Members

Sen. Greg Walker, Chairperson
Sen. R. Michael Young
Sen. Lindel Hume
Sen. Karen Tallian
Rep. Woody Burton
Rep. Jeffery Thompson
Rep. David Niezgodski
Rep. Win Moses
Steve Meno
Kip White
Gary Lewis
James Scheetz

PENSION MANAGEMENT OVERSIGHT COMMISSION

Legislative Services Agency
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Authority: IC 2-5-12-1

MEETING MINUTES[1]

Meeting Date:	**October 25, 2011**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 233**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**3**

Members Present: **Sen. Greg Walker, Chairperson; Sen. R. Michael Young; Sen. Lindel Hume; Sen. Karen Tallian; Rep. Woody Burton; Rep. Jeffery Thompson; Rep. David Niezgodski; Steve Meno; Kip White; James Scheetz.**

Members Absent: **Rep. Win Moses; Gary Lewis.**

Call to Order

The Chair, Senator Walker called the third meeting of the Pension Management Oversight Commission ("PMOC" or "Commission") to order at 10:05 a.m.

Status Report on SEA 501-2007 (P.L. 44-2007)

The Chair recognized Jon Vanator, Deputy Director, State Budget Agency. Mr. Vanator made a presentation using computer overheads. (Exhibit 1). SEA 501-2007 established a retirement medical benefits account for members of the General Assembly, state elected

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[1] These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at http://www.in.gov/legislative Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of $0.15 per page and mailing costs will be charged for hard copies.

officers, and employees of the executive, legislative, and judicial branches of government. It is made up of two components: active participants and retirees. Only retired participants and their covered dependents are entitled to receive benefits from the account. An annual state contribution is made to each full time active participant's account based on the employee's age.

SEA 501-2007 established the retirement medical benefits account as a health reimbursement arrangement. The account is funded with: (1) annual contributions received from the state on behalf of an active participant; (2) if applicable, a "bonus contribution" from the state; and (3) investment earnings. Mr. Vanator explained that the bonus contribution applies to a participant who retires after June 30, 2007 and before July 1, 2017, and has ten years of service as an elected officer or 15 years of service as an employee of the legislative, judicial or executive branch. Also, on the participant's last day of service with the participant's employer, the participant must be eligible for and has applied to receive, a normal, unreduced retirement benefit from their retirement fund. The bonus contribution equals $1,000 multiplied by the participant's years of service.

Mr. Vanator then discussed the State Budget Agency's communication and outreach to employees regarding the retirement medical benefits account. The State Budget Agency participates at personnel pre-retirement seminars and has provided correspondence to over 30,000 employees. The State Budget Agency maintains a website which contains information regarding the retirement medical benefits accounts.

Mr. Vanator testified that 5.74% of cigarette tax revenues, totaling $27 M in FY 11, was deposited directly into the Retiree Health Trust Fund. Also, in FY 11, the total cost of the account equals $50.6 M and the total claims paid equaled $9.6 M. The administrative cost totaled $278,917.

Mr. Vanator summarized recent statutory changes made to the retirement medical benefits account. The changes include actuarial funding for active participants and a two year deferral of cigarette tax revenue. Also, members of the Indiana State Police and members of the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Officers' Retirement Fund (C & E Fund) were removed from the plan because these individuals have similar plans available to them.

Senator Tallian requested information pertaining to funding status of the Indiana State Police plan. Mr. Vanator indicated that he would provide that information.

Update on Internal Revenue Code (I.R.C) Section 401(h) Public Employees' Retirement Fund

The Chair recognized Allison Murphy, Legislative Director, Indiana Public Retirement System (INPRS), who provided PMOC with an update on INPRS's implementation of its I.R.C. 401(h) account for state employees. (Exhibit 2) Mrs. Murphy began by explaining that SEA 501-2007 required state employees who retire from state employment to convert the balance of their unused vacation leave into an account managed by INPRS. The account can be used to pay for post-retirement medical expenses on a pre-tax basis. She then explained that INPRS is currently waiting for approval of the 401(h) account from the Internal Revenue Service. However, INPRS is currently preparing an implementation plan.

Divestment from States that Sponsor Terrorism and Sudan

The Chair then recognized, Steve Russo, INPRS Executive Director. Mr. Russo presented a PowerPoint presentation. (Exhibit 3).

Mr. Russo summarized the requirements of HEA 1067-2007, which prohibits INPRS from acquiring or owning securities of certain companies that have active business operations in Sudan (Sudan scrutinized company). He explained that if a Sudan scrutinized company continues to have certain business operations in Sudan after being notified by INPRS that the company is on the Sudan Restricted List, INPRS must fully divest of the company's assets within 15 months of it appearing on the list.

As of February 11, 2011, INPRS had exposure to five companies on the Sudan Restricted List. However, as of June 30, 2011, INPRS reduced its exposure to two companies. INPRS will continue to divest the remaining shares of the two companies over the next eight months of the current divestment period. Mr. Russo indicated that INPRS has and continues to be in full compliance with the Sudan divestment legislation.

Mr. Russo then summarized HEA 1547-2009, which prohibits INPRS from acquiring or owning securities of certain companies that have active business operations in a state that sponsors terror (terror state scrutinized company). If a company is identified as a terror state scrutinized company, INPRS must meet certain benchmarks for divesting the company's securities up to total divestment within five years after the company is recognized as a terror state scrutinized company.

As of February 11, 2011, INPRS had exposure to 16 companies on the Terror States Restricted List. However, on June 30, 2011, INPRS reduced its exposure to eight companies on the list. Mr. Russo explained the INPRS will continue to divest from the terror state scrutinized company within the guidelines provided in the legislation.

Representative Niezgodski inquired as to where the line should be drawn regarding the type of investments that should be divested. He also asked about the fiscal and administrative burden placed on INPRS to divest from certain assets. Mr. Russo responded that the General Assembly must determine what investments should be divested and reminded the members of the Commission of his fiduciary duty to the members of the various funds administered by INPRS. He indicated that he would notify the General Assembly if a divestment policy was jeopardizing INPRS's ability to pay benefits to its members.

Proposed Legislation

The following preliminary drafts (PD) were discussed:

A. PD 3097

PD 3097(Exhibit 4) increases the minimum retirement annuity for a surviving spouse or surviving child of a participant of the 1977 Judges' Retirement System or the 1985 Judges' Retirement System (jointly referred to as the Judges' Retirement System) from $12,000 to $17,000. PD 3097 also provides, beginning in 2013, for an annual cost of living adjustment (COLA) to annuity payments received by a surviving spouse or surviving child of a participant of the Judges' Retirement system.

Staff distributed a fiscal impact analysis prepared by INPRS. (Exhibit 5). Steve Barley, Chief Operating Officer and Deputy Director of INPRS, clarified that the fiscal impact handout did not apply to PD 3097 as written and was written to show the fiscal impact of increasing the minimum retirement annuity on a prospective basis.

After discussing the provisions of PD 3097, the Commission members agreed to remove SECTION 2 and SECTION 4 of the PD. The Commission voted in favor, with a vote of

nine to one, to recommend the draft for introduction in the 2012 session of the General Assembly PD 3097 as amended. Senator Young voted against recommendation for introduction in the 2012 session because the Commission did not have a fiscal note. Senator Tallian expressed concern pertaining to the fiscal impact of the proposed legislation.

B. PD 3113

PD 3113 (Exhibit 6) provides that INPRS may disclose member records of a member of the Public Employees' Retirement Fund (PERF) or the Indiana State Teachers' Retirement Fund (TRF) to an individual providing personnel administrative services for the member's employer if they maintain confidentiality of the information and only use the information to provide retirement counseling.

The Chair recognized Mrs. Murphy from INPRS. Staff distributed a handout prepared by INPRS. (Exhibit 7). Mrs. Murphy stated that employers regularly request the ability to access member accounts in order to provide their employees with retirement counseling services. She indicated that confidentiality laws currently prohibit INPRS from providing the employer access to any specific member account information.

After the Commission discussed the proposal, they agreed to make changes to PD 3113 to clarify that the type of member records that may be disclosed is limited to the member's financial records. The Commission members also agreed to make changes to the language to clarify that the records may only be released to the member's public employer or a designated representative of the employer.

The Commission unanimously recommended PD 3113 as amended for introduction in the 2012 session of the General Assembly.

C. PD 3236

PD 3236 (Exhibit 8) was unanimously recommended for introduction in the 2012 session of the General Assembly. PD 3236 makes required technical corrections and conforming amendments following the enactment of SEA 524-2011 and SEA 549-2011. Staff distributed a handout providing a summary of PD 3236. (Exhibit 9).

D. PD 3257

PD 3257 (Exhibit 10) repeals a requirement that certain retirement plans of the state or a political subdivision must report to PERF information necessary for the PERF actuary to perform an actuarial valuation of the plan. It also requires that INPRS pay the direct and indirect costs of the State Board of Accounts' examination of the public pension and retirement funds administered by the system.

The Chair distributed an article from the New York Times titled "The Little State with a Big Mess". (Exhibit 11). The article discussed the financial difficulties facing pension plans in Rhode Island and the problems associated with determining the extent of the fiscal problems. The Chair discussed how the problems faced by Rhode Island could affect Indiana.

Steve Russo indicated that INPRS is not currently collecting the information from plans not administered by INPRS and is unable to perform actuarial valuations of those plans. He testified that the exclusive benefit restriction prevents INPRS from using its funds to perform actuarial evaluations of funds that it does not administer. He testified that a

separate appropriation would be necessary to perform this function under current law.

The Chair agreed that INPRS may not be the appropriate entity to perform an actuarial analysis of funds that it does not administer. However, he expressed the importance of this information and the need for the actuarial valuations. The Chair requested information pertaining to the unfunded liabilities of locally controlled pension plans not administered by INPRS.

After discussing the contents of PD 3257, the Commission members decided not to take action on the PD.

Pending Federal Legislation (H.R. 567/S. 347)

The Chair then recognized Peggy Piety, attorney for the Commission, to provide a summary of federal public employee pension transparency legislation currently introduced in Congress. Mrs. Piety presented a PowerPoint presentation. (Exhibit 12). She explained that there are two identical bills (H.R. 567 and S. 347) in Congress that address public employee pension transparency. Mrs. Piety stated that the objectives of the bills include:

-Annual reporting requirements for state and local government employee pension benefit plans
-Directs the U.S. Secretary of the Treasury to develop model reporting standards
-Directs the U.S. Secretary of the Treasury to create and maintain a public website where reports will be posted

Mrs. Piety then explained that the bills deny federal tax benefits relating to bonds issued by the state or political subdivision if the state or political subdivision fails to meet certain annual reporting requirements. The reporting requirements require the following information:

-Schedule of funding status
-Schedule of contributions by plan sponsor
- Alternative projections for:
    -annual contributions
    -fair market value of the plan assets
    -current liability
    -funding percentage
    -other matters specified by the Secretary of the Treasury
-Actuarial assumptions
-Statement of investment returns
-Number of plan participants
-Statement of degree to which, and manner in which, unfunded liabilities are expected to be eliminated
-Statement of amount of pension obligation bonds outstanding.

Mrs. Piety explained that the proposed findings of the federal legislation include the following:

-Pension benefit plans "are becoming a large financial burden" resulting in tax increases and service reductions
-Pension plans are unfunded by $3.23 T
-Lack of meaningful disclosure of pension plan assets and liabilities
-Governmental accounting rules and practices obscure plan assets and

liabilities
-Status quo "constitutes serious threat"

Indiana Law concerning Public Pension Plan Amendments

Mrs. Piety then discussed a PowerPoint presentation providing a general overview of Indiana law concerning amendments made to public pension plans. (Exhibit 13). She began the presentation by explaining that private pension plans are governed by the Employer Retirement Income Security Act of 1974 (ERISA) and public employee pension plans are governed by the Internal Revenue Code Mrs. Piety then discussed factors used to determine the difference between mandatory public employee plans and voluntary public employee plans.

Mrs. Piety summarized the following Indiana case law:

-*Haverstock v. State Public Employees Retirement Fund*, 490 N.E. 2d 357 (Ind. Ct. of App., 1st Dist. 1986)
-*Bd. of Trustees v. Hill*, 472 N.E.2d 204 (Ind. 1985)

Mrs. Piety briefly discussed a state's ability to modify public pensions using its police power. In her discussion she relied on *U.S. Trust v. New Jersey*, 431 U.S. 1 (1977), which provides in part that a state has the ability to use its police power to modify contracts where the police power is reasonable and necessary to achieve an important public purpose.

Other Business

Representative Burton indicated that he will be filing a bill providing a 13th check to retirees. He distributed a portion of the fiscal note for HEA 1001-2011 which describes the cost associated with last year's 13th check provisions.

Steve Barley testified that INPRS is currently in the process of determining the cost associated with a COLA. He stated that a 13th check for members of the TRF Pre-1996 Fund would affect the General Fund and the Pension Stabilization Fund. The Chair requested that the fiscal note include information on how the Pension Stabilization Fund would be affected.

Final Report

The Commission members voted by consent to accept the draft copy of the Final Report with the inclusion of today's activities.

Adjournment

The Chair adjourned the meeting at 12:45 p.m.

Senate Enrolled Act 501
Retirement Medical Benefits Accounts

2011 Annual Update

EXHIBIT I
PMOC
3rd meeting 10/25/11

Jon Vanator
Deputy Director
Indiana State Budget Agency

SEA 501 – Background

- SEA 501-2007 established a retirement medical benefits account for members of the general assembly, state elected officers and employees of the executive, legislative and judicial branches
- Two components – active participants and retirees
- Only a retired participant and covered dependents are entitled to receive benefits from the account

SEA 501 – Active Participants

- Annual state contribution to each full time active employee's account based on age

Age	Annual Contribution
Less than 30	$500
30-40	$800
40-49	$1,100
At least 50	$1,400

SEA 501 – Retired Participants

- SEA 501 established the account as a Health Reimbursement Arrangement
- The account is funded with (1) any annual contributions received from the state on behalf of an active participant, (2) if applicable, a "bonus contribution" from the state and (3) investment earnings
- Funds may be used to pay premiums for individual or group health, medical, dental and vision coverage and long-term care premiums

SEA 501 – Retired Participants

- The bonus contribution applies to a participant who:
  - Retires after June 30, 2007 and before July 1, 2017; and
  - Has ten (10) years of service as an elected officer or has fifteen (15) years of service as an employee of the legislative, judicial or executive branch; and
  - Is eligible for and has applied to receive a normal, unreduced retirement benefit from a public employee retirement fund

- The bonus contribution equals the participant's years of service multiplied by $1,000

SEA 501 – Communication/Outreach

- Participation by the State Budget Agency at State Personnel pre-retirement seminars
- Correspondence with over 30,000 employees informing them of the annual contribution and interest earnings, and directing them to resources for additional information
- Section of the State Budget Agency website dedicated to SEA 501
  - Includes the Plan Document, contract with Key Benefits, claim forms, the presentation made to employees at the information sessions, and frequently asked questions
  - Plan Document and FAQ's recently updated and improved

SEA 501 – Statistics

- Through FY11, there were 3,760 retired participants with an average contribution of $27,991 and total paid claims to date of $21.3M
  - Added 1,060 retirees in FY11
  - Average contribution was $28,618
- 30,037 active employees received a contribution on June 30, 2011, ranging from $500 to $1,400
  - Average contribution of $1,125
- Interest earnings of $36,761 were divided among employees and retirees in proportion to their balances

SEA 501 – Fiscal Impact

- Received 5.74% of cigarette tax revenues ($27M in FY11) deposited directly into the Retiree Health Trust Fund
- Actual cost in FY11
  - Annual state contributions – 30,037 at an average contribution of $1,125 = $33.8M. Actuarial study confirms that plan is funded at >100% if active employees funded at 60% = $20.3M
  - Bonus contributions for retired participants – 1,060 (FY11 retirements only) at an average credit of $28,618 = $30.3M
  - TOTAL COST = $50.6M
- Total claims paid in FY11 were $9.6M
- Administrative costs totaled $278,917 in FY11
  - Administrative costs continue to average about 0.5% of the annual cost of the plan

SEA 501 – Recent Statutory* Changes

- Actuarial Funding for Active Participants
- 2-year deferral of Cigarette Tax revenue
- Removal of Conservation and Excise Officers, State Troopers from eligibility

* Statutory changes made in HEA 1001 (2011)

SEA 501 – Actuarial Funding

- Contributions for retirees must be 100% funded at time of retirement
  - This includes both their accumulated active contributions and their bonus contribution

- Contributions for active employees can be funded on an actuarial basis to reflect future expected terminations for current and future periods
  - 60% likelihood that an active state employee will continue to work to their unreduced retirement age
  - Termination of employment could include voluntary or involuntary separation, early retirement, death, etc.

SEA 501 – Actuarial Funding

- Actuarial study confirms that overfunding has occurred from the general fund
  - Study confirms plan was 130% actuarially funded as of June 2010

- From FY08-11, there has been $61M of additional funding from the general fund to the Retiree Health Benefit Trust Fund
  - Personal Services Contingency (FY08-09) = $41.9M
  - Revenue underperforming general fund appropriation (FY08-09) = $3.8M
  - Additional cigarette tax revenues for FY10 and FY11 (Δ between 4.1% and 5.74%) = $15.5M

SEA 501 – Cigarette Tax Revenue

- Cigarette tax revenue redirected to the general fund for FY12 and FY13
  - Study confirms plan will remain >100% actuarially funded
- General fund will be reimbursed for overfunding of obligations
  - Total of $53.6M ($26.9M in FY12 and $26.7M in FY13)
- Cigarette Tax revenue will again be deposited directly into Retiree Health Trust Fund starting in FY14

SEA 501 – CEP and ISP

- Conservation Officers, Excise Police, and State Police have established their own defined benefit retiree health plans (per IC 5-10-8-6)
  - Plans subsidize retiree health benefits
  - Plans historically offered richer benefits than SPD plans
  - Result is a substantial OPEB liability for these plans

- These groups removed from 501 eligibility and the state contribution diverted to their plans to reduce OPEB liability
  - Exception for ISP employees who had previously waived coverage under ISP health plan
  - One-time, irrevocable election for current state employees who transfer to ISP as civilians

401(h) Retirement Medical Benefits Accounts

Allison Murphy

Indiana Public Retirement System

EXHIBIT 2
PMOC 3rd meeting
Oct 25, 2011

Background

- SEA 501-2007 required state employees who retire from state employment to convert the balance of their unused vacation leave into an account managed by INPRS, from which they can pay post-retirement medical expenses
- Internal revenue code 401(h) allows the vacation leave to be converted to a post-retirement medical expense account on a pre-tax basis
- INPRS submitted legislation and draft rules to IRS

401(h) Account Update

- IRS indicated 401(h) accounts are close to approval
- INPRS is preparing an implementation plan
- Implementation costs will total approximately:
  - $3,000 one-time implementation fee to 3rd party service provider
  - $3.00 monthly cost per retiree account
    - Costs will be paid from retiree accounts

INPRS Sudan and Terror States Divestment Update

September 28, 2011

EXHIBIT 3
PMOC 3rd meeting
Oct 25, 2011

2007 HEA 1067 (Sudan Divestment)

- If, after ninety days after a fund's first engagement with a company, 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 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 within fifteen (15) months after the company's appearance on the scrutinized company list.
- INPRS board shall annually submit a report to the legislative council.

HEA 1067 (Sudan Divestment)

- As of February 11, 2011, INPRS had exposure to 5 companies on the Sudan Restricted List. However, as of June 30, 2011, INPRS had exposure to only two companies on the Sudan Restricted List.

