
HOUSE BILL No. 1411

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-15-2-25; IC 5-10; IC 5-10.2-4; IC 5-10.3-6-8.9; IC 10-12-4-5.

Synopsis: Early retirement for state employees. Establishes the state employee early retirement program (program). Provides that a state employee in the executive branch of state government who: (1) is at least 55 years of age; and (2) has at least 10 years of service; may elect, before July 1, 2012, to participate in the program. Provides that a state employee who elects to participate in the program must separate from state service within 30 days. Provides that a state employee who elects to participate in the program shall receive a lump sum payment equal to one-half of the state employee's annual salary. Provides that a state employee who elects to participate in the program is entitled to certain benefits from a state employee early retirement medical benefits account (account). Establishes the account. Establishes the state employee early retirement health benefit trust fund to fund the account. Designates the budget agency as the account administrator. Requires a state agency to make annual contributions of \$7,000 for a period of five years for an employee who elects to participate in the program. Allows the surviving spouse or dependent of a participant to receive a benefit from the account. Provides that the account may be used by a participant to pay certain medical and dental expenses that are not paid by the retirement medical benefits account. Provides that members of the public employees' retirement fund (PERF) or the Indiana State Teachers' Retirement Fund (TRF) that elect to participate in the program may receive a normal retirement benefit. Provides that a member of the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan (plan) that elects to participate in the program may receive an unreduced
(Continued next page)

C
o
p
y

Effective: Upon passage; July 1, 2011.

Goodin

January 18, 2011, read first time and referred to Committee on Employment, Labor and Pensions.



Digest Continued

retirement benefit. Provides that a participant in the plan who enters the deferred retirement option program (DROP) who subsequently enters the program is not entitled to a DROP benefit. Provides that a beneficiary employee of the state police 1987 benefit system who elects to enter the program is entitled to a full basic pension benefit.

**C
o
p
y**



Introduced

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.

C
O
P
Y

HOUSE BILL No. 1411

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

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

1 SECTION 1. IC 4-15-2-25 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 25. **Except as**
3 **provided under IC 5-10-16-8**, resignations from the classified service
4 shall be subject to such rules as the director may prescribe. Any person
5 who has resigned while in good standing from the classified service
6 and whose resignation has been accepted may, at the discretion of the
7 director, not later than two (2) years after the date of his resignation,
8 have his name placed on the appropriate reemployment list by
9 submitting a written request to the director.

10 SECTION 2. IC 5-10-5.5-11, AS AMENDED BY P.L.180-2007,
11 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
12 JULY 1, 2011]: Sec. 11. (a) Any participant who has attained the age
13 of forty-five (45) years and has accrued at least fifteen (15) years of
14 creditable service may retire and become eligible for benefits as
15 provided in section 12(a) of this chapter.



1 **(b) Except as provided in subsection (d), if:**
 2 (1) a participant is at least fifty-five (55) years of age; and
 3 (2) the sum of the participant's years of creditable service and age
 4 in years equals at least eighty-five (85);
 5 the participant may retire and become eligible for benefits as provided
 6 in section 12(b) of this chapter.

7 (c) A participant who:
 8 (1) is at least fifty (50) years of age; and
 9 (2) has accrued at least twenty-five (25) years of creditable
 10 service;
 11 may retire and become eligible for benefits under section 12(b) of this
 12 chapter.

13 **(d) A participant who:**
 14 **(1) elects to participate in the state employee early retirement**
 15 **program established by IC 5-10-16-8;**
 16 **(2) retires after June 30, 2011, and before July 1, 2012;**
 17 **(3) is at least fifty-five (55) years of age;**
 18 **(4) has accrued at least ten (10) years of creditable service;**
 19 **may retire and become eligible for benefits under section 12(b) of**
 20 **this chapter.**

21 SECTION 3. IC 5-10-5.5-12, AS AMENDED BY P.L.3-2008,
 22 SECTION 23, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 23 JULY 1, 2011]: Sec. 12. (a) The amount of annual retirement
 24 allowance payable in equal monthly installments to a participant who
 25 retires under section 11(a) of this chapter (relating to early retirement)
 26 shall be determined in accordance with section 10 of this chapter
 27 (relating to normal retirement). However, the amount of annual
 28 retirement allowance otherwise payable upon early retirement shall be
 29 reduced by one-quarter percent (1/4%) for each full month that the date
 30 of early retirement precedes the attainment of the participant's sixtieth
 31 birthday.

