

**CONFERENCE COMMITTEE REPORT
DIGEST FOR EHB 1123**

Citations Affected: IC 4-3-22-18.2; IC 5-10; IC 21-38-3-13.

Synopsis: Public pensions. Conference committee report for EHB 1123. Provides that not later than December 1 each year, the office of management and budget shall submit to the state budget committee the following: (1) A report prepared by the office of management and budget concerning post-employment benefits and liabilities of state agencies. (2) Reports prepared by state educational institutions concerning post-employment benefits and liabilities of those institutions. Permits trust funds to be established to provide for prefunding annual required contributions to retirement funds and to cover other post-employment benefit liability for employees of the legislative, judicial, and executive departments, including employees of the state police department, conservation officers of the department of natural resources, and the state excise police. Provides that any modification to: (1) eligibility requirements; (2) required premiums; or (3) any other plan provisions; that increases the amount of the state's contribution to a plan of self-insurance established for the state police department, conservation officers of the department of natural resources, or the state excise police or that increases the post-employment liability under such a plan may not be made unless the modification is first approved by the budget agency. Provides for an annual review of the modifications by the state budget committee. Provides for a thirteenth check to certain members of the: (1) Indiana state teachers' retirement fund (TRF); (2) public employees' retirement fund; (3) state excise police, gaming agent, gaming control officer, and conservation officers' retirement fund; and (4) state police 1987 benefit system. Makes a state general fund appropriation for the state fiscal year beginning July 1, 2012, to cover the one-time thirteenth check for TRF retirees. **(This conference committee report: (1) removes language requiring budget agency approval and state budget committee review of all modifications to plans of self-insurance established for the state police department, conservation officers of the department of natural resources, or the state excise police, and adds language limiting the budget agency's approval, with an annual review by the state budget committee, to those modifications that increase the amount of the state's contribution or increase a plan's post-employment liability; (2) moves the state general fund appropriation for the one-time thirteenth check for TRF retirees from the state 2012 fiscal year to the state 2013 fiscal year; (3) removes state general fund appropriations for a thirteenth check for certain members of the: (A) public employees' retirement fund; (B) state excise police, gaming agent, gaming control officer, and conservation officers' retirement fund; and (C) state police 1987 benefit system; and (4)**

makes technical corrections. This conference committee report also resolves a conflict with EHB 1367 from the 2012 session.)

Effective: June 20, 2012; July 1, 2012.

CONFERENCE COMMITTEE REPORT

MADAM PRESIDENT:

Your Conference Committee appointed to confer with a like committee from the House upon Engrossed Senate Amendments to Engrossed House Bill No. 1123 respectfully reports that said two committees have conferred and agreed as follows to wit:

that the House recede from its dissent from all Senate amendments and that the House now concur in all Senate amendments to the bill and that the bill be further amended as follows:

- 1 Delete everything after the enacting clause and insert the following:
2 SECTION 1. IC 4-3-22-18.2 IS ADDED TO THE INDIANA CODE
3 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
4 1, 2012]: **Sec. 18.2. The OMB shall, not later than December 1 each**
5 **year, submit to the budget committee the following reports**
6 **concerning post-employment benefits (as defined in IC 5-10-16-5):**
7 **(1) The report prepared by the OMB for state agencies under**
8 **IC 5-10-16-7.**
9 **(2) Reports received from state educational institutions under**
10 **IC 21-38-3-13.**
11 SECTION 2. IC 5-10-8-6, AS AMENDED BY P.L.229-2011,
12 SECTION 68, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
13 JULY 1, 2012]: Sec. 6. (a) The state police department, conservation
14 officers of the department of natural resources, and the state excise
15 police may establish common and unified plans of self-insurance for
16 their employees, including retired employees, as separate entities of
17 state government. These plans may be administered by a private
18 agency, business firm, limited liability company, or corporation. **Any**
19 **modification to:**
20 **(1) eligibility requirements;**
21 **(2) required premiums; or**

1 **(3) any other plan provisions;**
 2 **that increases the amount of the state's contribution to the plan or**
 3 **that increases the post-employment liability under the plan may**
 4 **not be made unless the modification is approved by the budget**
 5 **agency with an annual review of the modifications by the budget**
 6 **committee.**

7 (b) Except as provided in this section and IC 5-10-14, the state
 8 agencies listed in subsection (a) may not pay as the employer part of
 9 benefits for any employee or retiree an amount greater than that paid
 10 for other state employees for group insurance.

