the Indiana state teachers' retirement fund established by
16 IC 5-10.4-2-1.
17 **Sec. 2. As used in this chapter, "compensation" has the meaning**



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set forth in IC 5-10.2-3-2(a).

Sec. 3. As used in this chapter, "member" means an individual who qualifies to participate in the plan.

Sec. 4. As used in this chapter, "plan" refers to the defined contribution plan established by section 6 of this chapter.

Sec. 5. Except as otherwise provided in this chapter or by federal law, the provisions of IC 5-10.3 and IC 5-10.4 that apply to annuity savings accounts of the public employees' retirement fund and the 1996 account apply to this chapter.

Sec. 6. (a) The board shall adopt provisions to establish a defined contribution plan for the purpose of providing amounts funded by an employer and a member for the use of the member or the member's beneficiaries or survivors after the member's retirement:

- (1) using the annuity savings account of the:
 - (A) public employees' retirement fund established by IC 5-10.2-2-2(a)(1); and
 - (B) the 1996 account of the Indiana state teachers' retirement fund established by IC 5-10.2-2-2(c)(1); or
- (2) as a separate fund under Section 401(a) or another applicable section under the Internal Revenue Code.

(b) The board shall administer the plan.

(c) The board may adopt rules under IC 4-22-2 that the board considers appropriate or necessary to administer the plan.

Sec. 7. The board may request from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate in order to implement or administer the plan.

Sec. 8. (a) The plan consists of the following:

- (1) Each member's contributions to the plan under section 10 of this chapter.
- (2) Contributions made to the plan on behalf of each member under section 11 of this chapter.
- (3) All earnings on investments or deposits of the plan.
- (4) All contributions or payments to the plan made in the manner provided by the general assembly.

(b) The plan shall establish an account for each member, and the member's account shall be credited individually with:

- (1) the member's contributions to the plan under section 10 of this chapter;
- (2) the contributions made to the plan on behalf of the member under section 11 of this chapter; and

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1 (3) the net earnings on the member's account, determined as
2 the net earnings are determined for annuity savings accounts
3 of the public employees' retirement fund and the 1996
4 account.

5 Sec. 9. (a) The board shall establish the alternative investment
6 programs within the annuity savings account of the public
7 employees' retirement fund, and the 1996 account under
8 IC 5-10.2-2-3 and IC 5-10.2-2-4, as the initial alternative
9 investment programs for the plan, except that the board shall
10 maintain at least one (1) alternative investment program that is a
11 stable value fund. If the board considers it necessary or
12 appropriate, the board may establish different or additional
13 alternative investment programs for the plan.

14 (b) The requirements and rules that apply to the alternative
15 investment programs within the annuity savings account of the
16 public employees' retirement fund and the 1996 account are the
17 initial requirements and rules that apply to the alternative
18 investment programs within the plan, including the following:

- 19 (1) The board's investment guidelines and limits for the
20 alternative investment programs.
- 21 (2) A member's selection of and changes to the member's
22 investment options.
- 23 (3) The valuation of a member's account.
- 24 (4) The allocation and payment of administrative expenses for
25 the alternative investment programs.

26 If the board considers it necessary or appropriate, the board may
27 establish different or additional requirements and rules that apply
28 to the alternative investment programs within the plan.

29 Sec. 10. (a) Each member shall, as a condition of employment,
30 make a contribution to the plan each year that is equal to three
31 percent (3%) of the member's compensation.

32 (b) Contributions shall be deducted from a member's
33 compensation and credited to the member's account in the plan as
34 provided in IC 5-10.2-3.

35 Sec. 11. (a) A member's employer shall make a contribution to
36 the plan on behalf of the member each year.

37 (b) The board shall determine the amount of the employer's
38 contribution using rules established by the board. However, the
39 employer's contribution under this section must equal at least three
40 percent (3%) of the member's compensation.