32 (b) The amount of annual retirement allowance payable in equal
 33 monthly installments to a participant who retires under section 11(b),
 34 or 11(c), or 11(d) of this chapter (relating to early retirement) shall be
 35 determined in accordance with section 10 of this chapter (relating to
 36 normal retirement).

37 SECTION 4. IC 5-10-5.5-22, AS ADDED BY P.L.128-2008,
 38 SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 39 JULY 1, 2011]: Sec. 22. (a) As used in this section, "DROP" refers to
 40 a deferred retirement option plan established under this section.

41 (b) As used in this section, "DROP entry date" means the date that
 42 a participant's election to enter a DROP becomes effective.

C
o
p
y



1 (c) As used in this section, "DROP frozen benefit" refers to an
 2 annual retirement allowance computed under section 10 of this chapter
 3 based on a participant's:
 4 (1) average annual salary; and
 5 (2) years of creditable service;
 6 on the date the participant enters the DROP.
 7 (d) As used in this section, "DROP retirement date" means the
 8 future retirement date selected by a participant at the time the
 9 participant elects to enter the DROP.
 10 (e) Only a participant who is eligible to receive an unreduced annual
 11 retirement allowance immediately upon termination of employment
 12 may elect to enter a DROP. A participant who elects to enter the DROP
 13 must agree to the following:
 14 (1) The participant shall execute an irrevocable election to retire
 15 on the DROP retirement date and must remain in active service
 16 until that date.
 17 (2) While in the DROP, the participant shall continue to make
 18 contributions under section 8 of this chapter.
 19 (3) The participant shall select a DROP retirement date not less
 20 than twelve (12) months and not more than thirty-six (36) months
 21 after the participant's DROP entry date.
 22 (4) The participant may not remain in the DROP after the date the
 23 participant reaches the mandatory retirement age under section 9
 24 of this chapter.
 25 (5) The participant may make an election to enter the DROP only
 26 once in the participant's lifetime.
 27 (f) Contributions or payments provided by the general assembly
 28 under section 4(b)(4) of this chapter continue for a participant while
 29 the participant is in the DROP.
 30 (g) A participant shall exit the DROP on the earliest of the
 31 following:
 32 (1) The participant's DROP retirement date.
 33 (2) Thirty-six (36) months after the participant's DROP entry date.
 34 (3) The participant's mandatory retirement age.
 35 (4) The date the participant retires because of a disability as
 36 provided by subsection (k).
 37 (h) A participant who retires on the participant's DROP retirement
 38 date or on the date the participant retires because of a disability as
 39 provided by subsection (k) may elect to receive an annual retirement
 40 allowance:
 41 (1) computed under section 10 of this chapter as if the participant
 42 had never entered the DROP; or