	Company	Market Value
1.	Atlas Copco AB SER'A'NPV	($15,741,355)
2.	Wartsila OYJ ABP	($121,561)

  - Alstom, Intertek, and Kepco have since been removed from the restricted list and managers are no longer required to divest from these companies.

HEA 1067 (Sudan Divestment)

- INPRS will continue to divest the remaining shares of Atlas Copco and Wartsila over the remaining 8 months of the current divestment period.
- INPRS will be at least 50% divested by November 16, 2011, and 100% divested by May 16, 2012.

INPRS has and continues to be in full compliance with the Sudan Divestment legislation

2009 HEA 1547
(Terror States Divestment)

- If a company continues to have scrutinized active business operations one hundred eighty (180) days after a fund first sends written notice to the company, the fund shall divest, or withdraw all publicly traded securities of the company that, as follows:

  (1) At least fifty percent (50%) of the securities shall be removed within three (3) years after the company's appearance on the scrutinized company list.

  (2) At least seventy-five percent (75%) of the securities shall be removed within four (4) years after the company's appearance on the scrutinized company list.

  (3) One hundred percent (100%) of the securities shall be removed within five (5) years after the company's appearance on the scrutinized company list.
- INPRS board shall annually submit a report to the legislative council.

HEA 1547 (Terror States Divestment)

- As of February 11, 2011, INPRS had exposure to 16 companies on the Terror States Restricted List. However, as of June 30, 2011, INPRS had exposure to only the following eight companies on the restricted list, as the other eight companies have since been removed from the list.

Company	Market Value
1. Gulfsands Petroleum	($23,134)
2. Magyar OLAJ-ES Gazipare	($2,504,298)
3. Maurel & Prom	($131,764)
4. Petrofac ORD	($141,610)
5. Royal Dutch Shell	($14,039,264)
6. SNC-Lavalin Group	($201,330)
7. Suncor Energy Inc	($5,096,578)
8. Total S.A.	($32,986,263)

HEA 1547 (Terror States Divestment)

- INPRS will continue to divest from these companies in accordance with the divestment guidelines provided in the legislation.

INPRS has and continues to be in full compliance with the Terror States Divestment legislation

Sudan and Terror States Divestment

- INPRS continues to contract with MSCI (formerly RiskMetrics) for services related to Sudan and Terror States Divestment.
- MSCI will continue to provide updated restricted lists, engagement reports regarding the status of business operations in Sudan and other Terror States, and will notify us as companies are added or removed from the lists.

EXHIBIT 4
PMOC 3rd meeting
Oct 25, 2011

PRELIMINARY DRAFT
No. 3097

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2012 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 33-38.

Synopsis: Adjustments to judges' survivor benefits. Increases the minimum retirement annuity for a surviving spouse or surviving child of a participant of the 1977 judges' retirement system or the 1985 judges' retirement system (jointly referred to as the judges' retirement system) from $12,000 to $17,000. Provides, beginning in 2013, for an annual cost of living adjustment (COLA) to annuity payments received by a surviving spouse or surviving child of a participant of the judges' retirement system. Provides that the annual COLA is the lesser of: (1) the percentage increase in the consumer price index; or (2) three percent.

Effective: July 1, 2012.

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

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

SECTION 1. IC 33-38-7-11, AS AMENDED BY P.L.28-2005, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 11. (a) Benefits provided under this section are subject to IC 33-38-6-13 and section 16 of this chapter.

(b) A participant whose employment as judge is terminated, regardless of cause, is entitled to a retirement annuity beginning on the date specified by the participant in a written application, if the following conditions are met:

(1) The date the annuity begins is not:

(A) before the date of final termination of employment by the participant; or

(B) the date thirty (30) days before the receipt of the participant's written application by the board.

(2) The participant:

(A) is at least sixty-two (62) years of age and has at least eight (8) years of service credit;

(B) is at least fifty-five (55) years of age and the participant's age in years plus the participant's years of service is at least eighty-five (85); or

(C) has become permanently disabled.

(3) The participant is not receiving a salary from the state for services currently performed as:

(A) a judge (as defined in IC 33-38-6-7); or

(B) a magistrate under IC 33-23-5.

(c) A participant:

(1) who:

(A) elects to accept retirement after June 30, 1977; and

(B) is at least sixty-five (65) years of age; or

(2) who:

(A) elects to accept retirement after June 30, 1999;

(B) is at least fifty-five (55) years of age; and

(C) meets the requirements under subsection (b)(2)(B);

is entitled to an annual retirement benefit as calculated in subsection (d).

(d) The annual retirement benefit for a participant who meets the requirements of subsection (c) equals the product of:

(1) the salary being paid for the office that the participant held at the time of the participant's separation from service; multiplied by

(2) the percentage prescribed in the following table:

TABLE A

Participant's Years of Service	Percentage
8	24%
9	27%
10	30%
11	33%
12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

If a participant has a partial year of service in addition to at least eight (8) full years of service, an additional percentage shall be calculated by prorating between the applicable percentages, based on the number of months in the partial year of service. A participant who elects to accept retirement before July 1, 1977, is entitled to an annual retirement benefit that equals the average of the benefit computed under this subsection and the benefit the participant would have received under IC 33-38-6 as in effect on June 30, 1977.

(e) If the annual retirement benefit of a participant who began service as a judge before July 1, 1977, as computed under subsection (d), is less than the amount the participant would have received under IC 33-38-6 as in effect on June 30, 1977, the participant is entitled to receive the greater amount as the participant's annual retirement benefit instead of the benefit computed under subsection (d).

(f) Except as provided in subsections (b)(2)(B) and (d), if a participant who elects to accept retirement after June 30, 1977, has not attained sixty-five (65) years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit that would be payable if the participant were sixty-five (65) years of age reduced by one-tenth percent (0.1%) for each month that the

participant's age at retirement precedes the participant's sixty-fifth birthday. This reduction does not apply to:

(1) participants who are separated from service because of permanent disability;

(2) survivors of participants who die while in service after August 1, 1992; or

(3) survivors of participants who die while not in service but while entitled to a future benefit.

(g) A participant who is permanently disabled is entitled to an annual benefit equal to the product of:

(1) the salary being paid for the office that the participant held at the time of separation from service; multiplied by

(2) the percentage prescribed in the following table:

TABLE B

Participant's Years of Service	Percentage
0-12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

If a participant has a partial year of service in addition to at least eight (8) full years of service, an additional percentage shall be calculated by prorating between the applicable percentages, based on the number of months in the partial year of service.

(h) The surviving spouse or surviving child or children, as designated by the participant, of a participant who has qualified before July 1, 1977, to receive the retirement annuity under the provisions of this chapter, either by length of service or by being permanently disabled, shall, upon the death of such participant, be entitled to an annuity in an amount equal to the greater of:

(1) the sum of:

(A) two thousand dollars ($2,000); plus

(B) fifty percent (50%) of the amount of retirement annuity the participant was drawing at the time of the participant's death, or to that which the participant would have been entitled had the participant retired and begun receiving retirement annuity benefits prior to the participant's death; or

(2) the amount determined under the following table:

TABLE C

Year	Amount
July 1, 1995, to June 30, 1996	$10,000
July 1, 1996, to June 30, 1997	$11,000
July 1, 1997, ~~and thereafter~~ **to June 30, 2012**	$12,000
July 1, 2012, and thereafter	**$17,000**

(i) If a participant who qualifies after June 30, 1977, and before July 1, 1983, to receive a retirement annuity under the provisions of this chapter, either by length of service or by being permanently disabled, dies, the participant's surviving spouse or surviving child or children, as designated by the participant, is or are entitled to an annuity in an amount equal to the greater of:

(1) fifty percent (50%) of the amount of retirement annuity the participant was drawing at the time of death, or to that which the participant would have been entitled had the participant retired and begun receiving retirement annuity benefits before death; or

(2) the amount determined under TABLE C in subsection (h)(2).

(j) If a participant:

(1) dies after June 30, 1983; and

(2) on the date of the participant's death:

(A) was receiving benefits under this chapter;

(B) had completed at least eight (8) years of service and was in service as a judge;

(C) was permanently disabled; or

(D) had completed at least eight (8) years of service, was not still in service as a judge, and was entitled to a future benefit;

the participant's surviving spouse or surviving child or children, as designated by the participant, is or are entitled, regardless of the participant's age, to an annuity in an amount equal to the greater of the amount determined under TABLE C in subsection (h)(2) or fifty percent (50%) of the amount of retirement annuity the participant was drawing at the time of death, or to that which the participant would have been entitled had the participant retired and begun receiving retirement annuity benefits on the participant's date of death, with reductions as necessary under subsection (f).

(k) Notwithstanding subsection (j), if a participant:

(1) died after June 30, 1983, and before July 1, 1985; and

(2) was serving as a judge at the time of death;

the surviving spouse is entitled to the same retirement annuity as the surviving spouse of a permanently disabled participant entitled to benefits under subsection (i).

(l) The annuity payable to a surviving child or children under

subsection (h), (i), or (j), is subject to the following:

(1) The total monthly benefit payable to a surviving child or children is equal to the same monthly annuity that was to have been payable to the surviving spouse.

(2) If there is more than one (1) child designated by the participant, then the children are entitled to share the annuity in equal monthly amounts.

(3) Each child entitled to an annuity shall receive that child's share until the child becomes eighteen (18) years of age or during the entire period of the child's physical or mental disability, whichever period is longer.

(4) Upon the cessation of payments to one (1) designated child, if there is at least one (1) other child then surviving and still entitled to payments, the remaining child or children shall share equally the annuity. If the surviving spouse of the participant is surviving upon the cessation of payments to all designated children, the surviving spouse will then receive the annuity for the remainder of the surviving spouse's life.

(5) The annuity shall be payable to the participant's surviving spouse if any of the following occur:

(A) No child named as a beneficiary by a participant survives the participant.

(B) No children designated by the participant are entitled to an annuity due to their age at the time of death of the participant.

(C) A designation is not made.

(6) An annuity payable to a surviving child or children may be paid to a trust or a custodian account under IC 30-2-8.5, established for the surviving child or children as designated by the participant.

SECTION 2. IC 33-38-7-11.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 11.5. (a) This section applies to the annuity payable after June 30, 2013, to a spouse or child or children under section 11 of this chapter.**

(b) Each year the board of trustees of the Indiana public retirement system established under IC 5-10.5-3-1 shall determine if there has been an increase or decrease in the consumer price index (United States city average) prepared by the United States Department of Labor by comparing the arithmetic mean of the consumer price index for January, February, and March of that year with the arithmetic mean for the same three (3) months of the preceding year. If there has been an increase, or a decrease, the increase or decrease shall be stated as a percentage of the arithmetic mean for the three (3) month period. The percentage shall be rounded to the nearest one-tenth of one percent (0.1%) and may not exceed three percent (3%).

(c) If there is a percentage increase calculated under subsection (b), a surviving spouse or child or children's monthly annuity payment, beginning with the July payment, shall be increased by an amount equal to the June payment times the percentage increase. A monthly annuity payment may not be reduced if there is a percentage decrease of the arithmetic mean calculated under subsection (b).

(d) A surviving spouse or child or children's monthly annuity payment may not be increased under this section until July of the year following the year of the first monthly annuity payment to the surviving spouse or child or children.

(e) In computing a surviving spouse or child or children's annuity, the increase is based only on those years for which the surviving spouse or child or children were eligible for annuity payments under this chapter.

SECTION 3. IC 33-38-8-17, AS AMENDED BY P.L.122-2008, SECTION 19, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 17. (a) Benefits provided under this section are subject to IC 33-38-6-13 and section 20 of this chapter.

(b) The surviving spouse or child or children, as designated by the participant, of a participant who:

(1) dies; and

(2) on the date of death:

(A) was receiving benefits under this chapter;

(B) had completed at least eight (8) years of service and was in service as a judge or, after December 31, 2010, as a judge or full-time magistrate;

(C) had a permanent disability; or

(D) had completed at least eight (8) years of service, was not still in service as a judge or, after December 31, 2010, as a judge or full-time magistrate, and was entitled to a future benefit;

are entitled, regardless of the participant's ages, to the benefit prescribed by subsection (c).

(c) The surviving spouse or child or children, as designated under subsection (b), are entitled to a benefit equal to the greater of:

(1) fifty percent (50%) of the amount of the retirement benefit the participant was drawing at the time of death, or to which the participant would have been entitled had the participant retired and begun receiving retirement benefits on the date of death, with reductions as necessary under section 14(d) of this chapter; or

(2) the amount determined under the following table:

Year	Amount
July 1, 1995, to June 30, 1996	$10,000
July 1, 1996, to	

PD No. 3097
Judges' Survivor Benefits

PMOC

September 28, 2011

EXHIBIT 5
PMOC 3rd meeting
Oct 25, 2011

Proposed Benefit Changes

- Increases the minimum retirement annuity for a surviving spouse or surviving child of a participant of the Judges' Retirement System (JRS) from $12,000 to $17,000.
- Provides, beginning in 2013, for an annual cost of living adjustment (COLA) to annuity payments received by a surviving spouse or surviving child of a JRS participant.
  - Provides that the annual COLA is the lesser of:
    1) The percentage increase in the Consumer Price Index, or
    2) Three percent (3.0%).

Fiscal Assumptions

- Effective June 30, 2012, the minimum retirement annuity for a surviving spouse or surviving child increases from $12,000 to $17,000.
- Effective June 30, 2013, the annual COLA is assumed to be 2.25%.
- Includes 37 new magistrates who entered the JRS plan.
- Based on census data as of June 30, 2011.

Fiscal Impact

- The Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL) would increase by approximately $2.4 million.
- The Funded Status would decrease by 0.3 percentage points from 61.9% to 61.6%.
- The Annual State Appropriation would increase by approximately $200K.
- In addition, there would be one-time INPRS administrative costs of approximately $100K.

$ in thousands

	Baseline June 30, 2011 Prel. Valuation	Fiscal Impact: Increase / (Decrease) Minimum Survivor Benefit Increase to $17,000	Fiscal Impact: Increase / (Decrease) Beneficiary COLA	Baseline Incl. Proposed Benefit Changes
Actuarial Accrued Liability (AAL)	$ 401,425	$ 7	$ 2,353	$ 403,785
Actuarial Value of Assets (AVA)	248,623	-	-	248,623
Unfunded AAL (UAAL): AAL - AVA	$ 152,802	$ 7	$ 2,353	$ 155,162
Funded Status	61.9%	-	(0.3)%	61.6%
Total Employer Cost	$ 23,736	$ 1	$ 209	$ 23,946

Memo: Member Counts

Active & Inactive Vested Members	460
Retired / Disabled / Beneficiary Members	310
Total	770

EXHIBIT 6
PMOC 3RD MEETING
OCT 25, 2011

PRELIMINARY DRAFT
No. 3113

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2012 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.5-6-4.

Synopsis: Confidential public pension information. Provides that the Indiana retirement system may disclose member records of a member of the public employees' retirement fund or the teachers' retirement fund to an individual providing personnel administrative services for the member's employer, if the individual agrees to: (1) maintain the confidentiality of the information; and (2) use the information solely for the purpose of administering the applicable fund or providing retirement counseling to the member.

Effective: July 1, 2012.

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

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

SECTION 1. IC 5-10.5-6-4, AS ADDED BY P.L.23-2011, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) **Except as provided in subsection (c),** records of:

(1) individual members of; and

(2) membership information concerning;

a public pension or retirement fund administered by the board are confidential, except for the name and years of service of a member.

(b) This section does not prohibit the board from providing fund records to an association or organization described in IC 2-3.5-4-12, IC 2-3.5-5-10, IC 5-10.3-8-10, IC 5-10.4-5-14, or IC 36-8-8-17.2.

(c) This subsection applies to the records of members of the public employees' retirement fund and the teachers' retirement fund. Notwithstanding IC 5-14-3 and subsection (a), the board may disclose member records, including the account balance of a member's annuity savings account, to an individual that provides personnel administrative services to the member's employer if the individual agrees to:

(1) maintain the confidentiality of the information; and

(2) use the information solely for the purpose of administering the applicable fund or providing retirement counseling to the member.

EXHIBIT 7
PMOC 3rd meet.
Oct 25 2011

INPRS Legislative Presentation

Pension Management Oversight Commission

Allison Murphy
Legislative Director

Preliminary Draft 3113

- INPRS employers regularly request the ability to access member accounts in order to provide their employees with retirement counseling services
- Due to confidentiality laws, INPRS is unable to provide the employer with access to any specific member account information

PD 3113, continued

- PD 3113 provides that INPRS may disclose member records to the INPRS employers for purposes of retirement counseling
- Most member information is information the employer has previously provided INPRS
- Employers are subject to the penalties of IC 5-14-3-10 for unlawful use of any member account information

EXHIBIT 8
PMOC 3rd meeting
Oct 25, 2011

PRELIMINARY DRAFT
No. 3236

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2012 GENERAL ASSEMBLY

DIGEST

Citations Affected: Numerous citations throughout the Indiana Code.

Synopsis: Indiana public retirement system. Makes required technical corrections and conforming amendments following the enactment of SEA 524-2011 (P.L.22-2011) and SEA 549-2011 (P.L.23-2011).

Effective: July 1, 2012.

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

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

SECTION 1. IC 2-3.5-1-2, AS AMENDED BY P.L.2-2006, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) A member of the general assembly who is serving on April 30, 1989, may elect to become a participant in both the defined benefit plan and the defined contribution plan of the legislators' retirement system, as provided by IC 2-3.5-3-1. If such a member does not elect to become a participant in the legislators' retirement system, that member is not affected by this article and is instead covered by IC 5-10.2, IC 5-10.3, and IC 5-10.4.

(b) Notwithstanding IC 5-10.3-7-2 or any other law, a member of the general assembly who is a participant in the legislators' defined benefit plan shall also be a member of PERF or TRF while serving in another position covered by PERF or TRF. However, the following provisions apply to a participant who is also a member of PERF or TRF:

(1) The ~~PERF board or TRF~~ board shall include the participant's years of service in the general assembly in the determination of eligibility for benefits under PERF or TRF.

(2) Except as provided in subdivision (4), the ~~PERF board or TRF~~ board shall not include in the computation of benefits from PERF or TRF the participant's:

(A) salary as a member of the general assembly; or

(B) years of service as a member of the general assembly.

(3) The participant is not required to make annuity contributions to PERF or TRF for service as a member of the general assembly after July 1, 1989.

(4) IC 5-10.2-4-3.1 and the special provisions for members of the general assembly in IC 5-10.2-3-7.5, IC 5-10.3-7-3, IC 5-10.3-7-7, IC 5-10.3-8-2, IC 5-10.4-5-7, and IC 20-28-10-16 do apply to the determination of the participant's benefits under PERF and TRF for benefits earned before July 1, 1989. IC 5-10.2-4-3.1 and the

special provisions for members of the general assembly in IC 5-10.2-3-7.5, IC 5-10.3-7-3, IC 5-10.3-7-7, IC 5-10.3-8-2, IC 5-10.4-5-7, and IC 20-28-10-16(b) do not apply to the determination of the participant's benefits under PERF or TRF for benefits earned after June 30, 1989.

SECTION 2. IC 2-3.5-1-4, AS AMENDED BY P.L.2-2006, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) A member of the general assembly who:

(1) served as a member of the general assembly before April 30, 1989;

(2) was not serving as a member of the general assembly on April 30, 1989; and

(3) is subsequently elected or appointed to the general assembly;

is a participant in the defined contribution plan of the legislators' retirement system.