11 (c) This subsection applies to a health benefit plan for an individual
 12 described in subsection (a). After June 30, 2011, at least one (1) time
 13 in each state fiscal year, the budget agency shall determine the average
 14 amount of contributions made under IC 5-10-8.5-15 and IC 5-10-8.5-16
 15 to participants in a health reimbursement arrangement or other separate
 16 fund under IC 5-10-8.5 in the immediately preceding state fiscal year.
 17 In the state fiscal year beginning July 1, 2011, the amount determined
 18 under this section must exclude contributions made to persons
 19 described in IC 5-10-8.5-15(c) and IC 5-10-8.5-16(f). An amount equal
 20 to the average amount determined under this subsection multiplied by
 21 the number of participants (other than retired participants) in the plans
 22 described in subsection (a) shall be transferred to the plans described
 23 in subsection (a). The amount transferred under this subsection shall be
 24 proportionally allocated to each plan relative to the number of members
 25 in each plan. The amount allocated to a plan under this subsection shall
 26 be allocated among the participants in the plan in the same manner as
 27 other employer contributions. Funds shall be used only to reduce
 28 unfunded other post-employment benefit (OPEB) liability and not to
 29 increase benefits or reduce premiums.

30 **(d) Trust funds may be established to carry out the purposes of**
 31 **this section. A trust fund established under this subsection is**
 32 **considered a trust fund for purposes of IC 4-9.1-1-7. Money may**
 33 **not be transferred, assigned, or otherwise removed from a trust**
 34 **fund established under this subsection by the state board of**
 35 **finance, the budget agency, or any other state agency. Money in a**
 36 **trust fund established under this subsection does not revert to the**
 37 **state general fund at the end of any state fiscal year. A trust fund**
 38 **established under this subsection consists of appropriations,**
 39 **revenues, or transfers to the trust fund under IC 4-12-1.**
 40 **Contributions to a trust fund established under this subsection are**
 41 **irrevocable. A trust fund established under this subsection must be**
 42 **limited to providing prefunding of annual required contributions**
 43 **and to cover OPEB liability for covered individuals. Funds may be**
 44 **used only for these purposes and not to increase benefits or reduce**
 45 **premiums. A trust fund established under this subsection shall be**
 46 **established to comply with and be administered in a manner that**
 47 **satisfies the Internal Revenue Code requirements concerning a**
 48 **trust fund for prefunding annual required contributions and for**
 49 **covering OPEB liability for covered individuals. All assets in a**
 50 **trust fund established under this subsection:**

51 **(1) are dedicated exclusively to providing benefits to covered**

1 **individuals and their beneficiaries according to the terms of**
 2 **the health plan; and**
 3 **(2) are exempt from levy, sale, garnishment, attachment, or**
 4 **other legal process.**

5 **A trust fund established under this subsection shall be**
 6 **administered by the agency employing the covered individuals. The**
 7 **expenses of administering a trust fund established under this**
 8 **subsection shall be paid from money in the trust fund. The**
 9 **treasurer of state shall invest the money in a trust fund established**
 10 **under this subsection not currently needed to meet the obligations**
 11 **of the trust fund in the same manner as other public money may be**
 12 **invested.**

13 SECTION 3. IC 5-10-8-7, AS AMENDED BY P.L.2-2007,
 14 SECTION 82, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 15 JULY 1, 2012]: Sec. 7. (a) The state, excluding state educational
 16 institutions, may not purchase or maintain a policy of group insurance,
 17 except:

- 18 (1) life insurance for the state's employees;
- 19 (2) long term care insurance under a long term care insurance
 20 policy (as defined in IC 27-8-12-5), for the state's employees;
- 21 (3) an accident and sickness insurance policy (as defined in
 22 IC 27-8-5.6-1) that covers individuals to whom coverage is
 23 provided by a local unit under section 6.6 of this chapter; or
- 24 (4) an insurance policy that provides coverage that supplements
 25 coverage provided under a United States military health care plan.

26 (b) With the consent of the governor, the state personnel department
 27 may establish self-insurance programs to provide group insurance other
 28 than life or long term care insurance for state employees and retired
 29 state employees. The state personnel department may contract with a
 30 private agency, business firm, limited liability company, or corporation
 31 for administrative services. A commission may not be paid for the
 32 placement of the contract. The department may require, as part of a
 33 contract for administrative services, that the provider of the
 34 administrative services offer to an employee terminating state
 35 employment the option to purchase, without evidence of insurability,
 36 an individual policy of insurance.

37 (c) Notwithstanding subsection (a), with the consent of the
 38 governor, the state personnel department may contract for health
 39 services for state employees and individuals to whom coverage is
 40 provided by a local unit under section 6.6 of this chapter through one
 41 (1) or more prepaid health care delivery plans.