C
o
p
y



- 1 (2) consisting of:
- 2 (A) the DROP frozen benefit; plus
- 3 (B) an additional amount, paid as the participant elects under
- 4 subsection (i), determined by multiplying:
- 5 (i) the DROP frozen benefit; by
- 6 (ii) the number of months the participant was in the DROP.
- 7 (i) The participant shall elect, at the participant's retirement, to
- 8 receive the additional amount calculated under subsection (h)(2)(B) in
- 9 one (1) of the following ways:
- 10 (1) A lump sum paid on:
- 11 (A) the participant's DROP retirement date; or
- 12 (B) the date the participant retires because of a disability as
- 13 provided by subsection (k).
- 14 (2) Three (3) equal annual payments:
- 15 (A) commencing on:
- 16 (i) the participant's DROP retirement date; or
- 17 (ii) the date the participant retires because of a disability as
- 18 provided by subsection (k); and
- 19 (B) thereafter paid on:
- 20 (i) the anniversary of the participant's DROP retirement
- 21 date; or
- 22 (ii) the date the participant retires because of a disability as
- 23 provided by subsection (k).
- 24 (j) A cost of living increase determined under section 21(c) of this
- 25 chapter does not apply to the additional amount calculated under
- 26 subsection (h)(2)(B) at the participant's DROP retirement date or the
- 27 date the participant retires because of a disability as provided by
- 28 subsection (k). No cost of living increase is applied to a DROP frozen
- 29 benefit while the participant is in the DROP. After the participant's
- 30 DROP retirement date or the date the participant retires because of a
- 31 disability as provided by subsection (k), cost of living increases
- 32 determined under section 21(c) of this chapter apply to the participant's
- 33 annual retirement allowance computed under this section.
- 34 (k) If a participant becomes disabled, in the line of duty or other
- 35 than in the line of duty while in the DROP, the participant's annual
- 36 retirement allowance is computed as follows:
- 37 (1) If the participant retires because of a disability less than
- 38 twelve (12) months after the date the participant enters the DROP,
- 39 the participant's annual retirement allowance is calculated as if
- 40 the participant had never entered the DROP.
- 41 (2) If the participant retires because of a disability at least twelve
- 42 (12) months after the date the participant enters the DROP, the

COPY



1 participant's annual retirement allowance is calculated under this
2 section, and the participant's retirement date is the date the
3 member retires because of a disability rather than the participant's
4 DROP retirement date.

5 (l) If, before payment of the participant's annual retirement
6 allowance begins, the participant dies in the line of duty or other than
7 in the line of duty, death benefits are payable as follows:

8 (1) The benefit calculated under subsection (h)(2)(B) is paid in a
9 lump sum to the participant's surviving spouse. If there is no
10 surviving spouse, the lump sum must be divided equally among
11 the participant's surviving children. If there are no surviving
12 children, the lump sum is paid to the participant's parents. If there
13 are no surviving parents, the lump sum is paid to the participant's
14 estate.

15 (2) A benefit is paid on the DROP frozen benefit under the terms
16 of the retirement plan created by this chapter.

17 (m) Except as provided under subsections (k) and (l), the annual
18 retirement allowance for a participant who exits the DROP for any
19 reason other than retirement on the participant's DROP retirement date
20 is calculated as if the participant had never entered the DROP.

21 **(n) A participant may not elect to participate in the DROP if the**
22 **participant elects to participate in the state employee early**
23 **retirement program established by IC 5-10-16-8. If a participant**
24 **who elected to enter the DROP prior to July 1, 2011, subsequently**
25 **elects to participate in the state employee early retirement**
26 **program under IC 5-10-16-8, the participant's retirement benefit**
27 **is calculated as if the participant never elected to participate in the**
28 **DROP.**

29 SECTION 5. IC 5-10-8.6 IS ADDED TO THE INDIANA CODE
30 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE
31 JULY 1, 2011]:

32 **Chapter 8.6. State Employee Early Retirement Program**
33 **Medical Benefits Account**

34 **Sec. 1. (a) This chapter applies to a state employee who elects to**
35 **participate in the state employee early retirement program under**
36 **IC 5-10-16-8.**

37 **(b) An individual described in subsection (a) is entitled to**
38 **receive benefits from the state employee early retirement program**
39 **medical benefits account.**

40 **Sec. 2. As used in this chapter, "account" refers to the state**
41 **employee early retirement program medical benefits account**
42 **established under section 12 of this chapter.**

C
o
p
y



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42

Sec. 3. As used in this chapter, "budget agency" refers to the budget agency established by IC 4-12-1-3.

Sec. 4. As used in this chapter, "department" refers to the state personnel department established by IC 4-15-1.8-2.

Sec. 5. As used in this chapter, "employer" means the state agency that employs a state employee at the time the state employee elects to participate in the state employee early retirement program.

Sec. 6. As used in this chapter, "Internal Revenue Code" has the meaning set forth in IC 6-3-1-11.