(b) The PERF and TRF benefits earned by a participant described in subsection (a) before July 1, 1989, for service as a member of the general assembly or in another covered position, are not affected by this article. However, the following provisions apply to such a participant who is also a member of PERF or TRF:

(1) The ~~PERF board or TRF~~ board shall include the participant's years of service in the general assembly in the determination of eligibility for benefits under PERF or TRF.

(2) The ~~PERF board or TRF~~ board shall not include in the computation of benefits from PERF or TRF the participant's:

(A) salary as a member of the general assembly that is received after July 1, 1989; or

(B) years of service as a member of the general assembly after July 1, 1989.

(3) The participant is not required to make annuity contributions to PERF or TRF for service as a member of the general assembly after July 1, 1989.

(4) If IC 5-10.2-4-3.1 or any of the special provisions for members of the general assembly in IC 5-10.2-3-7.5, IC 5-10.3-7-3, IC 5-10.3-7-7, IC 5-10.3-8-2, IC 5-10.4-5-7, and IC 20-28-10-16 applied to the determination of the participant's benefits under PERF or TRF before July 1, 1989, those provisions do not apply to the determination of the participant's benefits under PERF or TRF for benefits earned after July 1, 1989.

SECTION 3. IC 2-3.5-2-2.7, AS ADDED BY P.L.23-2011, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2.7. ~~(a)~~ "Board" refers to the board of trustees of the Indiana public retirement system established by IC 5-10.5-3-1.

~~(b) References in this article to the PERF board or TRF board shall be considered after June 30, 2011, to be references to the board of trustees of the Indiana public retirement system established by~~

~~IC 5-10.5-3-1.~~

SECTION 4. IC 2-3.5-3-1, AS AMENDED BY P.L.2-2006, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) This chapter applies to:

(1) each member of the general assembly who is serving on April 30, 1989, and who files an election under subsection (b); and

(2) each member of the general assembly who is elected or appointed after April 30, 1989.

(b) A member of the general assembly who is serving on April 30, 1989, may elect to have the member's years of service in the general assembly covered by this chapter, IC 2-3.5-4, and IC 2-3.5-5 instead of IC 5-10.2, IC 5-10.3, and IC 5-10.4. An election under this subsection:

(1) must be made in writing;

(2) must be filed with the PERF board **(as it existed before its dissolution on July 1, 2011)** on a form prescribed by the board;

(3) must be made before January 1, 1990; and

(4) is irrevocable.

(c) Notwithstanding subsection (b), if a member of the general assembly files an election under subsection (b), the ~~PERF board or the TRF~~ board shall include all of the member's years of service in the general assembly in the determination of eligibility for benefits under PERF or TRF. However, except as provided by IC 2-3.5-1-2(b), the ~~PERF board or TRF~~ board shall not include in the computation of benefits from PERF or TRF the member's:

(1) salary as a member of the general assembly received after April 30, 1989; or

(2) years of service as a member of the general assembly after April 30, 1989.

SECTION 5. IC 2-3.5-3-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) The legislators' retirement system is established. The system consists of the legislators' defined benefit plan described in IC 2-3.5-4 and the legislators' defined contribution plan described in IC 2-3.5-5.

(b) The following funds are established:

(1) The fund for the legislators' defined benefit plan.

(2) The fund for the legislators' defined contribution plan.

Each of the funds shall be administered by the ~~PERF~~ board. Each of the funds is a trust, separate and distinct from all other entities, maintained for the purpose of paying benefits to participants and their beneficiaries and paying the costs associated with administering the plan.

(c) The ~~PERF~~ board shall adopt rules under IC 4-22-2 necessary for the administration of the plans and funds described in subsections (a) and (b).

SECTION 6. IC 2-3.5-3-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3. The legislators' retirement system shall satisfy the qualification requirements in Section

401 of the Internal Revenue Code, as applicable to the system. In order to meet those requirements, the system is subject to the following provisions, notwithstanding any other law:

(1) The ~~PERF~~ board shall distribute the corpus and income of the funds to participants and their beneficiaries in accordance with this chapter, IC 2-3.5-4, and IC 2-3.5-5.

(2) No part of the corpus or income of the funds may be used for or diverted to a purpose other than the exclusive benefit of the participants and their beneficiaries.

(3) Forfeitures arising from severance of employment, death, or for any other reason may not be applied to increase the benefits a participant would otherwise receive under this chapter, IC 2-3.5-4, and IC 2-3.5-5.

(4) If the system is terminated, or if all contributions to the system are completely discontinued, the rights of each affected participant to the benefits accrued at the date of termination or discontinuance, to the extent then funded, are nonforfeitable.

(5) All benefits paid from the system shall be distributed in accordance with the requirements of Section 401(a)(9) of the Internal Revenue Code and the regulations under that section. In order to meet those requirements, the funds are subject to the following provisions:

(A) The life expectancy of a participant, the participant's spouse, or the participant's beneficiary may not be recalculated after the initial determination for purposes of determining benefits.

(B) If a participant dies before the distribution of the participant's benefits has begun, distributions to beneficiaries must begin no later than December 31 of the calendar year immediately following the calendar year in which the member died.

(C) The amount of an annuity paid to a participant's beneficiary may not exceed the maximum determined under the incidental death benefit requirement of the Internal Revenue Code.

(6) The ~~PERF~~ board may not:

(A) determine eligibility for benefits;

(B) compute rates of contribution; or

(C) compute benefits of participant's beneficiaries;

in a manner that discriminates in favor of participants who are considered officers, supervisors, or highly compensated, as prohibited under Section 401(a)(4) of the Internal Revenue Code.

(7) Benefits paid under this chapter, IC 2-3.5-4, and IC 2-3.5-5 may not exceed the maximum benefits and contributions specified by Section 415 of the Internal Revenue Code. If a participant's benefits under this chapter, IC 2-3.5-4, and IC 2-3.5-5 would

exceed those maximum benefits and contributions, the benefit payable under IC 2-3.5-4 shall be reduced as necessary.

(8) The salary taken into account under this chapter, IC 2-3.5-4, and IC 2-3.5-5 may not exceed the applicable amount under Section 401(a)(17) of the Internal Revenue Code.

(9) The ~~PERF~~ board may not engage in a transaction prohibited by Section 503(b) of the Internal Revenue Code.

SECTION 7. IC 2-3.5-3-4, AS AMENDED BY P.L.99-2010, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) The ~~PERF~~ board shall administer the system, which may be commingled **for investment purposes** with the ~~PERF fund~~ **other funds administered by the board.** ~~for investment purposes.~~

(b) The ~~PERF~~ board shall:

(1) determine eligibility for and make payments of benefits under this chapter, IC 2-3.5-4, and IC 2-3.5-5;

(2) in accordance with the powers and duties granted in ~~IC 5-10.3-3-7,~~ IC 5-10.3-3-7.1, ~~IC 5-10.3-3-8, and~~ IC 5-10.3-5-3 through IC 5-10.3-5-6, **IC 5-10.5-4, and IC 5-10.5-6,** administer the system;

(3) provide by rule for the implementation of this chapter, IC 2-3.5-4, and IC 2-3.5-5; and

(4) authorize deposits.

(c) A determination by the ~~PERF~~ board may be appealed under IC 4-21.5.

(d) The powers and duties of:

(1) the director and the actuary of the ~~PERF~~ board; **and**

(2) the attorney general; ~~and~~

~~(3) the auditor of state;~~

with respect to the fund are those specified in IC 5-10.3-3, ~~and~~ IC 5-10.3-4, **IC 5-10.5-4, and IC 5-10.5-6.**

(e) The ~~PERF~~ board may hire additional personnel, including hearing officers, to assist in the implementation of this chapter.

(f) Legislators' retirement system records of individual participants and participants' information are confidential, except for the name and years of service of a retirement system participant.

SECTION 8. IC 2-3.5-5-3, AS AMENDED BY P.L.115-2010, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3. (a) The ~~PERF~~ board shall establish alternative investment programs within the fund, based on the following requirements:

(1) The ~~PERF~~ board shall maintain at least one (1) alternative investment program that is an indexed stock fund, one (1) alternative investment program that is a bond fund, and one (1) alternative investment program that is a stable value fund. The ~~PERF~~ board may maintain one (1) or more alternative investment

programs that:

(A) invest in one (1) or more commingled or pooled funds that consist in part or entirely of mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6; or

(B) otherwise invest in mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6.

(2) The programs should represent a variety of investment objectives.

(3) The programs may not permit a member to withdraw money from the member's account, except as provided in section 6 of this chapter.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program.

(5) A valuation of each member's account must be completed as of:

(A) the last day of each quarter; or

(B) a time that the board may specify by rule.

(b) A member shall direct the allocation of the amount credited to the member among the available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by the ~~PERF~~ board. The ~~PERF~~ board shall allow a member to make a selection or change any existing selection at least once each quarter.

(2) The ~~PERF~~ board shall implement the member's selection beginning on the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the ~~PERF~~ board or on an alternate date established by the rules of the board. This date is the effective date of the member's selection.

(3) A member may select any combination of the available investment funds, in ten percent (10%) increments or smaller increments that may be established by the rules of the board.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on the market value on the effective date.

(6) If a member does not make an investment selection of the alternative investment programs, the member's account shall be invested in the ~~PERF~~ board's general investment fund.

(7) All contributions to the member's account shall be allocated as of the last day of the quarter in which the contributions are received or at an alternate time established by the rules of the board in accordance with the member's most recent effective direction. The ~~PERF~~ board shall not reallocate the member's

account at any other time.

(c) When a member transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection or at an alternate time established by the rules of the board. When a member retires, becomes disabled, dies, or withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or withdrawal, plus contributions received after that date or at an alternate time established by the rules of the board.

(d) The ~~PERF~~ board shall determine the value of each alternative program in the defined contribution fund, as of the last day of each calendar quarter, as follows:

(1) The market value shall exclude the employer contributions and employee contributions received during the quarter ending on the current allocation date.

(2) The market value as of the immediately preceding quarter end date shall include the employer contributions and employee contributions received during that preceding quarter.

(3) The market value as of the immediately preceding quarter end date shall exclude benefits paid from the fund during the quarter ending on the current quarter end date.

SECTION 9. IC 2-3.5-5-5.5, AS ADDED BY P.L.43-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 5.5. (a) This section applies to contributions to the defined contribution fund made by the state after December 31, 2008.

(b) This subsection applies after December 31, 2008. Notwithstanding IC 2-3.5-2-10, as used in this section, "salary" means the total of the following amounts paid to a participant by the state for performing legislative services in the year in which the amounts are paid, determined without regard to any salary reduction agreement established under Section 125 or Section 457 of the Internal Revenue Code:

(1) Salary.

(2) Business per diem allowance and allowances paid in lieu of the submission of claims for reimbursement (but excluding any allowances paid for mileage).

(3) Allowances paid to officers of the house of representatives and the senate.

(c) This subsection applies after December 31, 2008. The state shall make a contribution to the defined contribution fund on behalf of each participant on June 30 of each year. The amount of the contribution is determined by multiplying the participant's salary for that year by a

percentage determined for that year by the ~~PERF~~ board under subsection (d).

(d) This subsection applies after December 31, 2008. The ~~PERF~~ board shall use the following rates in determining the percentage described in subsection (c):

(1) The rate of the state's normal contribution for its employees to PERF, as determined under IC 5-10.2-2-11.

(2) The rate at which the state makes contributions to annuity savings accounts on behalf of state employees who are members of PERF, as specified in IC 5-10.2-3-2 and IC 5-10.3-7-9.

(e) This subsection applies after December 31, 2008. The budget agency shall confirm the percentage determined by the ~~PERF~~ board. The percentage confirmed by the budget agency may not exceed the total contribution rate paid that year by the state to PERF for state employees.

SECTION 10. IC 2-3.5-5-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. (a) A participant who terminates service as a member of the general assembly is entitled to withdraw both the participant's employee contribution account and employer contribution account from the defined contribution fund. The withdrawal shall be made not later than the required beginning date under the Internal Revenue Code. The amount available for the withdrawal shall be the fair market value of the participant's accounts on the last day of the quarter preceding the date of withdrawal plus employee contributions deducted and employer contributions made since the last day of the quarter preceding the date of withdrawal.

(b) The withdrawal amount shall be paid in a lump sum, a partial lump sum, a monthly annuity as purchased by the ~~PERF~~ board with the remaining amount, or a series of monthly installment payments over sixty (60), one hundred twenty (120), or one hundred eighty (180) months, as elected by the participant. The forms of annuity and installments shall be established by the ~~PERF~~ board by rule, in consultation with the system's actuary. The ~~PERF~~ board shall give participants information on these forms of payments and the effects of various dates of withdrawal.

SECTION 11. IC 2-3.5-5-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7. (a) This section applies to a participant who dies while a member of the general assembly, or who dies after terminating service as a member of the general assembly and prior to withdrawing the participant's account from the defined contribution fund. The participant's employee contribution account and the participant's employer contribution account shall be paid to a beneficiary or the beneficiaries designated on a form prescribed by the board. The amount paid shall be the fair market value of the participant's accounts on the last day of the quarter preceding the date of payment, plus employee contributions deducted

and employer contributions made since the last day of the quarter preceding the date of payment. If there is no properly designated beneficiary, or if no beneficiary survives the participant, the participant's accounts shall be paid to:

(1) the surviving spouse of the participant;

(2) if there is no surviving spouse, a surviving dependent or the surviving dependents of the participant; or

(3) if there is no surviving spouse and no surviving dependent, the estate of the participant.

(b) Amounts payable under this section shall be paid in a lump sum, a partial lump sum, a monthly annuity as purchased by the ~~PERF~~ board with the remaining amount, or a series of monthly installment payments over sixty (60) months, as elected by the recipient. The forms of annuity and installments available shall be established by the ~~PERF~~ board by rule, in consultation with the system's actuary.

SECTION 12. IC 2-3.5-5-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 11. Before January 1, 2002, the ~~PERF~~ board shall adopt rules establishing procedures for making loans to a participant from the participant's employee contribution account and employer contribution account within the defined contribution fund. Rules adopted under this section must comply with the requirements of Section 72(p) of the Internal Revenue Code and must apply to each participant in the plan, regardless of whether the participant is serving in the general assembly at the time of the loan. A loan made in accordance with rules adopted under this section is not considered the receipt of retirement benefits for purposes of IC 5-10-8-1.

SECTION 13. IC 4-1-8-1, AS AMENDED BY P.L.142-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) No individual may be compelled by any state agency, board, commission, department, bureau, or other entity of state government (referred to as "state agency" in this chapter) to provide the individual's Social Security number to the state agency against the individual's will, absent federal requirements to the contrary. However, the provisions of this chapter do not apply to the following:

(1) Department of state revenue.

(2) Department of workforce development.

(3) The programs administered by:

(A) the division of family resources;

(B) the division of mental health and addiction;

(C) the division of disability and rehabilitative services;

(D) the division of aging; and

(E) the office of Medicaid policy and planning;

of the office of the secretary of family and social services.

(4) Auditor of state.

(5) State personnel department.

(6) Secretary of state, with respect to the registration of broker-dealers, agents, and investment advisors.

(7) The legislative ethics commission, with respect to the registration of lobbyists.

(8) Indiana department of administration, with respect to bidders on contracts.

(9) Indiana department of transportation, with respect to bidders on contracts.

(10) Indiana professional licensing agency.

(11) Department of insurance, with respect to licensing of insurance producers.

(12) The department of child services.

(13) A pension fund administered by the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund.~~ **system.**

~~(14) The Indiana state teachers' retirement fund.~~

~~(15)~~ **(14)** The state police benefit system.

~~(16)~~ **(15)** The alcohol and tobacco commission.

~~(17)~~ **(16)** The state department of health, for purposes of licensing radiologic technologists under IC 16-41-35-29(c).

(b) The bureau of motor vehicles may, notwithstanding this chapter, require the following:

(1) That an individual include the individual's Social Security number in an application for an official certificate of title for any vehicle required to be titled under IC 9-17.

(2) That an individual include the individual's Social Security number on an application for registration.

(3) That a corporation, limited liability company, firm, partnership, or other business entity include its federal tax identification number on an application for registration.

(c) The Indiana department of administration, the Indiana department of transportation, and the Indiana professional licensing agency may require an employer to provide its federal employer identification number.

(d) The department of correction may require a committed offender to provide the offender's Social Security number for purposes of matching data with the Social Security Administration to determine benefit eligibility.

(e) The Indiana gaming commission may, notwithstanding this chapter, require the following:

(1) That an individual include the individual's Social Security number:

(A) in any application for a riverboat owner's license, supplier's license, or occupational license; or

(B) in any document submitted to the commission in the course of an investigation necessary to ensure that gaming

under IC 4-32.2, IC 4-33, and IC 4-35 is conducted with credibility and integrity.

(2) That a sole proprietorship, a partnership, an association, a fiduciary, a corporation, a limited liability company, or any other business entity include its federal tax identification number on an application for a riverboat owner's license or supplier's license.

(f) Notwithstanding this chapter, the department of education established by IC 20-19-3-1 may require an individual who applies to the department for a license or an endorsement to provide the individual's Social Security number. The Social Security number may be used by the department only for conducting a background investigation, if the department is authorized by statute to conduct a background investigation of an individual for issuance of the license or endorsement.

SECTION 14. IC 4-1-10-5, AS AMENDED BY P.L.106-2008, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 5. (a) A state agency may disclose the Social Security number of an individual if any of the following apply:

(1) The disclosure of the Social Security number is expressly required by state law, federal law, or a court order.

(2) The individual expressly consents in writing to the disclosure of the individual's Social Security number.

(3) The disclosure of the Social Security number is:

(A) made to comply with:

(i) the USA Patriot Act of 2001 (P.L. 107-56); or

(ii) Presidential Executive Order 13224; or

(B) to a commercial entity for the permissible uses set forth in the:

(i) Drivers Privacy Protection Act (18 U.S.C. 2721 et seq.);

(ii) Fair Credit Reporting Act (15 U.S.C. 1681 et seq.); or

(iii) Financial Modernization Act of 1999 (15 U.S.C. 6801 et seq.).

(4) The disclosure of the Social Security number is for the purpose of administration of a state agency employee's or the state agency employee's dependent's health benefits.

(5) The disclosure of the Social Security number is for the purpose of administration of:

(A) a pension fund administered by the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund;~~ **system;**

~~(B) the Indiana state teachers' retirement fund;~~

~~(C)~~ **(B)** a deferred compensation plan or defined contribution plan established under IC 5-10-1.1;

~~(D)~~ **(C)** a pension plan established by the state police department under IC 10-12; or

~~(E)~~ **(D)** the Uniform Commercial Code (IC 26-1) by the office of the secretary of state.

(b) A state agency's disclosure of the Social Security number of an individual in compliance with subsection (a) does not violate IC 5-14-3-4(a)(12).

SECTION 15. IC 4-10-10-1.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1.5. This chapter does not apply to benefit checks issued by the Indiana ~~state teachers'~~ **public** retirement ~~fund.~~ **system.**

SECTION 16. IC 4-12-1-14.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 14.3. (a) As used in this section, "master settlement agreement" has the meaning set forth in IC 24-3-3-6.

(b) There is hereby created the Indiana tobacco master settlement agreement fund for the purpose of depositing and distributing money received under the master settlement agreement. The fund consists of:

(1) all money received by the state under the master settlement agreement;

(2) appropriations made to the fund by the general assembly; and

(3) grants, gifts, and donations intended for deposit in the fund.

(c) The fund shall be administered by the budget agency. Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees~~ retirement ~~fund~~ **system** under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisors, and legal counsel to assist in the investment of the fund and may pay the state expenses incurred under those contracts from the fund. Interest that accrues from these investments shall be deposited in the fund. Money in the fund at the end of the state fiscal year does not revert to the state general fund.