42 (d) The state personnel department shall adopt rules under IC 4-22-2
 43 to establish long term and short term disability plans for state
 44 employees (except employees who hold elected offices (as defined by
 45 IC 3-5-2-17)). The plans adopted under this subsection may include
 46 any provisions the department considers necessary and proper and
 47 must:

- 48 (1) require participation in the plan by employees with six (6)
 49 months of continuous, full-time service;
- 50 (2) require an employee to make a contribution to the plan in the
 51 form of a payroll deduction;

- 1 (3) require that an employee's benefits under the short term
 2 disability plan be subject to a thirty (30) day elimination period
 3 and that benefits under the long term plan be subject to a six (6)
 4 month elimination period;
- 5 (4) prohibit the termination of an employee who is eligible for
 6 benefits under the plan;
- 7 (5) provide, after a seven (7) day elimination period, eighty
 8 percent (80%) of base biweekly wages for an employee disabled
 9 by injuries resulting from tortious acts, as distinguished from
 10 passive negligence, that occur within the employee's scope of
 11 state employment;
- 12 (6) provide that an employee's benefits under the plan may be
 13 reduced, dollar for dollar, if the employee derives income from:
- 14 (A) Social Security;
 15 (B) the public employees' retirement fund;
 16 (C) the Indiana state teachers' retirement fund;
 17 (D) pension disability;
 18 (E) worker's compensation;
 19 (F) benefits provided from another employer's group plan; or
 20 (G) remuneration for employment entered into after the
 21 disability was incurred.
- 22 (The department of state revenue and the department of workforce
 23 development shall cooperate with the state personnel department
 24 to confirm that an employee has disclosed complete and accurate
 25 information necessary to administer subdivision (6).);
- 26 (7) provide that an employee will not receive benefits under the
 27 plan for a disability resulting from causes specified in the rules;
 28 and
- 29 (8) provide that, if an employee refuses to:
- 30 (A) accept work assignments appropriate to the employee's
 31 medical condition;
 32 (B) submit information necessary for claim administration; or
 33 (C) submit to examinations by designated physicians;
 34 the employee forfeits benefits under the plan.
- 35 (e) This section does not affect insurance for retirees under
 36 IC 5-10.3 or IC 5-10.4.
- 37 (f) The state may pay part of the cost of self-insurance or prepaid
 38 health care delivery plans for its employees.
- 39 (g) A state agency may not provide any insurance benefits to its
 40 employees that are not generally available to other state employees,
 41 unless specifically authorized by law.
- 42 (h) The state may pay a part of the cost of group medical and life
 43 coverage for its employees.
- 44 **(i) To carry out the purposes of this section, a trust fund may be**
 45 **established. The trust fund established under this subsection is**
 46 **considered a trust fund for purposes of IC 4-9.1-1-7. Money may**
 47 **not be transferred, assigned, or otherwise removed from the trust**
 48 **fund established under this subsection by the state board of**
 49 **finance, the budget agency, or any other state agency. Money in a**
 50 **trust fund established under this subsection does not revert to the**
 51 **state general fund at the end of any state fiscal year. The trust fund**

1 established under this subsection consists of appropriations,
 2 revenues, or transfers to the trust fund under IC 4-12-1.
 3 Contributions to the trust fund are irrevocable. The trust fund
 4 must be limited to providing prefunding of annual required
 5 contributions and to cover OPEB liability for covered individuals.
 6 Funds may be used only for these purposes and not to increase
 7 benefits or reduce premiums. The trust fund shall be established to
 8 comply with and be administered in a manner that satisfies the
 9 Internal Revenue Code requirements concerning a trust fund for
 10 prefunding annual required contributions and for covering OPEB
 11 liability for covered individuals. All assets in the trust fund
 12 established under this subsection:

- 13 (1) are dedicated exclusively to providing benefits to covered
 14 individuals and their beneficiaries according to the terms of
 15 the health plan; and
 16 (2) are exempt from levy, sale, garnishment, attachment, or
 17 other legal process.

18 The trust fund established under this subsection shall be
 19 administered by the state personnel department. The expenses of
 20 administering the trust fund shall be paid from money in the trust
 21 fund. The treasurer of state shall invest the money in the trust fund
 22 not currently needed to meet the obligations of the trust fund in the
 23 same manner as other public money may be invested.

24 SECTION 4. IC 5-10-16 IS ADDED TO THE INDIANA CODE AS
 25 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 26 1, 2012]:

27 **Chapter 16. OPEB Reports**

28 **Sec. 1.** This chapter applies to a state agency that provides or
 29 sponsors a post-employment benefit.