Sec. 7. As used in this chapter, "participant" means a state employee for whom a subaccount is established under section 15 of this chapter.

Sec. 8. As used in this chapter, "state agency" has the meaning set forth in IC 5-10-16-6.

Sec. 9. As used in this chapter, "state employee" has the meaning set forth in IC 5-10-16-7.

Sec. 10. As used in this chapter, "subaccount" means a participant's allocable share of the account.

Sec. 11. (a) The state employee early retirement health benefit trust fund is established to provide funding for the state employee early retirement program medical benefits account developed under section 12 of this chapter.

(b) The trust fund shall be administered by the budget agency. The expenses of administering the trust fund shall be paid from money in the trust fund. The trust fund consists of contributions deposited in the fund under section 16 of this chapter and other appropriations, revenues, or transfers to the trust fund under IC 4-12-1.

(c) The treasurer of state shall invest the money in the trust fund not currently needed to meet the obligations of the trust fund in the same manner as other public money may be invested.

(d) The trust fund is considered a trust fund for purposes of IC 4-9.1-1-7. Except as provided in section 19 of this chapter, money may not be transferred, assigned, or otherwise removed from the trust fund by the state board of finance, the budget agency, or any other state agency.

(e) The trust fund shall be established and administered in a manner that complies with Internal Revenue Code requirements concerning health reimbursement arrangement (HRA) trusts. Contributions by the state to the trust fund are irrevocable. All assets held in the trust fund must be held for the exclusive benefit

**C
O
P
Y**



1 of participants of the state employee early retirement program
 2 medical benefits account developed under section 12 of this chapter
 3 and their beneficiaries. All assets in the trust fund:

4 (1) are dedicated exclusively to providing benefits to
 5 participants of the plan and their beneficiaries according to
 6 the terms of the plan; and

7 (2) are exempt from levy, sale, garnishment, attachment, or
 8 other legal process.

9 (f) Money in the trust fund does not revert to the state general
 10 fund at the end of any state fiscal year.

11 Sec. 12. (a) The budget agency shall adopt provisions to
 12 establish a state employee early retirement program medical
 13 benefits account as a health reimbursement arrangement or as a
 14 separate fund under another applicable section of the Internal
 15 Revenue Code for the purpose of funding by an employer on a
 16 pretax basis benefits for sickness, accident, hospitalization, and
 17 medical expenses for a participant and the spouse and dependents
 18 of a participant.

19 (b) Notwithstanding any other provision of this chapter, the
 20 budget agency may not establish the account or implement the
 21 health reimbursement arrangement unless the state agency
 22 provides the contribution under section 16 of this chapter or the
 23 general assembly makes a specific appropriation to implement the
 24 health reimbursement arrangement.

25 (c) The budget agency may adopt rules under IC 4-22-2 that it
 26 considers appropriate or necessary to administer the account.

27 Sec. 13. The budget agency may request from the Internal
 28 Revenue Service any rulings or determination letters that the
 29 budget agency considers necessary or appropriate in order to
 30 implement or administer the account.

31 Sec. 14. The account and subaccount records of individual
 32 participants and participants' information are confidential, except
 33 for the name and contributions made on behalf of the participant.

34 Sec. 15. The budget agency shall establish a subaccount for each
 35 participant. Each participant's subaccount shall be credited with
 36 the following after subtraction of the costs described in section
 37 11(b) of this chapter:

38 (1) The contributions made to the account on behalf of the
 39 participant under section 16 of this chapter.

40 (2) Any earnings attributable to the balance of the
 41 subaccount.

42 Sec. 16. (a) A participant's employer shall make an annual

C
O
P
Y



1 contribution to the account on behalf of the participant for five (5)
 2 years. The five (5) year period begins the next business day
 3 following the participant's last day of state service. The annual
 4 amount of the contribution to the participant's subaccount is seven
 5 thousand dollars (\$7,000).

6 (b) The employer's first contribution shall be deposited in the
 7 participant's subaccount not later than thirty (30) days after the
 8 participant's last day of service with the state. Each subsequent
 9 annual contribution shall be credited to the participant's
 10 subaccount not later than the anniversary date of the business day
 11 following the participant's last day in state service.