(d) The state general fund is not liable for payment of a shortfall in expenditures, transfers, or distributions from the Indiana tobacco master settlement agreement fund or any other fund due to a delay, reduction, or cancellation of payments scheduled to be received by the state under the master settlement agreement. If such a shortfall occurs in any state fiscal year, the budget agency shall make the full transfer to the regional health facilities construction account and then reduce all remaining expenditures, transfers, and distributions affected by the shortfall.

SECTION 17. IC 4-12-4-10, AS AMENDED BY P.L.229-2011, SECTION 46, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 10. (a) The Indiana tobacco use prevention and cessation trust fund is established. The state department of health may expend money from the fund and make grants from the fund to implement the long range state plan established under this chapter. Administrative expenses necessary to carry out this chapter are also payable from the fund.

(b) The fund consists of:

(1) amounts, if any, that another statute requires to be distributed to the fund from the Indiana tobacco master settlement agreement fund;

(2) appropriations to the fund from other sources;

(3) grants, gifts, and donations intended for deposit in the fund; and

(4) interest that accrues from money in the fund.

(c) The fund shall be administered by the state department of health. Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees~~ retirement ~~fund~~ **system** under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisors, and legal counsel to assist in the investment of the fund and may pay the expenses incurred under those contracts from the fund. Money in the fund at the end of a state fiscal year does not revert to the state general fund.

(d) All income and assets of the executive board deposited in the fund are for the use of the state department of health after appropriation.

SECTION 18. IC 4-12-9-2, AS AMENDED BY P.L.1-2006, SECTION 60, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) The tobacco farmers and rural community impact fund is established. The fund shall be administered by the director of the department of agriculture. The fund consists of:

(1) amounts, if any, that another statute requires to be distributed to the fund from the Indiana tobacco master settlement agreement fund;

(2) appropriations to the fund from other sources;

(3) grants, gifts, and donations intended for deposit in the fund; and

(4) interest that accrues from money in the fund.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees~~ retirement ~~fund~~ **system** under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisors, and legal counsel to assist in the management of the fund and may pay the state expenses incurred under those contracts.

(d) Money in the fund at the end of the state fiscal year does not revert to the state general fund and remains available for expenditure.

SECTION 19. IC 4-13-1-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 17. (a) A state agency

may not purchase insurance to cover loss or damage to property.

(b) This section does not prohibit any of the following:

(1) The purchase of title insurance by a state agency.

(2) The purchase of insurance by a body corporate and politic.

(3) The purchase of insurance to meet requirements for receipt of federal funds by a state agency.

(4) The requiring of contractors to carry insurance.

(5) The purchase of insurance to cover loss or damage to real property owned by the **Indiana** public ~~employees'~~ retirement ~~fund or the Indiana state teachers' retirement fund.~~ **system.**

(6) The purchase of insurance to cover loss or destruction of money or securities under the control of the treasurer of state.

(7) The purchase of insurance by a state agency to cover loss or damage to exhibits, artifacts, or other materials that are loaned to the agency.

(8) The purchase of casualty and liability insurance for foster parents (as defined in IC 27-1-30-4) on a group basis.

SECTION 20. IC 5-10-0.5-1, AS AMENDED BY P.L.2-2006, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) The prohibitions of Article 11, Section 12 of the Constitution of the State of Indiana do not apply to:

(1) the public employees' retirement fund (IC 5-10.3);

(2) the Indiana state teachers' retirement fund (IC 5-10.4);

(3) the Indiana state police pre-1987 benefit system (IC 10-12-3);

(4) the Indiana state police 1987 benefit system (IC 10-12-4); or

(5) any other public **pension or** employee retirement fund administered by the board of trustees of the Indiana public ~~employees'~~ retirement ~~fund.~~ **system.**

(b) Investments of the funds listed in subsection (a) are subject to the following limitations and regulations:

(1) Investments of the public employees' retirement fund and any other public **pension or** employee retirement fund administered by the board of trustees of the Indiana public ~~employees'~~ retirement ~~fund~~ **system** are subject to IC 5-10.3-5-3, including P.L.37-1996, **and IC 5-10.5-5.**

(2) Investments of the Indiana state teachers' retirement fund are subject to IC 5-10.4-3-10 **and IC 5-10.5-5.**

(3) Investments of the Indiana state police benefit system are subject to IC 10-12-2-2.

SECTION 21. IC 5-10-1.1-7.5, AS AMENDED BY P.L.2-2007, SECTION 80, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7.5. (a) As used in this section, "state agency" means the following:

(1) An authority, a board, a branch, a commission, a committee, a department, a division, or other instrumentality of state government.

(2) A separate corporate body politic that adopts the plan described in subsection (b).
(3) State elected officials and their office staff.
(4) The legislative services agency.
(5) Legislative staff eligible to participate in the state employees' deferred compensation plan established by section 1 of this chapter.

However, the term does not include a state educational institution or a political subdivision.

(b) The deferred compensation committee shall adopt provisions in a defined contribution plan, under Sections 401(a) and 414(d) of the Internal Revenue Code, for the purpose of converting unused excess accrued leave to a monetary contribution for employees of a state agency. These provisions may be part of the plan and trust established under section 1.5(a) of this chapter.

(c) The deferred compensation committee is the trustee of the plan described in subsection (b). The plan must be a qualified plan, as determined by the Internal Revenue Service.

(d) The state personnel department shall adopt rules under IC 4-22-2 that it considers appropriate or necessary to implement this section. The rules adopted by the state personnel department under this section must:

(1) be consistent with the plan described in subsection (b);
(2) include provisions concerning:
(A) the type and amount of leave that may be converted to a monetary contribution;
(B) the conversion formula for valuing any leave that is converted;
(C) the manner of employee selection of leave conversion; and
(D) the vesting schedule for any leave that is converted; and
(3) apply to all state agencies.

(e) The rules adopted by the state personnel department under subsection (d) specifying the conversion formula must provide for a conversion rate under which the amount contributed on behalf of a participating employee for a day of leave that is converted under this section is equal to at least sixty percent (60%) of the employee's daily pay as of the date the leave is converted.

(f) The deferred compensation committee may adopt the following:

(1) Plan provisions governing:
(A) the investment of accounts in the plan; and
(B) the accounting for converted leave.
(2) Any other plan provisions that are necessary or appropriate for operation of the plan.

(g) The plan described in subsection (b) may be implemented only if the deferred compensation committee has received from the Internal Revenue Service any rulings or determination letters that the

committee considers necessary or appropriate.

(h) To the extent allowed by:

(1) the Internal Revenue Code; and

(2) rules adopted by:

(A) the state personnel department under this section; and

(B) the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** under IC 5-10.3-8-14;

an employee of a state agency may convert unused excess accrued leave to a monetary contribution under this section and under IC 5-10.3-8-14.

SECTION 22. IC 5-10-1.7-1, AS AMENDED BY P.L.227-2007, SECTION 50, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) The retirement plans covered by this chapter are:

(1) The state excise police, gaming agent, gaming control officer, and conservation officers' retirement plan, established under IC 5-10-5.5.

(2) The public employees' retirement fund, established under IC 5-10.3-2.

(3) The trust fund and pension trust of the department of state police, established under IC 10-12-2.

(4) The Indiana state teachers' retirement fund, established under IC 5-10.4-2.

(5) The Indiana judges' retirement fund, established under IC 33-38-6.

(6) The police officers' and firefighters' pension and disability fund established under IC 36-8-8-4.

(b) As used in this chapter, "board" means **both of the following:**

(1) The board of trustees of ~~a~~ **the Indiana public** retirement ~~plan covered by this chapter.~~ **system.**

(2) The board of trustees of the state police pension trust.

SECTION 23. IC 5-10-5.5-1, AS AMENDED BY P.L.16-2011, SECTION 1, AND AS AMENDED BY P.L.23-2011, SECTION 3, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. As used in this chapter and unless the context clearly denotes otherwise:

(1) "Board" refers to the board of trustees of the Indiana public retirement system established by IC 5-10.5-3-1.

~~(a)~~ *(2)* "Department" means the Indiana department of natural resources.

~~(b)~~ *(3)* "Commission" means the alcohol and tobacco commission.

~~(c)~~ *(4)* "Officer" means any Indiana state excise police officer, any Indiana state conservation enforcement officer, any gaming agent, or any gaming control officer.

~~(d)~~ *(5)* "Participant" means any officer who has elected to participate in the retirement plan created by this chapter.

~~(e)~~ *(6)* "Salary" means the total compensation, exclusive of expense allowances, paid to any officer by the department or the commission, determined without regard to any salary reduction agreement established under Section 125 of the Internal Revenue Code.

~~(f)~~ *(7)* "Average annual salary" means the average annual salary of an officer during the five (5) years of highest annual salary in the ten (10) years immediately preceding an officer's retirement date, determined without regard to any salary reduction agreement established under Section 125 of the Internal Revenue Code.

~~(g)~~ *(8)* "Public employees' retirement act" means IC 5-10.3.

~~(h)~~ *(9)* "Public employees' retirement fund" means the public employees' retirement fund created by IC 5-10.3-2.

~~(i)~~ *(10)* "Interest" means the ~~*same*~~ rate of interest ~~*as is*~~ specified ~~*under*~~ *by rule by the board of trustees of* the **Indiana** public ~~employees'~~ retirement ~~*law. fund.*~~ **system established by IC 5-10.5-3-1.**

~~(j)~~ *(11)* "Americans with Disabilities Act" refers to the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and any amendments and regulations related to the Act.

~~(k)~~ *(12)* Other words and phrases when used in this chapter shall, for the purposes of this chapter, have the meanings respectively ascribed to them as set forth in IC 5-10.3-1.

SECTION 24. IC 5-10-5.5-12.7, AS AMENDED BY P.L.99-2007, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 12.7. (a) Upon a petition from a participant, the department, or the commission, the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund,~~ **system,** or its designee, shall make the determinations required by section 13 of this chapter and shall also determine:

(1) the degree of impairment of any officer determined to have a disability; and

(2) whether the disability arose in the line of duty (as defined in section 13.5 of this chapter).

(b) The impairment standards contained in the United States Department of Veterans Affairs Schedule for Rating Disabilities in effect at the time the application for disability benefits is filed with the board of trustees shall be used to determine the degree of impairment.

(c) To the extent required by the Americans with Disabilities Act, the transcripts, reports, records, and other material generated as a result of a hearing, a review, or an appeal conducted under this chapter to determine the existence of a disability, the cause of a disability, or the degree of impairment shall be:

(1) kept in separate medical files for each member; and

(2) treated as confidential medical records.

SECTION 25. IC 5-10-10-1 IS AMENDED TO READ AS

FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. As used in this chapter, "board" refers to the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund.~~ **system.**

SECTION 26. IC 5-10-11-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. As used in this chapter, "board" refers to the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund.~~ **system.**

SECTION 27. IC 5-10.1-1-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8. ~~State Agency.~~ "State agency" as used in this article means the **Indiana** public ~~employees'~~ retirement ~~fund.~~ **system.**

SECTION 28. IC 5-10.1-4-6, AS AMENDED BY P.L.2-2007, SECTION 90, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. (a) The effective date of a modification of the agreement must be determined by resolution of the board of each of the following retirement systems:

(1) The **applicable pension system administered by the Indiana** public ~~employees'~~ retirement ~~fund;~~ **system.**

~~(2) the Indiana state teachers' retirement fund; and~~

~~(3)~~ **(2)** Any retirement system established by a state educational institution.

For political subdivisions the governing body shall determine the effective date by resolution. The effective date may be made retroactive to the extent permitted by federal law.

(b) The effective date of a modification for employees of political subdivisions with retirement systems which are not covered by subsection (a) of this section may be January 1, 1955, or any subsequent January 1.

SECTION 29. IC 5-10.2-1-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. ~~Retirement Fund Law.~~ "Retirement fund law" as used in this article means the statutes governing:

(1) the Indiana state teachers' retirement fund; ~~and the statutes governing~~

(2) the public employees' retirement fund; **and**

(3) the Indiana public retirement system.

SECTION 30. IC 5-10.2-2-1.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1.5. Each retirement fund covered by this article shall satisfy the qualification requirements in Section 401 of the Internal Revenue Code, as applicable to each retirement fund. In order to meet those requirements, each fund is subject to the following provisions, notwithstanding any other provision of the retirement fund law:

(1) ~~Each~~ **The** board shall distribute the corpus and income of the fund to members and their beneficiaries in accordance with the retirement fund law.

(2) No part of the corpus or income of a fund may be used for or diverted to any purpose other than the exclusive benefit of the members and their beneficiaries.

(3) Forfeitures arising from severance of employment, death, or for any other reason may not be applied to increase the benefits any member would otherwise receive under the retirement fund law.

(4) If a fund is terminated, or if all contributions to a fund are completely discontinued, the rights of each affected member to the benefits accrued at the date of the termination or discontinuance, to the extent then funded, are nonforfeitable.

(5) All benefits paid from a retirement fund shall be distributed in accordance with the requirements of Section 401(a)(9) of the Internal Revenue Code and the regulations under that section. In order to meet those requirements, each retirement fund is subject to the following provisions:

(A) The life expectancy of a member, the member's spouse, or the member's beneficiary may not be recalculated after the initial determination for purposes of determining benefits.

(B) If a member dies before the distribution of the member's benefits has begun, distributions to beneficiaries must begin no later than December 31 of the calendar year immediately following the calendar year in which the member died.

(C) The amount of an annuity paid to a member's beneficiary may not exceed the maximum determined under the incidental death benefit requirement of the Internal Revenue Code.

(6) The board may not:

(A) determine eligibility for benefits;

(B) compute rates of contribution; or

(C) compute benefits of members or beneficiaries;

in a manner that discriminates in favor of members who are considered officers, supervisors, or highly compensated, as prohibited under Section 401(a)(4) of the Internal Revenue Code.

(7) Benefits paid under this chapter may not exceed the maximum benefits specified by Section 415 of the Internal Revenue Code.

(8) The salary taken into account under this chapter may not exceed the applicable amount under Section 401(a)(17) of the Internal Revenue Code.

(9) The board may not engage in a transaction prohibited by Section 503(b) of the Internal Revenue Code.

SECTION 31. IC 5-10.2-2-2.5, AS AMENDED BY P.L.115-2010, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2.5. (a) ~~Each~~ **The** board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control, subject to the

limitations and restrictions set forth in section 18 of this chapter, IC 5-10.3-5-3, ~~and~~ IC 5-10.4-3-10, **and IC 5-10.5-5.**

(b) ~~Each~~ **The** board may commingle or pool assets with the assets of any other persons or entities. This authority includes, but is not limited to, the power to invest in commingled or pooled funds, partnerships, or mortgage pools, including pools that consist in part or entirely of mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6. In the event of any such investment, the board shall keep separate detailed records of the assets invested. Any decision to commingle or pool assets is subject to the limitations and restrictions set forth in IC 5-10.3-5-3, ~~and~~ IC 5-10.4-3-10, **and IC 5-10.5-5.**

SECTION 32. IC 5-10.2-2-3, AS AMENDED BY P.L.115-2010, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3. (a) The annuity savings account consists of:

(1) the members' contributions; and

(2) the interest credits on these contributions in the guaranteed fund or the gain or loss in market value on these contributions in the alternative investment program, as specified in section 4 of this chapter.

Each member shall be credited individually with the amount of the member's contributions and interest credits.

(b) ~~Each~~ **The** board shall maintain the annuity savings account program in effect on December 31, 1995 (referred to in this chapter as the guaranteed program). In addition, the board ~~of the Indiana state teachers' retirement fund~~ shall establish and maintain a guaranteed program within the 1996 account. ~~Each~~ **The** board may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3, ~~and~~ IC 5-10.4-3-10, **and IC 5-10.5-5.**

(c) ~~Each~~ **The** board shall establish alternative investment programs within the annuity savings account of the public employees' retirement fund, the pre-1996 account, and the 1996 account, based on the following requirements:

(1) ~~Each~~ **The** board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund. ~~Each~~ **The** board may maintain one (1) or more alternative investment programs that:

(A) invest in one (1) or more commingled or pooled funds that consist in part or entirely of mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6; or

(B) otherwise invest in mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6.

(2) The programs should represent a variety of investment objectives under IC 5-10.3-5-3.

(3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program or as may be determined by the rules of ~~each~~ **the** board.

(5) Except as provided in section 4(e) of this chapter, a valuation of each member's account must be completed as of:

(A) the last day of each quarter; or

(B) another time as ~~each~~ **the** board may specify by rule.

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

(1) include a description of the procedure for selecting an alternative investment program;

(2) be understandable by the majority of members; and

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection under rules established by ~~each~~ **the** board. ~~A~~ **The** board shall allow a member to make a selection or change any existing selection at least once each quarter.

(2) The board shall implement the member's selection beginning on the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board or on an alternate date established by the rules of ~~each~~ **the** board. This date is the effective date of the member's selection.

(3) A member may select any combination of the guaranteed fund or any available alternative investment funds, in ten percent (10%) increments or smaller increments that may be established by the rules of ~~each~~ **the** board.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on:

(A) for an alternative investment program balance, the market value on the effective date; and

(B) for any guaranteed program balance, the account balance on the effective date.

All contributions to the member's account shall be allocated as of the last day of that quarter or at an alternate time established by

the rules of ~~each~~ **the** board in accordance with the member's most recent effective direction. The board shall not reallocate the member's account at any other time.

(f) When a member who participates in an alternative investment program transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program or to the guaranteed program, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection or at an alternate time established by the rules of ~~each~~ **the** board. When a member who participates in an alternative investment program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus contributions received after that date or at an alternate time established by the rules of ~~each~~ **the** board.

(g) When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the effective date of the transfer. However, ~~each~~ **the** board may by rule provide for an alternate valuation date. When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date. However, ~~each~~ **the** board may by rule provide for an alternate valuation date.

SECTION 33. IC 5-10.2-2-4, AS AMENDED BY P.L.165-2009, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) Except as provided in subsection (e), interest shall be credited and compounded at least annually on all amounts credited to the member in the guaranteed program. For the guaranteed program, the board shall annually establish an interest credit rate equal to or less than the investment income earned.

(b) Except as provided in subsection (e), the market value of each alternative investment program shall be allocated at least annually to the members participating in that program.

(c) Contributions to the guaranteed program and the alternative

investment programs shall be invested as of the last day of the quarter in which the contributions are received or at an alternate time established by the rules of ~~each~~ **the** board. Contributions to the guaranteed program shall begin to accumulate interest at the beginning of the quarter after the quarter in which the contributions are received or at an alternate time established by the rules of ~~each~~ **the** board.

(d) When a member retires or withdraws with a balance in the guaranteed program, a proportional interest credit determined by the board shall be granted for the period elapsed since the last interest date on that balance.

(e) This subsection applies whenever the board is required to establish an interest or earnings rate in order to credit interest or earnings to an omitted contribution to a member's annuity savings account. As used in this subsection, "omitted contribution" means a contribution contributed by or on behalf of a member under IC 5-10.3-7-9 or IC 5-10.4-4-11 that is received by the board after the time required by IC 5-10.3-7-12.5 or IC 5-10.4-7-6(b)(1). Notwithstanding any law to the contrary, ~~each~~ **the** board may by rule specify:

(1) a single composite interest rate and the period to which the rate applies for the purpose of computing the interest credits on a member's contributions (including omitted contributions) in the guaranteed fund; and

(2) a single composite earnings rate for the gain or loss in market value for each alternative investment program and the period to which the rate applies for the purpose of computing the gain or loss in market value on a member's contributions (including omitted contributions) in the alternate investment program.