30 **Sec. 2.** As used in this chapter, "GASB" refers to the
 31 Governmental Accounting Standards Board.

32 **Sec. 3.** As used in this chapter, "OMB" refers to the office of
 33 management and budget established by IC 4-3-22-3.

34 **Sec. 4.** As used in this chapter, "OPEB" refers to a
 35 post-employment benefit.

36 **Sec. 5.** As used in this chapter, "post-employment benefit"
 37 means any of the following:

- 38 (1) Health, prescription drug, dental, vision, and life insurance
 39 coverage for retired employees.
 40 (2) Long term care coverage, life insurance, and death
 41 benefits that are not offered as part of a pension or retirement
 42 plan.
 43 (3) Long term disability insurance for employees.
 44 (4) Any other benefit, other than a pension or retirement plan,
 45 or a termination incentive, provided to a former employee.

46 **Sec. 6.** As used in this section, "state agency" has the meaning
 47 set forth in IC 6-1.1-1-18.

48 **Sec. 7.** Each state agency shall cooperate with the OMB and
 49 provide to the OMB the information necessary for the OMB to
 50 prepare an OPEB report for state agencies. Each state agency shall
 51 provide information required under GASB Statements 43 and 45

1 and any other information requested by the OMB or the budget
2 committee.

3 SECTION 5. IC 21-38-3-13 IS ADDED TO THE INDIANA CODE
4 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
5 1, 2012]: **Sec. 13. A state educational institution that provides or
6 sponsors a post-employment benefit (as defined in IC 5-10-16-5)
7 shall submit to the office of management and budget not later than
8 November 1 each year an OPEB (as defined in IC 5-10-16-4) report
9 for the state educational institution. Each state educational
10 institution shall provide information required under GASB
11 Statements 43 and 45 and any other information requested by the
12 OMB or the budget committee.**

13 SECTION 6. [EFFECTIVE JUNE 20, 2012] (a) As used in this
14 SECTION, "fund" refers to the Indiana state teachers' retirement
15 fund established by IC 5-10.4-2-1.

16 (b) Not later than October 1, 2012, the fund shall pay the
17 amount determined under subsection (c) to a member of the fund
18 (or to a survivor or beneficiary of a member) who retired or was
19 disabled on or before December 1, 2011, and who is entitled to
20 receive a monthly benefit on July 1, 2012. The amount is not an
21 increase in the pension portion of the monthly benefit.

22 (c) The amount paid under this SECTION to a member of the
23 fund (or to a survivor or beneficiary of a member) who meets the
24 requirements of subsection (b) is determined as follows:

If a Member's Creditable Service Is:	The Amount Is:
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At least 5 years, but less than 10 years (only in the case of a member receiving disability retirement benefits)	\$150
At least 10 years, but less than 20 years	\$275
At least 20 years, but less than 30 years	\$375
At least 30 years	\$450

33 (d) The creditable service used to determine the amount paid to
34 a member (or a survivor or beneficiary of a member) under this
35 SECTION is the creditable service that was used to compute the
36 member's retirement benefit under IC 5-10.2-4-4, except that
37 partial years of creditable service may not be used to determine the
38 amount paid under this SECTION.

39 (e) If two (2) or more survivors or beneficiaries of a member are
40 entitled to an amount paid under this SECTION, the amount shall
41 be allocated to the survivors or beneficiaries in shares using the
42 same percentages as the percentages determined under
43 IC 5-10.2-3-7.5 or IC 5-10.4-4-10 to pay the monthly benefit to the
44 survivors or beneficiaries.

45 (f) There is appropriated for the state fiscal year beginning July
46 1, 2012, to the Indiana public retirement system nineteen million
47 six hundred thousand dollars (\$19,600,000) from the state general
48 fund for deposit in the fund to cover the amounts paid under this
49 SECTION.

50 (g) This SECTION expires January 1, 2013.

51 SECTION 7. [EFFECTIVE JUNE 20, 2012] (a) As used in this

1 SECTION, "fund" refers to the public employees' retirement fund
2 established by IC 5-10.3-2-1.

3 (b) Not later than October 1, 2012, the fund shall pay the
4 amount determined under subsection (c) to a member of the fund
5 (or to a survivor or beneficiary of a member) who retired or was
6 disabled on or before December 1, 2011, and who is entitled to
7 receive a monthly benefit on July 1, 2012. The amount is not an
8 increase in the pension portion of the monthly benefit.