12 **Sec. 17. (a)** A participant or a surviving spouse or dependent of
 13 the participant may use the balance in a participant's subaccount
 14 to pay for medical expenses that qualify for a medical and dental
 15 expense deduction under Section 213 of the Internal Revenue Code
 16 that have not been otherwise paid under IC 5-10-8.5-18.

17 (b) An amount remaining in a participant's subaccount at the
 18 end of the year may be used during a subsequent year and may be
 19 used by a participant or a surviving spouse or dependent of a
 20 participant to pay for medical expenses described under subsection
 21 (a) until the participant or the surviving spouse or dependent of the
 22 participant uses the total amount contributed to the participant's
 23 subaccount under section 15 of this chapter.

24 **Sec. 18. (a)** The surviving spouse or dependent of a participant
 25 may use amounts credited to the retired participant to pay health
 26 insurance and other health care related expenses to the same extent
 27 and in the same manner as the participant.

28 (b) If a retired participant dies without a surviving spouse or
 29 dependents, unused amounts credited to the retired participant are
 30 forfeited.

31 **Sec. 19.** An amount in a participant's subaccount which is
 32 forfeited under section 18(b) shall be used to pay administrative
 33 expenses of the fund.

34 **Sec. 20.** The budget committee shall annually review the
 35 financial status of the account.

36 **Sec. 21.** The amount in a participant's subaccount is in addition
 37 to any amounts that the participant may be entitled to from an
 38 account under IC 5-10-8.5.

39 SECTION 6. IC 5-10-16 IS ADDED TO THE INDIANA CODE AS
 40 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 41 1, 2011]:

42 **Chapter 16. State Employee Early Retirement Program**

C
O
P
Y



1 **Sec. 1.** As used in this chapter, "budget agency" refers to the
2 budget agency established under IC 4-12-1-3.

3 **Sec. 2.** As used in this chapter, "creditable service" refers to all
4 service as a state employee.

5 **Sec. 3.** As used in this chapter, "department" refers to the state
6 personnel department established by IC 4-15-1.8-2.

7 **Sec. 4.** As used in this chapter, "eligible employee" refers to a
8 state employee who:

9 (1) is at least fifty-five (55) years of age; and
10 (2) has at least ten (10) years of creditable service.

11 **Sec. 5.** As used in this chapter, "program" refers to the state
12 employee early retirement program established by section 8 of this
13 chapter.

14 **Sec. 6.** As used in this chapter, "state agency" means an
15 authority, board, branch, commission, committee, department,
16 division, or other instrumentality of the executive, including the
17 administrative, department of state government. The term "state
18 agency" does not include the judicial or legislative departments of
19 state government, nor does that term include a state educational
20 institution.

21 **Sec. 7.** As used in this chapter, "state employee" refers to a
22 full-time employee of a state agency.

23 **Sec. 8.** (a) The state employee early retirement program is
24 established. The program shall be administered by the department
25 in coordination with the budget agency.

26 (b) An eligible employee may make an election to participate in
27 the program by completing an application, on forms prescribed by
28 the department, not later than June 30, 2012.

29 (c) If a state employee elects to participate in the program, the
30 employee:

31 (1) must separate from service with the state agency within
32 thirty (30) days after electing to participate in the program;
33 (2) is entitled to receive a payment of money equal to one-half
34 the state employee's annual salary calculated using the state
35 employee's base salary on the last day of the employee's state
36 service after electing to participate in the program, minus
37 federal, state, and local taxes withheld by the state agency.
38 The state agency shall pay the employee the payment in a
39 lump sum from money appropriated to the state agency for
40 personnel services or operating expenses within sixty (60)
41 days after the employee's last day of service with the state
42 agency;