SECTION 34. IC 5-10.2-2-6, AS AMENDED BY P.L.13-2011, SECTION 3, AS AMENDED BY P.L.22-2011, SECTION 1, AND AS AMENDED BY P.L.23-2011, SECTION 9, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. (a) The retirement allowance account of the public employees' retirement fund consists of the retirement fund, exclusive of the annuity savings account. *The retirement allowance account also includes any amounts received under IC 5-10.3-12-24(b).* For the public employees' retirement fund, separate accounts within the retirement allowance account shall be maintained for contributions made by ~~*the state and by each political subdivision.*~~ *each contribution rate group.*

(b) The retirement allowance account of the pre-1996 account consists of the pre-1996 account, exclusive of the annuity savings account.

(c) The retirement allowance account of the 1996 account consists of the 1996 account, exclusive of the annuity savings account. ~~*For the 1996 account, separate accounts within the retirement allowance account shall be maintained for contributions made by the state, by*~~

~~*each school corporation, and by each institution.*~~

SECTION 35. IC 5-10.2-2-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 10. Based on the actuarial investigation and valuation in section 9 of this chapter, ~~each~~ **the** board shall adopt mortality, ~~rates,~~ service, and such other tables as the board considers necessary for the implementation of this article. ~~Each~~ **The** board shall adopt a single mortality table for both men and women that reasonably reflects each fund's mortality experience.

SECTION 36. IC 5-10.2-2-11, AS AMENDED BY P.L.23-2011, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 11. (a) Based on the actuarial investigation and valuation in section 9 of this chapter, ~~each~~ **the** board shall determine:

(1) the normal contribution for each contribution rate group, which is the amount necessary to fund the pension portion of the retirement benefit;

(2) the rate of normal contribution;

(3) the unfunded accrued liability of the public employees' retirement fund, the pre-1996 account, and the 1996 account, which is the excess of total accrued liability over the fund's or account's total assets, respectively; and

(4) the period, which must be thirty (30) years or a shorter period, necessary to amortize the unfunded accrued liability determined in subdivision (3).

(b) Based on the information in subsection (a), ~~each~~ **the** board may determine, in its sole discretion, contributions and contribution rates for individual employers or for a group of employers.

(c) The board's determinations under subsection (a):

(1) are subject to sections 1.5 and 11.5 of this chapter; and

(2) for an employer making a contribution to the Indiana state teachers' retirement fund, may not include an amount for a retired member of the Indiana state teachers' retirement fund for whom the employer may not make contributions during the member's period of reemployment as provided under IC 5-10.2-4-8(d).

SECTION 37. IC 5-10.2-2-12 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 12. (a) The general assembly shall appropriate biennially for each fund covered by this article that satisfies the conditions of section 1.5 of this chapter the sum of the following:

(1) the state's normal contribution for its employees to the public employees' retirement fund, the pre-1996 account, and the 1996 account, as determined in section 11 of this chapter;

(2) at least the anticipated increase in the state's unfunded accrued liability in each fund, other than the pre-1996 account, as estimated by ~~each~~ **the** board under the procedures specified in section 11 of this chapter; and

(3) the state's obligation as estimated by ~~each~~ **the** board for

disability benefits and benefits payable under retirement fund laws in effect before April 1, 1955.

The request for this sum for each fund shall be submitted to the budget agency as one (1) item for each fund. ~~Each~~ **The** board shall submit to the agency its actuarial investigation and valuation and any other actuarial information to support the request.

(b) The biennial appropriation specified in subsection (a) of this section shall be paid annually to each fund covered by this article that satisfies the conditions of section 1.5 of this chapter in equal installments in July of each year of the biennium.

(c) The biennial appropriation under this section shall be deposited in the trust of each fund and used only as provided in section 1.5 of this chapter.

SECTION 38. IC 5-10.2-2-13 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 13. ~~Custodial Agreements for Securities; Servicing of Mortgages; Securities Lending Program.~~ (a) ~~Each~~ **The** board may enter into a custodial agreement with a trust company or state or national bank to provide for the custody and servicing of the securities and other investments under the control of the board.

(b) The agreement may contain such terms as the board considers desirable including:

(1) the custody, safeguarding or indemnity, servicing, handling and delivery of the securities and other investments; and

(2) the payment of taxes, fees of the custodian, and other expenses and payments required in connection with the securities and investments.

(c) Any person, firm, limited liability company, or corporation authorized to service mortgage loans guaranteed by the federal housing administration may be authorized by the board to service a mortgage loan held by the fund.

(d) ~~Each~~ **The** board may authorize its custodian to enter into a securities lending program agreement, under which the securities held by each fund may be loaned in order to provide revenue to the fund. Such an agreement must require that collateral be pledged in excess of the total market value of the loaned securities.

SECTION 39. IC 5-10.2-3-1, AS AMENDED BY P.L.1-2009, SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) Except as provided in IC 5-10.2-4-8(d), each member's creditable service, for the purpose of computing benefits under this article, consists of all service in a position covered by a retirement fund plus all other service for which the retirement fund law gives credit.

(b) No member may be required to pay any contributions for service before the member is covered by this article as a condition precedent to receiving benefits under this article. However, the member must

furnish **to the board** proof of the service ~~to the board of~~ **in a position covered by** the fund under which the member claims service.

(c) A member who has past service as an employee of the state or a participating political subdivision in a position which was not covered by the retirement fund is entitled to credit for this service if the position becomes covered before January 1, 1985, by the Indiana state teachers' retirement fund, the public employees' retirement fund, or the retirement fund for the state board of accounts and if the member submits **to the board** proof of the service ~~to the secretary of~~ **in a position covered by** the fund in which the member claims service.

(d) A member who has past service in a position that was not covered by the retirement fund is entitled to credit for this service if the position becomes covered after December 31, 1984, by a fund while the member holds that position or another position with the same employer and if the member submits **to the board** proof of the service ~~to the director of~~ **in a position covered by** the fund in which the member claims service.

(e) The proof required by this section must:

(1) be submitted in a form approved by the director;

(2) contain dates and nature of service and other information required by the director; and

(3) be certified by the governing body or its agent.

(f) A member who is a state employee is entitled to service credit for the time the member is receiving disability benefits under a disability plan established under IC 5-10-8-7.

(g) If a participant in the legislators' defined benefit plan does not become entitled to a benefit from that plan, the ~~PERF board or the TRF~~ board shall include the participant's service in the general assembly in the determination of eligibility for, and computation of, benefits under PERF or TRF at the time the participant would be eligible to receive benefits under PERF or TRF. After benefits commence under PERF or TRF with the general assembly service included, the participant's general assembly service may not be used for the computation of benefits under IC 2-3.5-4.

(h) A member may receive service credit for all or a part of the member's creditable service in another governmental retirement plan under IC 5-10.3-7-4.5 and IC 5-10.4-4-4. A member may not receive credit for service for which the member receives service credit in another retirement plan maintained by a state, a political subdivision, or an instrumentality of the state for service that PERF or TRF would otherwise give credit.

(i) A member may use all or a part of the member's creditable service under PERF or TRF in another governmental retirement plan under the terms of the other plan. Creditable service used under the other governmental retirement plan may not be used in PERF or TRF.

SECTION 40. IC 5-10.2-3-2, AS AMENDED BY P.L.1-2009,

SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) Subject to IC 5-10.2-2-1.5, as used in this section, "compensation" means:

(1) the basic salary earned by and paid to the member; plus

(2) the amount that would have been a part of the basic salary earned and paid except for the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code.

(b) Except in cases where:

(1) the contribution is made on behalf of the member; or

(2) a retired member of the Indiana state teachers' retirement fund may not make contributions during a period of reemployment as provided in IC 5-10.2-4-8(d);

each member shall, as a condition of employment, contribute to the fund three percent (3%) of the member's compensation.

(c) Except as provided in IC 5-10.2-4-8(d), a member of a fund may make contributions to the member's annuity savings account in addition to the contributions required under subsection (b). The total amount of contributions that may be made to a member's annuity savings account with respect to a payroll period under this subsection may not exceed ten percent (10%) of the member's compensation for that payroll period. The contributions made under this subsection may be picked-up and paid by an employer as provided in subsection (d).

(d) In compliance with rules adopted by ~~each~~ **the** board, an employer, under Section 414(h)(2) of the Internal Revenue Code, may pick-up and pay the contributions under subsection (c), subject to approval of the board and to the board's receipt of a favorable private letter ruling from the Internal Revenue Service. The employer shall reduce the member's compensation by an amount equal to the amount of the member's contributions under subsection (c) that are picked-up by the employer. ~~Each~~ **The** board shall by rule establish the procedural requirements for employers to carry out the pick-up in compliance with Section 414(h)(2) of the Internal Revenue Code.

(e) A member's contributions and interest credits belong to the member and do not belong to the state or political subdivision.

SECTION 41. IC 5-10.2-4-1.3, AS AMENDED BY P.L.115-2008, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1.3. (a) A member who files an application for retirement benefits must provide the following information on the application form:

(1) The retirement date chosen by the member.

(2) If the member has not elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5, whether the member chooses:

(A) an annuity purchased from the amount credited to the member in the annuity savings account;

(B) a total or partial distribution from the annuity savings account under section 2(b) of this chapter; or

(C) a deferral of the payment of any benefits from the annuity savings account under section 2(c) of this chapter.

(3) The name of the beneficiary or beneficiaries designated by the member with respect to the pension portion of the member's retirement benefit.

(4) The name of the beneficiary or beneficiaries designated by the member with respect to the annuity portion of the member's retirement benefit, unless the member chooses total distribution under section 2 of this chapter.

(b) A member's designation of beneficiaries in the application for retirement benefits supersedes any previous designation of beneficiaries by the member.

(c) A member must indicate the name, address, date of birth, and Social Security number of each designated beneficiary and provide proof of birth of each designated beneficiary.

(d) ~~Each~~ **The** board shall adopt a form for the application for retirement benefits that meets the requirements of this section.

SECTION 42. IC 5-10.2-4-2, AS AMENDED BY P.L.115-2009, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) Unless a member elects otherwise under this section or has elected to withdraw the member's annuity savings account under IC 5-10.2-3-6.5, the retirement benefit for each member consists of the sum of a pension provided by employer contributions plus an annuity provided by the amount credited to the member in the annuity savings account. If a member has elected to withdraw the member's annuity savings account under IC 5-10.2-3-6.5, the member's retirement benefit is equal to the pension provided by employer contributions, unless the member has transferred the creditable service earned under the public employees' retirement fund to another governmental retirement plan under IC 5-10.2-3-1(i). Regardless of a member's election under this section, contributions totaling not more than one thousand dollars ($1,000) that are posted to a member's annuity savings account after the final date on which the member's retirement benefit is processed may be distributed to the member as a lump sum payment.

(b) If a member has not elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5, a member may choose at retirement or upon a disability retirement to receive a distribution of:

(1) the entire amount credited to the member in the annuity savings account; or

(2) an amount equal to the member's federal income tax basis in the member's annuity savings account balance as it existed on December 31, 1986.

If the member chooses to receive the distribution under subdivision (1), the member is not entitled to an annuity as part of the retirement or disability benefit. If the member chooses to receive the distribution under subdivision (2), the member is entitled to an annuity purchasable by the amount remaining in the member's annuity savings account after the payment under subdivision (2).

(c) Instead of choosing to receive the benefits described in subsection (a) or (b), if a member has not elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5, a member may choose upon retirement or upon disability retirement to begin receiving a pension provided by employer contributions and to defer receiving in any form the member's annuity savings account. If a member chooses this option, the member:

(1) is not entitled to an annuity as part of the member's retirement or disability benefit, and the member's annuity savings account will continue to be invested according to the member's direction under IC 5-10.2-2-3; and

(2) may later choose, as of the first day of a month, or an alternate date established by the rules of ~~each~~ **the** board, to receive a distribution of:

(A) the entire amount credited to the member in the annuity savings account; or

(B) an amount equal to the member's federal income tax basis in the member's annuity savings account balance as it existed on December 31, 1986.

If the member chooses to receive the distribution under subdivision (2)(A), the member is not entitled to an annuity as part of the member's retirement or disability benefit. If the member chooses to receive the distribution under subdivision (2)(B), the member is entitled to an annuity purchasable by the amount remaining in the member's annuity savings account after the payment under subdivision (2)(B). If the member does not choose to receive a distribution under this subsection, the member is entitled to an annuity purchasable by the entire amount in the member's annuity savings account, and the form of the annuity shall be as described in subsection (d) unless the member elects an option described in section 7(b)(1), 7(b)(2), or 7(b)(4) of this chapter. The amount to be paid under this section shall be determined in the manner described in IC 5-10.2-2-3. However, ~~each~~ **the** board may by rule provide for an alternate valuation date.

(d) Retirement benefits must be distributed in a manner that complies with Section 401(a)(9) of the Internal Revenue Code, as specified in IC 5-10.2-2-1.5.

SECTION 43. IC 5-10.2-4-6, AS AMENDED BY P.L.124-2008, SECTION 2, AND AS AMENDED BY P.L.131-2008, SECTION 1, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. (a) A member who becomes

disabled while receiving a salary or employer provided income protection benefits or who is on leave under the Family and Medical Leave Act may retire for the duration of the member's disability if:

(1) the member has at least five (5) years of creditable service before the:

(A) termination of a salary or employer provided income protection benefits or Family and Medical Leave Act leave; or

(B) exhaustion of all worker's compensation benefits;

(2) the member has qualified for Social Security disability benefits and has furnished proof of the Social Security qualification to the board; and

(3) at least once each year until the member reaches age sixty-five (65) a representative of the board verifies the continued disability.

For the purposes of this section, a member of the public employees' retirement fund who has qualified for disability benefits under the federal civil service system is considered to have met the requirement of subdivision (2) if the member furnishes proof of the qualification to the board. ~~of the public employees' retirement fund.~~

(b) Benefits for disability shall be paid beginning with the month following the onset of disability as determined by the Social Security Administration. The benefit is the retirement benefit specified in section 4 of this chapter with the pension computed using only the years of creditable service worked to the date of disability and without reduction for early retirement. ~~*However,*~~ The monthly disability retirement benefit *payable before July 1, 2008,* may not be less than one hundred ~~*eighty*~~ dollars ~~*($100).*~~ ~~*($180).*~~ **($100).** *The monthly disability retirement benefit payable after June 30, 2008, may not be less than one hundred eighty dollars ($180).*

(c) The member may have the member's benefit paid under any of the retirement benefit options specified in section 7 of this chapter, except that the member may not choose to have the member's disability retirement benefit paid under the method specified under section 7(b)(3) of this chapter.

(d) This section applies to:

(1) a member of the public employees' retirement fund who became disabled after June 30, 1973; and

(2) a member of the Indiana state teachers' retirement fund who becomes disabled after June 30, 1984, and who chooses disability retirement under this section.

(e) To the extent required by the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and any amendments and regulations to the Act, the transcripts, records, and other material compiled to determine the existence of a disability shall be:

(1) kept in separate medical files for each member; and

(2) treated as confidential medical records.

(f) A member may continue to receive disability benefits from the

public employees' retirement fund or the Indiana state teachers' retirement fund so long as the member is entitled to receive Social Security benefits, including periods of trial employment or rehabilitation under the Social Security guidelines. However, during a period of trial employment or rehabilitation, service credit may not be granted under the public employees' retirement fund or the Indiana state teachers' retirement fund.

(g) If the fund is authorized to make, in the form of a single check or a series of checks, a one (1) time distribution that does not increase the pension portion of the monthly benefit, the distribution must include members eligible for disability benefits. A member eligible for disability benefits is required to meet all additional requirements necessary to receive the check or series of checks issued by the fund under this subsection.

SECTION 44. IC 5-10.2-4-7, AS AMENDED BY P.L.115-2009, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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. A member who has elected to withdraw the entire amount in the member's annuity savings account under IC 5-10.2-3-6.5 may not select the cash refund annuity option.

(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.

(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, or to a member of the public employees' retirement fund after June 30, 2008. 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 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.

(f) ~~Each~~ **The** board may adopt a policy to permit annual payment of a member's retirement benefit whenever the amount of the monthly retirement benefit to be paid to the member is not more than five dollars ($5).

SECTION 45. IC 5-10.2-4-8, AS AMENDED BY P.L.115-2009, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8. (a) Subject to subsection (f), if a member who is receiving retirement benefits becomes reemployed in a position covered by this article more than thirty (30) days after the member's retirement, the member's retirement benefit payments continue. Except for a member of the Indiana state teachers' retirement fund who is reemployed more than thirty (30) days after the member's retirement in a position covered by the Indiana state teachers' retirement fund, the member shall begin making contributions as required in IC 5-10.2-3-2, and the member's employer shall make contributions throughout the member's period of reemployment.

(b) If a member who is receiving retirement benefits is reemployed in a position covered by this article not more than thirty (30) days after the member's retirement, the member's retirement benefits shall stop, the member shall begin making contributions as required by IC 5-10.2-3-2, and employer contributions shall be made throughout the period of reemployment.

(c) This subsection does not apply to a member of the Indiana state teachers' retirement fund who is reemployed more than thirty (30) days after the member's retirement in a position covered by the Indiana state teachers' retirement fund. If a retired member is reemployed in a position covered by this article, section 10 of this chapter applies to the member upon the member's retirement from reemployment.

(d) Subject to subsection (f), the following apply to a member of the Indiana state teachers' retirement fund who is reemployed more than thirty (30) days after the member's retirement in a position covered by the Indiana state teachers' retirement fund:

(1) The member's retirement benefit payments continue during the member's period of reemployment without regard to the amount of the member's earnings from the covered position.

(2) The member may not make contributions under IC 5-10.2-3-2 or IC 5-10.4-4-11 during the member's period of reemployment.

(3) The member's employer may not make contributions under

IC 5-10.2-2-11 or IC 5-10.4-4-11 for or on behalf of the member during the member's period of reemployment.

(4) The member does not earn creditable service under IC 5-10.2-3-1 for the member's period of reemployment.

(5) The member is not entitled to an additional benefit under sections 9 and 10 of this chapter for the member's period of reemployment.

(e) The thirty (30) day period provided for in this section may be implemented unless the board ~~of trustees of the fund~~ receives a determination from the Internal Revenue Service prohibiting the implementation.

(f) After July 31, 2009, if, on or before the date the member files an application for retirement benefits under this article, a member has a formal or informal agreement with an employer covered by this article to become reemployed in a position covered by this article after the member's retirement, regardless of the time frame between the member's retirement and the member's reemployment, the member's application for retirement benefits is void, and the following apply to the member's continued employment:

(1) If a member has received a retirement benefit:

(A) the member's retirement benefit shall stop; and

(B) the member shall repay the amount of the retirement benefit received.

(2) The member shall make contributions as required by IC 5-10.2-3-2 throughout the period of the member's continued employment.

(3) Employer contributions shall be made throughout the period of the member's continued employment.

(4) The member shall earn creditable service under IC 5-10.2-3-1 for the member's continued employment.

(5) When the period of the member's continued employment terminates, the member may again file an application for retirement benefits under this chapter.

SECTION 46. IC 5-10.2-5-29 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 29. (a) In addition to any other cost of living provided under this chapter, the pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after June 30, 1999, to a member of the public employees' retirement fund or the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund or the Indiana state teachers' retirement fund) who retired or was disabled before July 2, 1960, shall be increased by the amount necessary to ensure that the purchasing power (as determined by the PERF or TRF board **(as those boards existed before their dissolution on July 1, 2011),** based on changes in the consumer price index and postretirement increases to

the pension portion) of the member's pension portion is at least equal to fifty percent (50%) of the purchasing power of the member's pension portion at the time the member retired, as determined on July 1, 1999.