41 Sec. 12. A member may not earn creditable service (as defined
42 in IC 5-10.2-3-1(a)) in the plan.

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1 **Sec. 13. (a) A member who terminates service in a covered**
 2 **position is entitled to withdraw the member's account in the plan**
 3 **at the earliest date established by the Internal Revenue Code for**
 4 **taking a distribution from the account for retirement purposes. A**
 5 **member must make a withdrawal from the member's account in**
 6 **the plan not later than the required beginning date under the**
 7 **Internal Revenue Code.**

8 **(b) The withdrawal amount shall be paid as a lump sum, a**
 9 **direct rollover to another eligible retirement plan, or a monthly**
 10 **annuity purchased by the board. The board shall establish the**
 11 **forms of annuity by rule, in consultation with the board's actuary.**
 12 **The board shall give members information about these forms of**
 13 **payment and the effects of various dates of withdrawal.**

14 **(c) Unless otherwise required by federal or state law, the**
 15 **requirements and rules that apply to the distribution of the annuity**
 16 **savings accounts of the public employees' retirement fund and the**
 17 **1996 account also apply to the distribution of a member's account**
 18 **in the plan.**

19 **Sec. 14. (a) If a member dies while in service in a covered**
 20 **position, or after terminating service in a covered position and**
 21 **before withdrawing the member's account in the plan, the**
 22 **member's account shall be paid to the beneficiary or beneficiaries**
 23 **designated on a form prescribed by the board. The amount paid**
 24 **shall be valued as provided in IC 5-10.2-2-3 and IC 5-10.2-2-4.**

25 **(b) If there is no properly designated beneficiary, or if no**
 26 **beneficiary survives the member, the member's account shall be**
 27 **paid to:**

- 28 **(1) the surviving spouse of the member;**
 29 **(2) if there is not a surviving spouse, a surviving dependent, or**
 30 **the surviving dependents of the member in equal shares; or**
 31 **(3) if there is not a surviving spouse or dependent, the**
 32 **member's estate.**

33 **(c) Amounts payable under this section shall be paid as a lump**
 34 **sum or a monthly annuity purchased by the board. The board shall**
 35 **establish the forms of annuity by rule, in consultation with the**
 36 **board's actuary.**

37 **Sec. 15. (a) The general assembly shall appropriate for each**
 38 **biennium the following sums of money:**

- 39 **(1) From the state general fund, the amount required to equal**
 40 **the contributions specified in section 11 of this chapter for**
 41 **members who are employed by the state.**
 42 **(2) From the state general fund, the amount required for the**

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administration of this chapter.

(b) The biennial appropriation provided under this section shall be credited to the plan in equal installments in July of each year of the biennium, based on the amounts specified in subsection (a).

Sec. 16. (a) All assets in the plan are exempt from levy, sale, garnishment, attachment, or other legal process.

(b) A member or beneficiary may not assign any payment under this chapter except for the following:

- (1) Premiums on a life, hospitalization, surgical, or medical group insurance plan maintained in part by a state agency.
- (2) Dues to an association that proves to the board's satisfaction that the association has as members at least twenty percent (20%) of the retired members in the plan.

Sec. 17. (a) To the extent permitted by the Internal Revenue Code and the applicable regulations, the plan may accept, on behalf of any member who is employed in a covered position, a rollover distribution from any of the following:

- (1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.
- (2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.
- (3) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.
- (4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

(b) Any amounts rolled over under subsection (a) must be accounted for in a "rollover account" that is separate from the member's account in the plan.

(c) A member may direct the investment of the member's rollover account into any alternative investment option that the board may make available to the member's rollover account under section 9 of this chapter.

(d) A member may withdraw the member's rollover account from the plan in a lump sum at any time before retirement. At retirement, the member may withdraw the member's rollover account in accordance with the retirement options that are available for the member's account in the plan.

SECTION 2. [EFFECTIVE JULY 1, 2011] (a) The legislative services agency shall prepare legislation for introduction in the

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1 **2012 regular session of the general assembly to organize and**
2 **correct statutes affected by this act.**
3 **(b) This SECTION expires June 30, 2013.**

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