**C
O
P
Y**



- 1 **(3) may receive:**
- 2 **(A) a normal retirement benefit under IC 5-10.2-4-1.8 or**
- 3 **IC 5-10.3-6-8.9;**
- 4 **(B) an unreduced retirement benefit under IC 5-10-5.5-11;**
- 5 **or**
- 6 **(C) the full amount of the basic pension amount under**
- 7 **IC 10-12-4-5; and**
- 8 **(3) becomes a participant in the state employee early**
- 9 **retirement program medical benefits account under**
- 10 **IC 5-10-8.6.**

11 **(d) A state employee who elects to participate in the program is**
 12 **not eligible for reemployment with the state for five (5) years from**
 13 **the employee's last day of service with the state agency.**

14 **Sec. 9. A state agency shall make contributions out of money**
 15 **appropriated for personnel services or operating expenses on**
 16 **behalf of an eligible employee who elects to participate in the**
 17 **program to the state employee early retirement program medical**
 18 **benefits account in the manner provided in IC 5-10-8.6-16.**

19 **Sec. 10. The department and the budget agency may adopt**
 20 **emergency rules under IC 4-22-2-37.1 to carry out the purpose of**
 21 **this chapter.**

22 **Sec. 11. This chapter expires January 1, 2018.**

23 SECTION 7. IC 5-10.2-4-1 IS AMENDED TO READ AS
 24 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 1. (a) This subsection
 25 applies to:

- 26 (1) members of the public employees' retirement fund who retire
- 27 before July 1, 1995; and
- 28 (2) members of the Indiana state teachers' retirement fund who
- 29 retire before May 2, 1989.

30 A member who has reached age sixty-five (65) and has at least ten (10)
 31 years of creditable service is eligible for normal retirement.

32 (b) This subsection applies to members of the Indiana state teachers'
 33 retirement fund who retire after May 1, 1989, **except as provided in**
 34 **section 1.8 of this chapter**, and to members of the public employees'
 35 retirement fund who retire after June 30, 1995, except as provided in
 36 section 1.7 **or 1.8** of this chapter. A member is eligible for normal
 37 retirement if:

- 38 (1) the member is at least sixty-five (65) years of age and has at
- 39 least ten (10) years of creditable service;
- 40 (2) the member is at least sixty (60) years of age and has at least
- 41 fifteen (15) years of creditable service; or
- 42 (3) the member's age in years plus the member's years of service

C
O
P
Y



1 is at least eighty-five (85) and the member is at least fifty-five
2 (55) years of age.

3 (c) A member who has reached age fifty (50) and has at least fifteen
4 (15) years of creditable service is eligible for early retirement with a
5 reduced pension.

6 (d) A member who is eligible for normal or early retirement is
7 entitled to choose a retirement date on which the member's benefit
8 begins if the following conditions are met:

9 (1) The application for retirement benefits and the choice of the
10 date is filed on a form provided by the board.

11 (2) The date must be after the cessation of the member's service
12 and be the first day of a month.

13 (3) The retirement date is not more than six (6) months before the
14 date the application is received by the board. However, if the
15 board determines that a member is incompetent to file for benefits
16 and choose a retirement date, the retirement date may be any date
17 that is the first of the month after the time the member became
18 incompetent.

19 SECTION 8. IC 5-10.2-4-1.8 IS ADDED TO THE INDIANA
20 CODE AS A NEW SECTION TO READ AS FOLLOWS
21 [EFFECTIVE JULY 1, 2011]: **Sec. 1.8. (a) This section applies only
22 to members of the public employees' retirement fund:**

23 **(1) who are state employees (as defined in IC 5-10-16-7);**

24 **(2) who elect to participate in the state employee early
25 retirement program established by IC 5-10-16-8; and**

26 **(3) who retire after June 30, 2011, and before July 1, 2012.**

27 **(b) Notwithstanding section 1 of this chapter, a member is
28 eligible for normal retirement after becoming fifty-five (55) years
29 of age if the member:**

30 **(1) has at least ten (10) years of service; and**

31 **(2) elects to participate in the state employee early retirement
32 program under IC 5-10-16-8.**

33 SECTION 9. IC 5-10.3-6-8.9, AS ADDED BY P.L.158-2006,
34 SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
35 JULY 1, 2011]: **Sec. 8.9. (a) This section applies when certain
36 employees of the state in particular departmental, occupational, or
37 other definable classifications are terminated from employment with
38 the state as a result of:**

39 **(1) a lease or other transfer of state property to a nongovernmental
40 entity; or**

41 **(2) a contractual arrangement with a nongovernmental entity to
42 perform certain state functions.**

C
o
p
y



1 (b) The governor shall request coverage under this section from the
2 board whenever an employee of the state is terminated as described in
3 subsection (a).