(b) The increases specified in this section:

(1) are based upon the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

SECTION 47. IC 5-10.2-5-30 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 30. (a) In addition to any other cost of living provided under this chapter, the pension portion (plus postretirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after June 30, 2000, to a member of the public employees' retirement fund or the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund or the Indiana state teachers' retirement fund) who retired or was disabled before July 2, 1975, shall be increased by the amount necessary to ensure that the purchasing power (as determined by the PERF or TRF board **(as those boards existed before their dissolution on July 1, 2011)**, based on changes in the consumer price index and postretirement increases to the pension portion) of the member's pension portion is at least equal to fifty-seven and four-tenths percent (57.4%) of the purchasing power of the member's pension portion at the time the member retired, as determined on July 1, 2000.

(b) The increases specified in this section:

(1) are based upon the date of the member's latest retirement or disability;

(2) do not apply to benefits payable in a lump sum; and

(3) are in addition to any other increase provided by law.

SECTION 48. IC 5-10.2-8-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. ~~Each~~ **The** board may elect to establish a voluntary supplemental retirement plan for political subdivisions. A plan established under this chapter shall be governed by Section 457 of the Internal Revenue Code. A plan established under this chapter shall be funded through employee salary deductions and may additionally have employer contributions, subject to the limits and provisions under Section 457 of the Internal Revenue Code.

SECTION 49. IC 5-10.2-9-6, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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 **(before July 1, 2011) or system** in connection with a divestment transaction.

SECTION 50. IC 5-10.2-9-7, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7. As used in this chapter, "direct holdings" means all securities of a company held directly by the **system on behalf of a** fund or in an account in which the **system on behalf of a** fund owns all shares or interests.

SECTION 51. IC 5-10.2-9-11, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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 **(before July 1, 2011) or system,** in which the fund **(before July 1, 2011) or system** owns shares or interests **on behalf of a fund** together with other investors not subject to this chapter.

SECTION 52. IC 5-10.2-9-17, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 17. As used in this chapter, "research firm" means a reputable, neutral third party research firm not controlled by the fund **(before July 1, 2011) or system.**

SECTION 53. IC 5-10.2-9-20.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 20.5. As used in this chapter, "system" refers to the Indiana public retirement system established by IC 5-10.5-2-1.**

SECTION 54. IC 5-10.2-9-21, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 21. (a) Not later than March 30, 2008, ~~each~~ **the** board shall make a good faith effort to identify all scrutinized companies in which ~~the~~ **a** 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~~ **the** 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~~ **the** board shall compile the names of all scrutinized companies into a scrutinized company list and indicate whether each scrutinized company has active or inactive business operations in Sudan.

(e) ~~Each~~ **The** 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).

SECTION 55. IC 5-10.2-9-22, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 22. After ~~a~~ **the** 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~~ **a** fund ~~administered by the board~~ has direct or indirect holdings.

SECTION 56. IC 5-10.2-9-23, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 23. (a) Each fund **(before July 1, 2011) or the board** shall send to each scrutinized company:

(1) that is identified under section 22 of this chapter as one in which ~~the~~ **a** 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 **(before July 1, 2011) or board** shall continue to correspond on a semiannual basis with scrutinized companies in which ~~the~~ **a** fund has direct or indirect holdings and that have only inactive business operations.

SECTION 57. IC 5-10.2-9-24, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 24. (a) Each fund **(before July 1, 2011) or the board** shall send to each scrutinized company:

(1) that is identified under section 22 of this chapter as one in which ~~the~~ **a** 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~~ **a** fund's holdings in the company may become subject to divestment by the fund **(before July 1, 2011) or system.**

(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 **(before July 1, 2011) or system** of ~~the~~ **a** fund's holdings in the company.

SECTION 58. IC 5-10.2-9-25, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 25. (a) If, within ninety (90) days after a fund's **(before July 1, 2011) or the system'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~~ **a** fund's scrutinized company list and the 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 **(before July 1, 2011) or the system** 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.

SECTION 59. IC 5-10.2-9-26, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 26. (a) Except as provided in sections 28 and 29 of this chapter, if, after ninety (90) days after a fund's **(before July 1, 2011) or the system's** first engagement with a company under section 24 of this chapter, the company continues to have scrutinized active business operations, the fund **(before July 1, 2011) or system** shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by ~~the~~ **a** fund, as follows:

(1) At least fifty percent (50%) of such assets shall be removed from ~~the~~ **a** 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~~ **a** 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. **If** a fund ~~that~~ has holdings in the company, **the fund (before July 1, 2011) or the system** 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 **(before July 1, 2011) or the system** 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~~ **The** board is not required to divest ~~the board's~~ **a fund'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 in the board's report submitted to the legislative council under section 31 of this chapter.

SECTION 60. IC 5-10.2-9-27, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 27. Except as provided in sections 28 and 29 of this chapter, a fund **(before July 1, 2011) or the system** shall not acquire **for a fund** securities of companies on the scrutinized company list that have active business operations.

SECTION 61. IC 5-10.2-9-29, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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 **(before July 1, 2011) or board** 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 **(before July 1, 2011) or board** shall replace all applicable investments with investments in the similar fund in a period consistent with prudent investing standards.

SECTION 62. IC 5-10.2-9-31, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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 **(before July 1, 2011) or board** 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.

SECTION 63. IC 5-10.2-9-33, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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 **(before July 1, 2011) or system** 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.

SECTION 64. IC 5-10.2-9-34, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 34. (a) Notwithstanding any provision to the contrary, the fund **(before July 1, 2011) or system** 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 **(before July 1, 2011) or the system on a fund's behalf** 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 **(before July 1, 2011) or the system on a fund's behalf,** 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 **(before July 1, 2011) or 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 in advance of any initial reinvestment. The report shall 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.

SECTION 65. IC 5-10.2-9-35, AS ADDED BY P.L.149-2007, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 35. (a) Both:

(1) the state and its officers, agents, and employees; and

(2) the fund **(before July 1, 2011) or system** 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~~ **a** 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 **(before July 1, 2011) or system;**

are entitled to indemnification from the fund **(before July 1, 2011) or system** 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.

SECTION 66. IC 5-10.2-10-6, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: 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 **(before July 1, 2011) or system** in connection with a divestment transaction.

SECTION 67. IC 5-10.2-10-7, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7. As used in this chapter, "direct holdings" means all securities of a company held directly by a fund **(before July 1, 2011) or the system on behalf of a fund** or in an account in which the fund **(before July 1, 2011) or the system on behalf of the fund** owns all shares or interests.

SECTION 68. IC 5-10.2-10-10, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 10. As used in this chapter, "indirect holdings" means all securities of a company that are:

(1) held in an account or a fund; and
(2) managed by one (1) or more persons:
(A) who are not employed by the fund **(before July 1, 2011) or system;** and
(B) in which the fund **(before July 1, 2011) or the system on behalf of the fund** owns shares or interests together with other investors not subject to this chapter.

SECTION 69. IC 5-10.2-10-16.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 16.5. As used in this chapter, "system" refers to the Indiana public retirement system established by IC 5-10.5-2-1.**

SECTION 70. IC 5-10.2-10-17, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 17. (a) Not later than March 30, 2010, ~~each~~ **the** board shall make a good faith effort to identify all scrutinized companies in which ~~the~~ **a** fund ~~administered by the board~~ has direct or

indirect holdings.

(b) In carrying out its responsibilities under subsection (a), ~~each~~ **the** 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 states that sponsor terror.

(2) Contact other institutional investors that have divested from or invest in companies with business operations in states that sponsor terror.

(3) Contact asset managers that are contracted by the fund and that invest in companies with business operations in states that sponsor terror.

(d) Not later than the first meeting of the board after March 30, 2010, ~~each~~ **the** board shall compile the names of all scrutinized companies into a scrutinized company list and indicate whether each scrutinized company has active or inactive business operations in a state sponsor of terror.

(e) ~~Each~~ **The** 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).

(f) If the Secretary of State of the United States determines that a country is a state sponsor of terror after June 30, 2009, ~~each~~ **the** board shall add any additional scrutinized company resulting from the Secretary of State's determination when ~~each~~ **the** board updates its scrutinized company list under subsection (e).

SECTION 71. IC 5-10.2-10-18, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 18. After ~~a~~ **the** board creates or updates the scrutinized company list under section 17 of this chapter, the board shall immediately identify the companies on the scrutinized company list in which ~~the~~ **a** fund ~~administered by the board~~ has direct or indirect holdings.

SECTION 72. IC 5-10.2-10-19, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 19. (a) Each fund **(before July 1, 2011) or the board** shall send to each scrutinized company:

(1) that is identified under section 18 of this chapter as one in which ~~the~~ **a** fund has direct or indirect holdings; and

(2) that has only inactive business operations;

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

(b) Each fund **(before July 1, 2011) or the board** shall continue to correspond on a semiannual basis with scrutinized companies:

(1) in which ~~the~~ **a** fund has direct or indirect holdings; and
(2) that have only inactive business operations.

SECTION 73. IC 5-10.2-10-20, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 20. (a) Each fund **(before July 1, 2011) or the board** shall send to each scrutinized company:

(1) that is identified under section 18 of this chapter as one in which ~~the~~ **a** 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~~ **a** fund's holdings in the company may become subject to divestment by the fund **(before July 1, 2011) or system.**

(b) A notice sent under this section must:

(1) offer the company the opportunity to clarify the company's state sponsor of terror related activities; and
(2) encourage the company to:
(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 **(before July 1, 2011) or system** of ~~the~~ **a** fund's holdings in the company;

not later than one hundred eighty (180) days after the date of the notice.

SECTION 74. IC 5-10.2-10-21, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 21. (a) If, within one hundred eighty (180) days after a fund **(before July 1, 2011) or the system** first sends written notice to a company under section 20 of this chapter, the company ceases scrutinized business operations, the company shall be removed from ~~the~~ **a** fund's scrutinized company list, and sections 22, 23, 24, and 25 of this chapter do not apply to the company unless the company resumes scrutinized business operations.

(b) If, within one hundred eighty (180) days after a fund **(before July 1, 2011) or the system** first sends written notice to a company under section 20 of this chapter, the company converts its scrutinized active business operations to inactive business operations, the company is subject to section 19 of this chapter.

SECTION 75. IC 5-10.2-10-22, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 22. (a) Except as provided in sections 24 and 25 of this chapter, if a company continues to have scrutinized active business operations one hundred eighty (180) days after a fund **(before July 1, 2011) or the system** first sends written notice to the company under section 20 of this chapter, the fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by ~~the~~ **a** fund, as follows:

(1) At least fifty percent (50%) of the securities shall be removed from ~~the~~ **a** fund's assets under management within three (3) years after the company's appearance on the scrutinized company list.

(2) At least seventy-five percent (75%) of the securities shall be removed from ~~the~~ **a** fund's assets under management within four (4) years after the company's appearance on the scrutinized company list.

(3) One hundred percent (100%) of the securities shall be removed from ~~the~~ **a** fund's assets under management within five (5) years after the company's appearance on the scrutinized company list.

(b) If a company that ceased scrutinized active business operations following engagement under section 20 of this chapter resumes scrutinized active business operations, the company shall immediately be placed on the scrutinized company list and shall remain on the scrutinized company list while the company continues to have active business operations. **If** a fund ~~that~~ has holdings in the company, **the fund (before July 1, 2011) or the system** shall send a written notice to the company as described in section 20 of this chapter indicating that the company has been placed on the scrutinized company list and is subject to divestment. The fund **(before July 1, 2011) or system** 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.

(c) ~~A~~ **The** 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 a state sponsor of terror 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 in the board's report submitted to the legislative council under section 26 of this chapter.

SECTION 76. IC 5-10.2-10-23, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 23. Except as provided in sections 24 and 25 of this chapter:

(1) before July 1, 2011, a fund shall not acquire; **and**

(2) after June 30, 2011, the system shall not acquire for a fund;

securities of companies on the scrutinized company list that have active business operations.

SECTION 77. IC 5-10.2-10-25.5, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 25.5. Notwithstanding any provision to the

contrary, sections 22 and 23 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 **(before July 1, 2011) or board** 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 **(before July 1, 2011) or board** shall replace all applicable investments with investments in the similar fund in a period consistent with prudent investing standards.

SECTION 78. IC 5-10.2-10-26, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 26. (a) On or before November 1, 2010, and thereafter as directed by the legislative council, ~~each~~ **the** board shall submit a report in an electronic format under IC 5-14-6 to the legislative council. Notwithstanding IC 5-14-6-4(b)(2), the submission of a report under this subsection to the executive director of the legislative services agency fulfills the board's requirement to send a copy of the report to each member of the general assembly using the member's senate or house of representatives electronic mail address.

(b) A report submitted by the board ~~of a fund~~ under this section must include at least the following information, as of the date of the report:

(1) A copy of the fund's scrutinized company list.

(2) A summary of correspondence between the ~~fund~~ **board** and companies under sections 19 and 20 of this chapter.

(3) All investments sold, redeemed, divested, or withdrawn by the ~~fund~~ **board** in compliance with section 22 of this chapter.

(4) All commingled funds that are exempted from divestment under section 22 of this chapter.

(5) All companies whose securities the ~~fund~~ **system** is prohibited from acquiring under section 23 of this chapter.

(6) Any progress made under section 21 of this chapter.

SECTION 79. IC 5-10.2-10-28, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 28. With respect to actions taken in compliance with this chapter, including all good faith determinations regarding companies on the scrutinized company list, a fund **(before July 1, 2011) or the system** is 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.

SECTION 80. IC 5-10.2-10-29, AS ADDED BY P.L.67-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

JULY 1, 2012]: Sec. 29. (a) Both:

(1) the state and its officers, agents, and employees; and

(2) each fund **(before July 1, 2011) or the system** 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~~ **a** 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 a fund **(before July 1, 2011) or the system;**

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.

SECTION 81. IC 5-10.3-7-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) This section does not apply to:

(1) members of the general assembly; or

(2) employees covered by section 3 of this chapter.

(b) An employee of the state or of a participating political subdivision who:

(1) became a full-time employee of the state or of a participating political subdivision in a covered position; and

(2) had not become a member of the fund;

before April 1, 1988, shall on April 1, 1988, become a member of the fund unless the employee is excluded from membership under section 2 of this chapter.

(c) Any individual who becomes a full-time employee of the state or of a participating political subdivision in a covered position after March 31, 1988, becomes a member of the fund on the date the individual's employment begins unless the individual is excluded from membership under section 2 of this chapter.

(d) For the purposes of this section, "employees of the state" includes:

(1) employees of the judicial circuits whose compensation is paid from state funds;

(2) elected and appointed state officers;

(3) prosecuting attorneys and deputy prosecuting attorneys of the judicial circuits, whose compensation is paid in whole or in part from state funds, including participants in the prosecuting attorneys retirement fund established under IC 33-39-7;

(4) employees in the classified service;

(5) employees of any state department, institution, board, commission, office, agency, court, or division of state government receiving state appropriations and having the authority to certify payrolls from appropriations or from a trust fund held by the

treasurer of state or by any department;

(6) employees of any state agency which is a body politic and corporate;

(7) **except as provided under IC 5-10.5-7-4,** employees of the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund;~~ **system;**

(8) persons who:

(A) are employed by the state;

(B) have been classified as federal employees by the Secretary of Agriculture of the United States; and

(C) are excluded from coverage as federal employees by the federal Social Security program under 42 U.S.C. 410;

(9) the directors and employees of county offices of family and children; and

(10) employees of the center for agricultural science and heritage (the barn).

SECTION 82. IC 5-10.3-7-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. The following employees may not be members of the fund:

(1) Officials of a political subdivision elected by vote of the people, unless the governing body specifically provides for the participation of locally elected officials.

(2) Employees occupying positions normally requiring performance of service of less than six hundred (600) hours during a year who:

(A) were hired before July 1, 1982; or

(B) are employed by a participating school corporation.

(3) Independent contractors or officers or employees paid wholly on a fee basis.

(4) Employees who occupy positions that are covered by other pension or retirement funds or plans, maintained in whole or in part by appropriations by the state or a political subdivision, except:

(A) the federal Social Security program; and

(B) the prosecuting attorneys retirement fund established by IC 33-39-7-9.

(5) Managers or employees of a license branch of the bureau of motor vehicles commission, except those persons who may be included as members under IC 9-16-4.

(6) Employees, except employees of a participating school corporation, hired after June 30, 1982, occupying positions normally requiring performance of service of less than one thousand (1,000) hours during a year.

(7) Persons who:

(A) are employed by the state;

(B) have been classified as federal employees by the Secretary

of Agriculture of the United States; and

(C) are covered by the federal Social Security program as federal employees under 42 U.S.C. 410.

(8) Members and employees of the state lottery commission.

(9) An employee of the state who makes an election under IC 5-10.3-12-20 to become a member of the public employees' defined contribution plan established by IC 5-10.3-12-18.

SECTION 83. IC 5-10.3-8-14, AS AMENDED BY P.L.44-2007, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 14. (a) This section applies to employees of the state (as defined in IC 5-10.3-7-1(d)) who are members of the fund.

(b) The board shall adopt provisions to establish a retirement medical benefits account within the fund under Section 401(h) or as a separate fund under another applicable section of the Internal Revenue Code for the purpose of converting unused excess accrued leave to a monetary contribution for an employee of the state to fund on a pretax basis benefits for sickness, accident, hospitalization, and medical expenses for the employee and the spouse and dependents of the employee after the employee's retirement. The state may match all or a portion of an employee's contributions to the retirement medical benefits account established under this section.

(c) The board is the trustee of the account described in subsection (b). The account must be qualified, as determined by the Internal Revenue Service, as a separate account within the fund whose benefits are subordinate to the retirement benefits provided by the fund.

(d) The board may adopt rules under ~~IC 5-10.3-3-8~~ **IC 5-10.5-4-2** that it considers appropriate or necessary to implement this section after consulting with the state personnel department. The rules adopted by the board under this section must:

(1) be consistent with the federal and state law that applies to:

(A) the account described in subsection (b); and

(B) the fund; and

(2) include provisions concerning:

(A) the type and amount of leave that may be converted to a monetary contribution;

(B) the conversion formula for valuing any leave that is converted;

(C) the manner of employee selection of leave conversion; and

(D) the vesting schedule for any leave that is converted.

(e) The board may adopt the following:

(1) Account provisions governing:

(A) the investment of amounts in the account; and

(B) the accounting for converted leave.

(2) Any other provisions that are necessary or appropriate for operation of the account.

(f) The account described in subsection (b) may be implemented

only if the board has received from the Internal Revenue Service any rulings or determination letters that the board considers necessary or appropriate.

(g) To the extent allowed by:

(1) the Internal Revenue Code; and

(2) rules adopted by:

(A) the board under this section; and

(B) the state personnel department under IC 5-10-1.1-7.5;

employees of the state may convert unused excess accrued leave to a monetary contribution under this section and under IC 5-10-1.1-7.5.

(h) To the extent allowed by the Internal Revenue Code, the account described in subsection (b) must include provisions that:

(1) require an employee of the state to convert to a monetary contribution to the account at retirement the balance, but not more than thirty (30) days, of unused vacation leave for which the state would otherwise pay an employee in good standing at separation from service (as determined by state personnel department rule); and

(2) allow the state to contribute to the account on the employee's behalf an amount not to exceed two (2) times the amount of the employee's contribution under subdivision (1).

SECTION 84. IC 5-10.3-11-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. The state board shall:

(1) make payments from the pension relief fund;

(2) administer the pension relief fund in accordance with the powers and duties granted it in ~~IC 5-10.3-3-7, IC 5-10.3-3-8, and~~ IC 5-10.3-5-3 through IC 5-10.3-5-6, **IC 5-10.5-4, and IC 5-10.5-6;** and

(3) provide by rule and regulation for the implementation of this chapter.