9 (c) The amount paid under this SECTION to a member of the
10 fund (or to a survivor or beneficiary of a member) who meets the
11 requirements of subsection (b) is determined as follows:

12 If a Member's Creditable	The Amount Is:
13 Service Is:	
14 At least 5 years, but less than 10 years 15 (only in the case of a member receiving 16 disability retirement benefits)	\$150
17 At least 10 years, but less than 20 years	\$275
18 At least 20 years, but less than 30 years	\$375
19 At least 30 years	\$450

20 (d) The creditable service used to determine the amount paid to
21 a member (or a survivor or beneficiary of a member) under this
22 SECTION is the creditable service that was used to compute the
23 member's retirement benefit under IC 5-10.2-4-4, except that
24 partial years of creditable service may not be used to determine the
25 amount paid under this SECTION.

26 (e) If two (2) or more survivors or beneficiaries of a member are
27 entitled to an amount paid under this SECTION, the amount shall
28 be allocated to the survivors or beneficiaries in shares using the
29 same percentages as the percentages determined under
30 IC 5-10.2-3-7.5 or IC 5-10.3-8-15 to pay the monthly benefit to the
31 survivors or beneficiaries.

32 (f) This SECTION expires January 1, 2013.

33 SECTION 8. [EFFECTIVE JUNE 20, 2012] (a) As used in this
34 SECTION, "participant" has the meaning set forth in
35 IC 5-10-5.5-1.

36 (b) As used in this SECTION, "plan" refers to the state excise
37 police, gaming agent, gaming control officer, and conservation
38 enforcement officers' retirement plan established by IC 5-10-5.5-2.

39 (c) Not later than October 1, 2012, the board of trustees of the
40 Indiana public retirement system established by IC 5-10.5-3-1 shall
41 pay the amount determined under subsection (d) to a plan
42 participant (or to a survivor or beneficiary of a plan participant)
43 who retired or was disabled on or before December 1, 2011, and
44 who is entitled to receive a monthly benefit on July 1, 2012. The
45 amount is not an increase in the annual retirement allowance.

46 (d) The amount paid under this SECTION to a plan participant
47 (or to a survivor or beneficiary of a plan participant) who meets
48 the requirements of subsection (c) is determined as follows:

49 If a Plan Participant's Creditable	The Amount Is:
50 Service Is:	
51 At least 5 years, but less than 10 years	\$125

1 **(only in the case of a member receiving**
2 **disability retirement benefits)**
3 **At least 10 years, but less than 20 years \$235**
4 **At least 20 years, but less than 30 years \$325**
5 **At least 30 years \$400**
6 **(e) The creditable service used to determine the amount paid to**
7 **a plan participant (or a survivor or beneficiary of a plan**
8 **participant) under this SECTION is the creditable service that was**
9 **used to compute the plan participant's retirement allowance under**
10 **IC 5-10-5.5-10 and IC 5-10-5.5-12, except that partial years of**
11 **creditable service may not be used to determine the amount paid**
12 **under this SECTION.**
13 **(f) If two (2) or more survivors of a plan participant are entitled**
14 **to an amount paid under this SECTION, the amount shall be**
15 **allocated to the survivors in shares using the same percentages as**
16 **the percentages determined under IC 5-10-5.5-16 to pay the**
17 **monthly benefit to the survivors.**
18 **(g) This SECTION expires January 1, 2013.**
19 SECTION 9. [EFFECTIVE JUNE 20, 2012] **(a) As used in this**
20 **SECTION, "trustee" has the meaning set forth in IC 10-12-1-10.**
21 **(b) As used in this SECTION, "trust fund" has the meaning set**
22 **forth in IC 10-12-1-11.**
23 **(c) Not later than October 1, 2012, the trustee shall pay from the**
24 **trust fund to each employee beneficiary of the state police 1987**
25 **benefit system covered by IC 10-12-4 who:**
26 **(1) retired or was disabled after June 30, 1987, and before**
27 **July 2, 2011; and**
28 **(2) is entitled to receive a monthly benefit as of September 1,**
29 **2012;**
30 **an amount equal to one percent (1%) of the maximum basic annual**
31 **pension amount payable to a retired state police employee in the**
32 **grade of trooper who has completed twenty-five (25) years of**
33 **service as of July 1, 2012, as calculated under IC 10-12-4-7.**
34 **(d) The amount paid under this SECTION is not an increase in**
35 **the monthly pension amount of an employee beneficiary.**
36 **(e) This SECTION expires January 1, 2013.**
37 SECTION 10. **An emergency is declared for this act.**
 (Reference is to EHB 1123 as printed February 14, 2012.)

Conference Committee Report
on
Engrossed House Bill 1123

Signed by:

Representative Burton
Chairperson

Senator Kenley

Representative Niezgodski

Senator Tallian

House Conferees

Senate Conferees