4 (c) The board must approve a request from the governor under
5 subsection (b) unless approval violates subsection (k), federal or state
6 law, or the terms of the fund.

7 (d) As used in this section, "early retirement" means a member is
8 eligible to retire with a reduced pension under IC 5-10.2-4-1, because
9 the member:

- 10 (1) is at least fifty (50) years of age; and
- 11 (2) has at least fifteen (15) years of creditable service.

12 **The phrase does not include a member who elects to participate in**
13 **the state employee early retirement program established by**
14 **IC 5-10-16-8.**

15 (e) As used in this section, "normal retirement" means:

16 **(1) except for a member who elects to participate in the state**
17 **employee early retirement program established by**
18 **IC 5-10-16-8, a member is eligible to retire under IC 5-10.2-4-1,**
19 **because:**

- 20 ~~(1)~~ **(A)** the member is at least sixty-five (65) years of age and
21 has at least ten (10) years of creditable service;
- 22 ~~(2)~~ **(B)** the member is at least sixty (60) years of age and has
23 at least fifteen (15) years of creditable service; or
- 24 ~~(3)~~ **(C)** the member's age in years plus the member's years of
25 service is at least eighty-five (85), and the member is at least
26 fifty-five (55) years of age; or

27 **(2) for a member who elects to participate in the state**
28 **employee early retirement program established by**
29 **IC 5-10-16-8 and retires after June 30, 2011, and before July**
30 **1, 2012, a member is eligible to retire under IC 5-10.2-4-1.8,**
31 **because the member is at least fifty-five (55) years of age and**
32 **has at least ten (10) years of creditable service.**

33 (f) The withdrawal of the employees described in subsection (a)
34 from the fund is effective on a termination date established by the
35 board. The board may not establish a termination date that occurs
36 before all of the following have occurred:

- 37 (1) The governor has requested coverage under this section and
38 provided written notice of the following to the board:
- 39 (A) The intent of the state to terminate the employees from
40 employment.
- 41 (B) The names of the terminated employees as of the date that
42 the termination is to occur.

C
O
P
Y



- 1 (2) The expiration of a thirty (30) day period following the filing
 2 of the notice with the board.
- 3 (3) The state complies with subsections (g) and (i).
- 4 (g) A member who:
- 5 (1) is an employee of the state described in subsection (a) with at
 6 least twenty-four (24) months of creditable service as of the date
 7 of the notice under subsection (f); and
- 8 (2) is listed in the notice under subsection (f);
- 9 is vested in the pension portion of the member's retirement benefit. The
 10 state must contribute to the fund the amount the board determines is
 11 necessary to completely fund the vested benefit. The contribution by
 12 the state must be made in a lump sum or in a series of payments
 13 determined by the board. The benefit for the member shall be
 14 computed under IC 5-10.2-4-4 using the member's actual years of
 15 creditable service.
- 16 (h) A member who is covered by subsection (g) and who is at least
 17 sixty-five (65) years of age as of the date of the notice under subsection
 18 (f) may elect to retire under IC 5-10.2-4-1 even if the member has less
 19 than ten (10) years of service. The benefit for the member shall be
 20 computed under IC 5-10.2-4-4 using the member's actual years of
 21 creditable service.
- 22 (i) A member who is covered by subsection (f) and who, as of the
 23 date of the notice under subsection (f), is less than twenty-four (24)
 24 months from being eligible for normal or early retirement under
 25 IC 5-10.2-4-1 may elect to retire by purchasing the service credit
 26 needed for retirement under the following conditions:
- 27 (1) The state shall contribute to the fund an amount determined
 28 under IC 5-10.2-3-1.2 and payable from the sources described in
 29 subsection (j) sufficient to pay the member's contributions
 30 required for the member's purchase of the service credit the
 31 member needs to retire.
- 32 (2) The maximum amount of creditable service that the state may
 33 purchase for a member under this subsection is twenty-four (24)
 34 months.
- 35 (3) The benefit for the member shall be computed under
 36 IC 5-10.2-4-4 using the member's actual years of creditable
 37 service plus all other service for which the fund gives credit,
 38 including the creditable service purchased under this subsection.
- 39 (j) The amounts that the state is required to contribute to the fund
 40 under subsection (i) must come from the following sources:
- 41 (1) If the state receives monetary payments under the lease or
 42 contractual arrangement described in subsection (a), the proceeds