SECTION 85. IC 5-10.3-12-21, AS ADDED BY P.L.22-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 21. (a) The plan consists of the following:

(1) Each member's contributions to the plan under section 23 of this chapter.

(2) Contributions made by an employer to the plan on behalf of each member under section 24 of this chapter.

(3) Rollovers to the plan by a member under section 29 of this chapter.

(4) All earnings on investments or deposits of the plan.

(5) 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. A member's account consists of two (2) subaccounts credited individually as follows:

(1) The member contribution subaccount consists of:
(A) the member's contributions to the plan under section 23 of this chapter; and
(B) the net earnings on the contributions described in clause (A) as determined under section 22 of this chapter.
(2) The employer contribution subaccount consists of:
(A) the employer's contributions made on behalf of the member to the plan under section 24 of this chapter; and
(B) the earnings on the contributions described in clause (A) as determined under section 22 of this chapter.

The board may combine the two **(2)** subaccounts established under this subsection into a single account, if the board determines that a single account is administratively appropriate and permissible under applicable law.

(c) If a member makes rollover contributions under section ~~30~~ **29** of this chapter, the plan shall establish a rollover account as a separate subaccount within the member's account.

SECTION 86. IC 5-10.4-1-6, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. "Director" refers to the ~~chief administrative officer of the fund.~~ **director of the Indiana public retirement system established by IC 5-10.5-2-1.**

SECTION 87. IC 5-10.4-1-16, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 16. "Trustee" means a member of the board. ~~of the fund.~~

SECTION 88. IC 5-10.4-2-3, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3. **(a)** The board shall:

(1) prorate the expenses of administration of the fund ~~and the bond of the director~~ between the retirement allowance accounts; and
(2) pay the prorated expenses from those accounts.

(b) The board shall pay the expenses for the administration of the system as provided in IC 5-10.5-6-5.

SECTION 89. IC 5-10.4-2-5, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 5. (a) The pension stabilization fund is established. The pension stabilization fund is a part of the pre-1996 account and shall be administered by the board in accordance with the powers and duties granted to the board by ~~IC 5-10.4-3-6, IC 5-10.4-3-8, and~~ IC 5-10.4-3-10 through IC 5-10.4-3-14, **IC 5-10.5-4, and IC 5-10.5-6.**

(b) The following shall be deposited in the pension stabilization fund:

(1) Amounts allocated to the pension stabilization fund under

IC 4-30-16-3.

(2) A part of the employer reserve balance as determined by the budget director so that the employer reserve is sufficient for the cash flow needs.

(3) Other amounts appropriated to the pension stabilization fund by the general assembly.

(c) Payments from the pension stabilization fund must equal the pre-1996 account liabilities for the current fiscal year minus the prior year's state general fund payments for the pre-1996 account multiplied by the pension stabilization percentage set forth in subsection (d).

(d) The pension stabilization percentage is one hundred six percent (106%). The budget agency, after review by the budget committee and with the approval of the governor, may change the pension stabilization percentage so that the present value of future payments from the fund equal the fund's balance plus the present value of future receipts to the fund, but the payments may not allow the fund balance to be negative.

(e) Money in the pension stabilization fund at the end of a state fiscal year does not revert to the state general fund.

SECTION 90. IC 5-11-19-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) All powers, duties, liabilities, records, property, and employees of the field examiners retirement board (referred to as FERF in this chapter) are transferred to the board of trustees of the public employees' retirement fund (referred to as PERF in this chapter) **(as the board existed before its abolishment on July 1, 2011)** as the successor agency. The assets of FERF are transferred to PERF.

(b) Rules of the FERF board of trustees filed with the secretary of state before July 1, 1986, shall be treated after June 30, 1986, as though they had been adopted by the PERF board of trustees **(as the board existed before its abolishment on July 1, 2011).**

SECTION 91. IC 5-11-19-2, AS AMENDED BY P.L.1-2009, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) After June 30, 1986, field examiners and other employees of the state board of accounts shall be included as members of PERF and shall be treated as though they were members of PERF during their employment with the state board of accounts. Creditable service that was properly allowed by the FERF board of trustees as of June 30, 1986, shall be recognized by the ~~PERF~~ board of trustees **of the Indiana public retirement system** as creditable service.

(b) Notwithstanding subsection (a), the members of FERF who were members on April 1, 1967, are entitled to receive retirement, survivor, disability, and all other benefits as provided by IC 5-11-15-13 (repealed) before July 1, 1986.

SECTION 92. IC 5-13-5-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 5. (a) The fiscal body

of any political subdivision may by ordinance or resolution authorize the proper legal officers of the political subdivision to transact the political subdivision's business with a financial institution or a **public pension or** retirement fund administered by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** through the use of electronic funds transfer.

(b) The ordinance or resolution must:

(1) specify the types of transactions that may be conducted by electronic funds transfer; and

(2) require the proper officers to maintain adequate documentation of the transactions so that they may be audited as provided by law.

SECTION 93. IC 5-13-12-4, AS AMENDED BY P.L.115-2010, SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) The secretary-investment manager shall administer, manage, and direct the affairs and activities of the board under the policies and under the control and direction of the board. In carrying out these duties, the secretary-investment manager has the power to do the following:

(1) Approve all accounts for salaries and allowable expenses of the board, including, but not limited to:

(A) the employment of general or special attorneys, consultants, and employees and agents as may be necessary to assist the secretary-investment manager in carrying out the duties of that office and to assist the board in its consideration of applications for a guarantee of an industrial development obligation or credit enhancement obligation guarantee; and

(B) the setting of compensation of persons employed under clause (A).

(2) Approve all expenses incidental to the operation of the public deposit insurance fund.

(3) Perform other duties and functions that may be delegated to the secretary-investment manager by the board or that are necessary to carry out the duties of the secretary-investment manager under this chapter.

(b) The secretary-investment manager shall keep a record of the proceedings of the board, and shall maintain and be custodian of all books, documents, and papers filed with the board, and its official seal. The secretary-investment manager may make copies of all minutes and other records and documents of the board, and may give certificates under seal of the board to the effect that the copies are true copies. All persons dealing with the board may rely upon the certificates.

(c) Each year, beginning in 2001 and ending in 2021, after the treasurer of state prepares the annual report required by IC 4-8.1-2-14, the secretary-investment manager shall determine:

(1) the amount of interest earned by the public deposit insurance

fund during the state fiscal year ending on the preceding June 30, after deducting:

(A) all expenses and other costs of the board for depositories that were not paid from other sources during that state fiscal year; and

(B) all expenses and other costs associated with the Indiana education savings authority that were not paid from other sources during that state fiscal year; and

(2) the amount of interest earned during the state fiscal year ending on the preceding June 30 by the pension distribution fund established by subsection (e).

(d) Subject to subsection (g), on or before the last business day of December of each year, beginning in 2001 and ending in 2021, the secretary-investment manager shall provide to the auditor of state a check payable from the public deposit insurance fund to the pension distribution fund established by subsection (e) in an amount equal to the amount determined under subsection (c)(1).

(e) The pension distribution fund is established. The pension distribution fund shall be administered by the treasurer of state. The treasurer of state shall invest money in the pension distribution fund not currently needed to meet the obligations of the pension distribution fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the pension distribution fund. Money in the pension distribution fund at the end of a state fiscal year does not revert to the state general fund.

(f) Subject to subsection (g), before June 30 and after June 30 and before October 1 of each year, beginning in 2002 and ending in 2022, the auditor of state shall distribute in two (2) equal installments from the pension distribution fund to the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** for deposit in the pension relief fund, established by IC 5-10.3-11-1, the following:

(1) The amount determined under subsection (c)(2).

(2) The amount deposited in the pension distribution fund in December of the preceding year under subsection (d).

The installments shall be used for distributions to units of local government under IC 5-10.3-11-4.7.

(g) Before providing a check to the auditor of state under subsection (d) in December of any year, the secretary-investment manager shall determine:

(1) the total amount of payments made from the public deposit insurance fund under IC 5-13-13-3 after June 30, 2001;

(2) the total amount of payments received by the board for depositories and deposited in the public deposit insurance fund under IC 5-13-13-3 after June 30, 2001; and

(3) the total amount of interest earned by the public deposit insurance fund after the first of the payments described in

subdivision (1).

If the total amount of payments determined under subdivision (1) less the total amount of payments determined under subdivision (2) (referred to in this subsection as the "net draw on the fund") exceeds ten million dollars ($10,000,000) and also exceeds the total amount of interest determined under subdivision (3), the secretary-investment manager may not provide a check to the auditor of state under subsection (d) and a distribution may not be made from the pension distribution fund under subsection (f) in the following calendar year until the total amount of interest earned by the public deposit insurance fund equals the net draw on the fund. A check may not be provided under subsection (d) and a distribution may not be made under subsection (d) in any subsequent calendar year if a study conducted by the board under section 7(b) of this chapter demonstrates that payment of the distribution would reduce the balance of the public deposit insurance fund to a level insufficient to ensure the safekeeping and prompt payment of public funds to the extent they are not covered by insurance of any federal deposit insurance agency.

SECTION 94. IC 7.1-4-11-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. The sums realized from the collection of the biennial license fees imposed by IC 7.1-4-4.1-3 shall be paid first, and are hereby appropriated, to the state excise police, **gaming agent, gaming control officer, and conservation enforcement officers'** retirement ~~fund.~~ **plan established by IC 5-10-5.5-2 (retirement plan).** The board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** shall determine the amount to be appropriated. The amount to be appropriated shall be sufficient, when added to the funds already held by the retirement ~~fund,~~ **plan,** for the payment of benefits to enforcement officers to pay the aggregate liability of the retirement ~~fund~~ **plan** for the payment of benefits and administration costs to the end of the fiscal year. The appropriation of funds shall be credited to the ~~state excise police~~ retirement ~~fund~~ **plan** in equal installments at the end of each month during each fiscal year.

SECTION 95. IC 8-1-13.1-10, AS ADDED BY P.L.151-2009, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 10. (a) The alternative energy incentive fund is established for the purpose of providing funds to corporations for use in the development of alternative energy projects. The fund shall be administered by the office.

(b) The fund consists of:

(1) money appropriated to the fund by the general assembly;

(2) money received from state or federal grants or programs for alternative energy projects; and

(3) donations, gifts, and money received from any other source, including transfers from other funds or accounts.

(c) Money in the fund is continuously appropriated for the purposes of this section.

(d) Money in the fund may be spent only in accordance with this chapter and to carry out the purposes of this chapter.

(e) The expenses of administering the fund shall be paid from money in the fund.

(f) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees~~ retirement ~~fund~~ **system** under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisers, and legal counsel to assist in the investment of the fund and may pay the expenses incurred under those contracts from the fund. Interest that accrues from these investments shall be deposited in the fund.

(g) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

SECTION 96. IC 8-14-14-5, AS AMENDED BY P.L.203-2007, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 5. (a) The major moves construction fund is established for the purpose of:

(1) funding projects, other than passenger or freight railroad systems as described in IC 8-15.7-2-14(a)(4), under IC 8-15.7 or IC 8-15-3;

(2) funding other projects in the department's transportation plan; and

(3) funding distributions under sections 6 and 7 of this chapter.

(b) The fund shall be administered by the department.

(c) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** under IC 5-10.3-5. However, the treasurer of state may not invest the money in the fund in equity securities. The treasurer of state may contract with investment management professionals, investment advisors, and legal counsel to assist in the investment of the fund and may pay the state expenses incurred under those contracts from the fund. Interest that accrues from these investments shall be deposited in the fund.

(d) The fund consists of the following:

(1) Distributions to the fund from the toll road fund under IC 8-15.5-11.

(2) Distributions to the fund from the next generation trust fund under IC 8-14-15.

(3) Appropriations to the fund.

(4) Gifts, grants, loans, bond proceeds, and other money received for deposit in the fund.

(5) Revenues arising from:
(A) a tollway under IC 8-15-3 or IC 8-23-7-22; or
(B) a toll road under IC 8-15-2 or IC 8-23-7-23;
that the department designates as part of, and deposits in, the fund.
(6) Payments, other than payments for passenger or freight railroad systems as described in IC 8-15.7-2-14(a)(4), made to the authority or the department from operators under IC 8-15.7.
(7) Interest, premiums, or other earnings on the fund.

(e) The fund is considered a trust fund for purposes of IC 4-9.1-1-7. Money may not be transferred, assigned, or otherwise removed from the fund by the state board of finance, the budget agency, or any other state agency.

(f) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

(g) Money in the fund must be appropriated by the general assembly to be available for expenditure.

SECTION 97. IC 8-14-14-8, AS ADDED BY P.L.47-2006, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8. (a) The total amount of distributions from the fund for projects or purposes that benefit a county traversed by the Indiana Toll Road may not be less than thirty-four percent (34%) of:
(1) the money that is transferred to the fund from the toll road fund under IC 8-15.5-11; plus
(2) the amount initially set aside in the administration account of the toll road fund to establish an escrow account to implement a written agreement entered into under IC 8-15.5-7-6 to fund reductions in, or refunds of, user fees imposed on Class 2 vehicles.

(b) The budget agency shall determine the amount of distributions required by this section. In making the determination, the budget agency shall include the following amounts:
(1) Amounts distributed to counties traversed by the Indiana Toll Road under section 6(a)(1) of this chapter.
(2) Money distributed to the northwest Indiana regional development authority under this chapter.
(3) Money distributed under section 6(a)(3) of this chapter.
(4) Projects carried out by the department in counties traversed by the Indiana Toll Road and funded with money distributed under section 6(a)(4) of this chapter.
(5) The amount initially set aside in the administration account of the toll road fund to establish an escrow account to implement a written agreement entered into under IC 8-15.5-7-6 to fund reductions in, or refunds of, user fees imposed on Class 2 vehicles.
(6) Money transferred to the administration account of the toll

road fund under section 6(a)(5) of this chapter.

(7) Payments to the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** required by section 6(a)(6) of this chapter.

SECTION 98. IC 8-14-15-8, AS ADDED BY P.L.47-2006, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8. (a) The trustee shall:

(1) administer and manage the trust;

(2) invest the money in the trust; and

(3) deposit in the trust any interest that accrues from the investment of these funds.

(b) Notwithstanding IC 5-13, the trustee shall invest the money in the trust not currently needed to meet the obligations of the trust in the same manner as money is invested by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** under IC 5-10.3-5. However, the trustee may not invest the money in the trust in equity securities. The trustee shall also comply with the prudent investor rule set forth in IC 30-4-3.5. The trustee may contract with investment management professionals, investment advisors, and legal counsel to assist in the investment of the trust and may pay the state expenses incurred under those contracts from the trust.

(c) IC 4-9.1-1-8 and IC 4-9.1-1-9 do not apply to a trust established under this chapter.

(d) Money in the trust at the end of a state fiscal year does not revert to the state general fund.

SECTION 99. IC 8-14-17-4, AS ADDED BY P.L.203-2007, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) The alternative transportation construction fund is established for the purpose of:

(1) funding projects under IC 8-15.7 for passenger and freight railroad systems as described in IC 8-15.7-2-14(a)(4); and

(2) funding distributions under section 5 of this chapter.

(b) The fund shall be administered by the department.

(c) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** under IC 5-10.3-5. However, the treasurer of state may not invest the money in the fund in equity securities. The treasurer of state may contract with investment management professionals, investment advisers, and legal counsel to assist in the investment of the fund and may pay the state expenses incurred under those contracts from the fund. Interest that accrues from these investments shall be deposited in the fund.

(d) The fund consists of the following:

(1) Appropriations to the fund.

(2) Gifts, grants, loans, bond proceeds, and other money received for deposit in the fund.

(3) Payments made to the authority or the department from operators under IC 8-15.7 concerning passenger and freight railroad systems as described in IC 8-15.7-2-14(a)(4).

(4) Interest, premiums, or other earnings on the fund.

(e) The fund is considered a trust fund for purposes of IC 4-9.1-1-7. Money may not be transferred, assigned, or otherwise removed from the fund by the state board of finance, the budget agency, or any other state agency.

(f) Money in the fund at the end of a state fiscal year does not revert to the state general fund.

(g) Money in the fund must be appropriated by the general assembly to be available for expenditure.

SECTION 100. IC 15-11-10-3, AS ADDED BY P.L.2-2008, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3. (a) The tobacco farmers and rural community impact fund is established. The fund shall be administered by the director. The fund consists of:

(1) amounts, if any, that another statute requires to be distributed to the fund from the Indiana tobacco master settlement agreement fund;

(2) appropriations to the fund from other sources;

(3) grants, gifts, and donations intended for deposit in the fund; and

(4) interest that accrues from money in the fund.

(b) The expenses of administering the fund shall be paid from money in the fund.

(c) Notwithstanding IC 5-13, the treasurer of state shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as money is invested by the **Indiana** public ~~employees~~ retirement ~~fund~~ **system** under IC 5-10.3-5. The treasurer of state may contract with investment management professionals, investment advisers, and legal counsel to assist in the management of the fund and may pay the state expenses incurred under those contracts.

(d) Money in the fund at the end of the state fiscal year does not revert to the state general fund and remains available for expenditure.

SECTION 101. IC 16-22-3-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 11. A governing board may do the following:

(1) Adopt an employee benefit program that may include a vacation policy and employee discounts.

(2) Authorize expenditure of hospital funds for payment of advertising and placement fees for personnel and physicians.

(3) Expend hospital funds in an amount not to exceed one-half percent (0.5%) of hospital revenues for the preceding calendar year for a program that directly contributes to the productivity or morale of personnel, volunteers, or physicians. However, this

subdivision does not apply to:

(A) an employee benefit program under subdivision (1); or

(B) an employee compensation arrangement, including a productivity bonus.

(4) Adopt a plan that provides for hospital employee sickness or accident disability and contract for and purchase insurance plans from an insurance company licensed to transact business in Indiana.

(5) Contract for and purchase adequate pension and retirement plans for hospital personnel from the **Indiana** public ~~employees'~~ retirement ~~fund of Indiana~~ **system** or from any company authorized to do such business in Indiana.

(6) Enter into deferred compensation agreements with employees and other contractual personnel and fund deferred obligations by contracting with insurance companies licensed to transact business in Indiana.

(7) Expend hospital funds to pay dues of the executive director and department heads for memberships in local, state, or national hospital or professional associations or organizations that the board determines are of direct benefit to the hospital.

(8) Establish and operate employee registries for part-time or temporary hospital employees.

(9) Pay a part or all of the costs of these plans out of hospital funds.

(10) Expend hospital funds for reasonable expenses incurred by persons and their spouses who are interviewed for employment or for medical staff appointment and for reasonable moving expenses for the persons and their spouses if employed or appointed to the hospital medical staff.

(11) Expend hospital funds, advance tuition payments, or establish a tuition refund program for the education or professional improvement of nurses and other professional or technical employees of the hospital for inservice training and attending seminars or other special courses of instruction when the board determines that the expenditures directly benefit the hospital.

(12) Conduct business in a state adjacent to Indiana.

SECTION 102. IC 20-24-6-7, AS AMENDED BY P.L.234-2007, SECTION 226, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7. (a) A charter school may participate in any of the following:

(1) The Indiana state teachers' retirement fund in accordance with IC 5-10.4.

(2) The public employees' retirement fund in accordance with IC 5-10.3.

(3) Another employee pension or retirement fund.

(b) Except as provided in subsection (e), a person who teaches in a charter school is a member of the Indiana state teachers' retirement fund. Service in a charter school is creditable service for purposes of IC 5-10.4.