C
O
P
Y



1 of the monetary payments received by the state. The state may not
 2 require, as a condition of the transaction to transfer state property
 3 or have certain state functions performed by a nongovernmental
 4 entity, that the nongovernmental entity directly or indirectly pay
 5 the amounts that the state is required to contribute under
 6 subsection (i).

7 (2) If the state does not receive any monetary payments under the
 8 lease or contractual arrangement described in subsection (a), any
 9 remaining appropriations made to the state department, agency,
 10 or other entity terminating the employees described in subsection
 11 (a).

12 (3) If the sources described in subdivisions (1) and (2) do not
 13 fully fund the amounts that the state is required to contribute to
 14 the fund under subsection (i), the board shall request that the
 15 general assembly appropriate the amount necessary to fully fund
 16 the state's required contribution under subsection (i) in the next
 17 biennial state budget.

18 (k) The board shall evaluate each withdrawal under this section to
 19 determine if the withdrawal affects the fund's compliance with Section
 20 401(a) of the Internal Revenue Code of 1954, as in effect on September
 21 1, 1974. The board may deny an employee permission to withdraw if
 22 the denial is necessary to achieve compliance with Section 401(a) of
 23 the Internal Revenue Code of 1954, as in effect on September 1, 1974.

24 SECTION 10. IC 10-12-4-5 IS AMENDED TO READ AS
 25 FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 5. (a) **Except as**
 26 **provided in subsection (c)**, an employee beneficiary who has
 27 completed twenty-five (25) years of service with the department is
 28 entitled to the full amount of the basic pension amount specified in
 29 section 7 of this chapter.

30 (b) **Except as provided in subsection (c)**, an employee beneficiary
 31 who has completed less than twenty-five (25) years of service is
 32 entitled to a proportionate amount of the basic pension amount
 33 specified in section 7 of this chapter, based upon the employee
 34 beneficiary's years of service to the department. However, benefit
 35 payments to an employee beneficiary with less than twenty-five (25)
 36 years of service may not begin until the first day of the month on or
 37 after the date on which:

38 (1) the employee beneficiary becomes fifty (50) years of age; or

39 (2) the employee beneficiary retires;

40 whichever is later.

41 (c) **This subsection applies to an employee beneficiary that elects**
 42 **to participate in the state employee early retirement program**

C
o
p
y



1 under IC 5-10-16-8. An employee beneficiary who has completed
2 ten (10) years of service and who is at least fifty-five (55) years of
3 age is entitled to the full amount of the basic pension amount
4 specified in section 7 of this chapter.

5 SECTION 11. [EFFECTIVE UPON PASSAGE] (a) The budget
6 agency may adopt emergency rules to implement IC 5-10-8.6, as
7 added by this act, in the manner provided for the adoption of
8 emergency rules under IC 4-22-2-37.1.

9 (b) An emergency rule adopted under this SECTION expires on
10 the earlier of the following:

11 (1) The date the budget agency adopts permanent rules under
12 IC 4-22-2 to replace the emergency rules.

13 (2) January 1, 2013.

14 (c) This SECTION expires January 1, 2013.

15 SECTION 12. An emergency is declared for this act.

C
o
p
y