(c) Except as provided in subsection (e), a person who:

(1) is a local school employee of a charter school; and

(2) is not eligible to participate in the Indiana state teachers' retirement fund;

is a member of the public employees' retirement fund.

(d) The ~~boards of the Indiana state teachers' retirement fund and~~ **board of trustees of** the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** shall implement this section through the organizer of the charter school, subject to and conditioned upon receiving any approvals ~~either~~ **the** board considers appropriate from the Internal Revenue Service and the United States Department of Labor.

(e) Charter school employees may participate in a private pension or retirement program, if the organizer of the charter school offers the opportunity to participate in the program.

SECTION 103. IC 20-26-4-1, AS ADDED BY P.L.1-2005, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. (a) As used in this section, "electronic funds transfer" means a transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, that is initiated through an electronic terminal, telephone, or computer or magnetic tape to order, instruct, or authorize a financial institution to debit or credit an account.

(b) The governing body of each school corporation shall organize by electing:

(1) a president;

(2) a vice president; and

(3) a secretary;

each of whom is a different member, not more than fifteen (15) days after the commencement date of the members' terms of office, as provided in section 4 of this chapter.

(c) A governing body shall, at the time that officers are elected under subsection (b), appoint a treasurer of the governing body and of the school corporation who is a person, other than the superintendent of schools, who is not a member of the governing body. The treasurer may, with the approval of the governing body, appoint a deputy who must be a person, other than the superintendent of schools, who is not a member of the governing body and who has the same powers and duties as the treasurer, or lesser duties as provided by the governing body by rule.

(d) The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. The treasurer shall:

(1) issue a receipt for money received by the treasurer;
(2) deposit money described in subdivision (1) in accordance with the laws governing the deposit of public funds; and
(3) issue all warrants in payment of expenses lawfully incurred on behalf of the school corporation. However, except as otherwise provided by law, warrants described in this subdivision must be issued only after proper allowance or approval by the governing body. The governing body may not require an allowance or approval for amounts lawfully due in payment of indebtedness or payments due the state, the United States government, or agencies and instrumentalities of the state or the United States government.

A verification, other than a properly itemized invoice, may not be required for any claim of one hundred dollars ($100) or less. A claim that exceeds one hundred dollars ($100) is sufficient as to form if the bill or statement for the claim has printed or stamped on the face of the bill or statement a verification of the bill or statement in language approved by the state board of accounts.

(e) Notwithstanding subsection (d), a treasurer may transact school corporation financial business with a financial institution or a public retirement fund through the use of electronic funds transfer. The treasurer must provide adequate documentation to the governing body of transfers made under this subsection. This subsection applies only to agreements for joint investment of money under IC 5-13-9 and to payments to **the Indiana public retirement system for:**
(1) the Indiana state teachers' retirement fund; or
(2) the public employees' retirement fund;
from participating employers.

(f) A treasurer is not personally liable for an act or omission occurring in connection with the performance of the duties set forth in this section, unless the act or omission constitutes gross negligence or an intentional disregard of the treasurer's duties.

(g) A governing body may establish the position of executive secretary to the governing body. The executive secretary:
(1) must be an employee of the school corporation;
(2) may not be a member of the governing body; and
(3) must be appointed by the governing body upon the recommendation of the superintendent of the school corporation.

The governing body shall determine the duties of the executive secretary, which may include all or part of the duties of the secretary of the board.

SECTION 104. IC 33-38-6-23, AS AMENDED BY P.L.13-2011, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 23. (a) The board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system (system)** shall administer the fund, which may be commingled **for investment purposes** with ~~the public employees' retirement fund~~ **any public pension and retirement fund**

administered by the system. ~~for investment purposes.~~

(b) The board shall do the following:

(1) Determine eligibility for and make payments of benefits under IC 33-38-7 and IC 33-38-8.

(2) In accordance with the powers and duties granted it in ~~IC 5-10.3-3-7,~~ IC 5-10.3-3-7.1, ~~IC 5-10.3-3-8, and~~ IC 5-10.3-5-3 through IC 5-10.3-5-6, **IC 5-10.5-4, and IC 5-10.5-6,** administer the fund.

(3) Provide by rule for the implementation of this chapter and IC 33-38-7 and IC 33-38-8.

(4) Authorize deposits.

(c) A determination by the board may be appealed under the procedures in IC 4-21.5.

(d) The powers and duties of:

(1) the director and the actuary of the board; and

(2) the attorney general;

with respect to the fund are those specified in IC 5-10.3-3, ~~and~~ IC 5-10.3-4, **IC 5-10.5-4, and IC 5-10.5-6.**

(e) The board may hire additional personnel, including hearing officers, to assist it in the implementation of this chapter.

(f) Fund records of individual participants and participants' information are confidential, except for the name and years of service of a fund participant.

SECTION 105. IC 33-38-6.9-1, AS ADDED BY P.L.220-2011, SECTION 541, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1. As used in this chapter, "board" refers to the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund.~~ **system.**

SECTION 106. IC 33-39-7-11, AS AMENDED BY P.L.13-2011, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 11. (a) The board shall administer the fund, which may be commingled with **any public pension and retirement fund administered by** the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** for investment purposes.

(b) The board shall do the following:

(1) Determine eligibility for and make payments of benefits under this chapter.

(2) In accordance with the powers and duties granted the board in ~~IC 5-10.3-3-7,~~ IC 5-10.3-3-7.1, ~~IC 5-10.3-3-8, and~~ IC 5-10.3-5-3 through IC 5-10.3-5-6, **IC 5-10.5-4, and IC 5-10.5-6,** administer the fund.

(3) Provide by rule for the implementation of this chapter.

(4) Authorize deposits.

(c) A determination by the board may be appealed under IC 4-21.5.

(d) The powers and duties of:

(1) the director and the actuary of the board; and

(2) the attorney general;

with respect to the fund are those specified in IC 5-10.3-3, ~~and~~ IC 5-10.3-4, **IC 5-10.5-4, and IC 5-10.5-6.**

(e) The board may hire additional personnel, including hearing officers, to assist in the implementation of this chapter.

(f) Fund records of individual participants and participants' information are confidential, except for the name and years of service of a fund participant.

SECTION 107. IC 34-13-3-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 20. (a) A political subdivision may purchase insurance to cover the liability of itself or its employees, including a member of a board, a committee, a commission, an authority, or another instrumentality of a governmental entity. Any liability insurance so purchased shall be purchased by invitation to and negotiation with providers of insurance and may be purchased with other types of insurance. If such a policy is purchased, the terms of the policy govern the rights and obligations of the political subdivision and the insurer with respect to the investigation, settlement, and defense of claims or suits brought against the political subdivision or its employees covered by the policy. However, the insurer may not enter into a settlement for an amount that exceeds the insurance coverage without the approval of the mayor, if the claim or suit is against a city, or the governing body of any other political subdivision, if the claim or suit is against such political subdivision.

(b) The state may not purchase insurance to cover the liability of the state or its employees. This subsection does not prohibit any of the following:

(1) The requiring of contractors to carry insurance.

(2) The purchase of insurance to cover losses occurring on real property owned by:

(A) the **Indiana** public ~~employees'~~ retirement ~~fund or the Indiana state teachers' retirement fund.~~ **system; or**

(B) a public pension and retirement fund administered by the Indiana public retirement system.

(3) The purchase of insurance by a separate body corporate and politic to cover the liability of itself or its employees.

(4) The purchase of casualty and liability insurance for foster parents (as defined in IC 27-1-30-4) on a group basis.

SECTION 108. IC 35-33-8-3.2, AS AMENDED BY P.L.94-2010, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3.2. (a) A court may admit a defendant to bail and impose any of the following conditions to assure the defendant's appearance at any stage of the legal proceedings, or, upon a showing of clear and convincing evidence that the defendant poses a risk of physical danger to another person or the community, to assure the public's physical safety:

(1) Require the defendant to:
(A) execute a bail bond with sufficient solvent sureties;
(B) deposit cash or securities in an amount equal to the bail;
(C) execute a bond secured by real estate in the county, where thirty-three hundredths (0.33) of the true tax value less encumbrances is at least equal to the amount of the bail;
(D) post a real estate bond; or
(E) perform any combination of the requirements described in clauses (A) through (D).

If the court requires the defendant to deposit cash or cash and another form of security as bail, the court may require the defendant and each person who makes the deposit on behalf of the defendant to execute an agreement that allows the court to retain all or a part of the cash to pay publicly paid costs of representation and fines, costs, fees, and restitution that the court may order the defendant to pay if the defendant is convicted. The defendant must also pay the fee required by subsection (d).

(2) Require the defendant to execute:
(A) a bail bond by depositing cash or securities with the clerk of the court in an amount not less than ten percent (10%) of the bail; and
(B) an agreement that allows the court to retain all or a part of the cash or securities to pay fines, costs, fees, and restitution that the court may order the defendant to pay if the defendant is convicted.

A portion of the deposit, not to exceed ten percent (10%) of the monetary value of the deposit or fifty dollars ($50), whichever is the lesser amount, may be retained as an administrative fee. The clerk shall also retain from the deposit under this subdivision fines, costs, fees, and restitution as ordered by the court, publicly paid costs of representation that shall be disposed of in accordance with subsection (b), and the fee required by subsection (d). In the event of the posting of a real estate bond, the bond shall be used only to insure the presence of the defendant at any stage of the legal proceedings, but shall not be foreclosed for the payment of fines, costs, fees, or restitution. The individual posting bail for the defendant or the defendant admitted to bail under this subdivision must be notified by the sheriff, court, or clerk that the defendant's deposit may be forfeited under section 7 of this chapter or retained under subsection (b).

(3) Impose reasonable restrictions on the activities, movements, associations, and residence of the defendant during the period of release.

(4) Except as provided in section 3.6 of this chapter, require the defendant to refrain from any direct or indirect contact with an

individual and, if the defendant has been charged with an offense under IC 35-46-3, any animal belonging to the individual, including if the defendant has not been released from lawful detention.

(5) Place the defendant under the reasonable supervision of a probation officer, pretrial services agency, or other appropriate public official. If the court places the defendant under the supervision of a probation officer or pretrial services agency, the court shall determine whether the defendant must pay the pretrial services fee under section 3.3 of this chapter.

(6) Release the defendant into the care of a qualified person or organization responsible for supervising the defendant and assisting the defendant in appearing in court. The supervisor shall maintain reasonable contact with the defendant in order to assist the defendant in making arrangements to appear in court and, where appropriate, shall accompany the defendant to court. The supervisor need not be financially responsible for the defendant.

(7) Release the defendant on personal recognizance unless:

(A) the state presents evidence relevant to a risk by the defendant:

(i) of nonappearance; or

(ii) to the physical safety of the public; and

(B) the court finds by a preponderance of the evidence that the risk exists.

(8) Require a defendant charged with an offense under IC 35-46-3 to refrain from owning, harboring, or training an animal.

(9) Impose any other reasonable restrictions designed to assure the defendant's presence in court or the physical safety of another person or the community.

(b) Within thirty (30) days after disposition of the charges against the defendant, the court that admitted the defendant to bail shall order the clerk to remit the amount of the deposit remaining under subsection (a)(2) to the defendant. The portion of the deposit that is not remitted to the defendant shall be deposited by the clerk in the supplemental public defender services fund established under IC 33-40-3.

(c) For purposes of subsection (b), "disposition" occurs when the indictment or information is dismissed or the defendant is acquitted or convicted of the charges.

(d) Except as provided in subsection (e), the clerk of the court shall:

(1) collect a fee of five dollars ($5) from each bond or deposit required under subsection (a)(1); and

(2) retain a fee of five dollars ($5) from each deposit under subsection (a)(2).

The clerk of the court shall semiannually remit the fees collected under this subsection to the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** for deposit in the special death

benefit fund. The fee required by subdivision (2) is in addition to the administrative fee retained under subsection (a)(2).

(e) With the approval of the clerk of the court, the county sheriff may collect the bail posted under this section. The county sheriff shall remit the bail to the clerk of the court by the following business day and remit monthly the five dollar ($5) special death benefit fee to the county auditor.

(f) When a court imposes a condition of bail described in subsection (a)(4):

(1) the clerk of the court shall comply with IC 5-2-9; and

(2) the prosecuting attorney shall file a confidential form prescribed or approved by the division of state court administration with the clerk.

SECTION 109. IC 36-8-3.2-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. A person who is an applicant to become a firefighter or police officer must, before being hired, be certified by the local board to the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund (PERF)~~ **system** as having passed the minimum agility and aptitude tests outlined in this chapter.

SECTION 110. IC 36-8-5-2, AS AMENDED BY P.L.130-2008, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2. (a) The police chief or fire chief may be granted a leave of absence by the authority who appointed the police chief or fire chief. This appointing authority may also grant a leave of absence to any other full-time, fully paid police officer or firefighter.

(b) A leave of absence under subsection (a) shall be granted for service in the Indiana general assembly. A leave of absence under subsection (a) may also be granted for service in any other elected office or for one (1) of the following reasons:

(1) Sickness.

(2) Disability.

(3) Sabbatical purposes.

However, a leave of absence because of disability may not be granted to a member of the 1977 fund under this subsection unless a leave granted under subsection (g) has expired without disability benefits having been paid from the 1977 fund. In the case of such an expiration, a leave for purposes of disability may be granted under this subsection but only until the member's eligibility for disability benefits is finally determined.

(c) Before a leave of absence may be granted for sabbatical purposes, the member must submit a written request explaining and justifying the leave to the appointing authority. Sabbatical purposes must be related to the improvement of the member's professional performance and skills, such as education, special training, work related experience, and exchange programs.

(d) This subsection applies to leaves of absence granted under

subsection (b)(1), (b)(2), or (b)(3). A leave of absence may extend for a period of not more than one (1) year, determined by the appointing authority, and may be renewed upon written request of the member.

(e) This subsection applies to leaves of absence granted for service in an elected office. A police officer or firefighter who serves in the general assembly shall be granted a leave for the time spent in this service, including the time spent for committee or legislative council meetings. A police officer or firefighter who serves in any other elected office may be granted a leave for the time spent in this service. Leave for service in an elected office does not diminish a police officer's or firefighter's rights under the police officer's or firefighter's retirement or pension fund, except as provided in section 10 of this chapter, or advancement on the police officer's or firefighter's department salary schedule. For these purposes, the police officer or firefighter is, despite the leave, considered to be a member of the department during that time.

(f) This subsection applies to leaves of absence granted under subsection (b)(1), (b)(2), or (b)(3). A member on leave may receive compensation in an amount determined by the appointing authority, up to a maximum amount that equals the member's salary before the leave began.

(g) This subsection applies only to members of the 1977 fund. The local board may grant a leave of absence for purposes of disability to full-time, fully paid police officers or firefighters (including the police chief or fire chief). The leave is subject to the following conditions:

(1) The police chief or fire chief must make a written determination that there is no suitable and available work on the appropriate department for which the fund member is or may be capable of becoming qualified.

(2) The leave must be approved by the local board after a hearing conducted under IC 36-8-8-12.7.

(3) The leave may not begin until the police officer or firefighter has exhausted all paid leave for sickness.

(4) The leave shall continue until disability benefits are paid from the 1977 fund. However, the leave may not continue for more than six (6) months.

(5) During the leave, the police officer or firefighter is entitled to receive compensation in an amount equal to fifty percent (50%) of the salary of a first class patrolman or first class firefighter on the date the leave begins.

Payments of compensation under this subsection may not be made from the 1925 fund, the 1937 fund, the 1953 fund, or the 1977 fund.

(h) Determinations under subsection (g) are not reviewable by the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system.**

(i) This subsection applies to leaves of absence granted under

subsection (a) or (b). An appointing authority shall establish a policy in writing that specifies whether a police officer or firefighter is entitled, during a leave of absence, to participate in any promotional process or earn seniority. A policy established under this subsection is subject to a department's existing disciplinary procedures. An appointing authority shall reinstate a police officer or firefighter returning from a leave at the merit or permanent rank determined under the policy established under this subsection. However, except as otherwise provided by federal law, an appointing authority is not required to reinstate a police officer or firefighter in the job that the police officer or firefighter held at the time the police officer's or firefighter's leave began.

SECTION 111. IC 36-8-6-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 20. (a) As used in this section, "dies in the line of duty" has the meaning set forth in section 10.1 of this chapter.

(b) A special death benefit of seventy-five thousand dollars ($75,000) for a fund member who dies in the line of duty before January 1, 1998, and one hundred fifty thousand dollars ($150,000) for a fund member who dies in the line of duty after December 31, 1997, shall be paid in a lump sum by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** from the pension relief fund established under IC 5-10.3-11 to the following relative of a fund member who dies in the line of duty:

(1) To the surviving spouse.

(2) If there is no surviving spouse, to the surviving children (to be shared equally).

(3) If there is no surviving spouse and there are no surviving children, to the parent or parents in equal shares.

(c) The benefit provided by this section is in addition to any other benefits provided under this chapter.

SECTION 112. IC 36-8-7-26 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 26. (a) As used in this section, "dies in the line of duty" has the meaning set forth in section 12.4 of this chapter.

(b) A special death benefit of seventy-five thousand dollars ($75,000) for a fund member who dies in the line of duty before January 1, 1998, and one hundred fifty thousand dollars ($150,000) for a fund member who dies in the line of duty after December 31, 1997, shall be paid in a lump sum by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** from the pension relief fund established under IC 5-10.3-11 to the following relative of a fund member who dies in the line of duty:

(1) To the surviving spouse.

(2) If there is no surviving spouse, to the surviving children (to be shared equally).

(3) If there is no surviving spouse and there are no surviving children, to the parent or parents in equal shares.

(c) The benefit provided by this section is in addition to any other benefits provided under this chapter.

SECTION 113. IC 36-8-7.5-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 22. (a) As used in this section, "dies in the line of duty" has the meaning set forth in section 14.1 of this chapter.

(b) A special death benefit of seventy-five thousand dollars ($75,000) for a fund member who dies in the line of duty before January 1, 1998, and one hundred fifty thousand dollars ($150,000) for a fund member who dies in the line of duty after December 31, 1997, shall be paid in a lump sum by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** from the pension relief fund established under IC 5-10.3-11 to the following relative of a fund member who dies in the line of duty:

(1) To the surviving spouse.

(2) If there is no surviving spouse, to the surviving children (to be shared equally).

(3) If there is no surviving spouse and there are no surviving children, to the parent or parents in equal shares.

(c) The benefit provided by this section is in addition to any other benefits provided under this chapter.

SECTION 114. IC 36-8-8-2.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: **Sec. 2.3. As used in this chapter, "system board" refers to the board of trustees of the Indiana public retirement system established by IC 5-10.5-3-1.**

SECTION 115. IC 36-8-8-2.5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 2.5. (a) As used in this chapter, "Internal Revenue Code":

(1) means the Internal Revenue Code of 1954, as in effect on September 1, 1974, if permitted with respect to governmental plans; or

(2) to the extent not inconsistent with subdivision (1), has the meaning set forth in IC 6-3-1-11.

(b) The 1977 fund shall satisfy the qualification requirements in Section 401 of the Internal Revenue Code, as applicable to the 1977 fund. In order to meet those requirements, the 1977 fund is subject to the following provisions, notwithstanding any other provision of this chapter:

(1) The ~~PERF~~ **system** board shall distribute the corpus and income of the 1977 fund to members and their beneficiaries in accordance with this chapter.

(2) No part of the corpus or income of the 1977 fund may be used or diverted to any purpose other than the exclusive benefit of the

members and their beneficiaries.

(3) Forfeitures arising from severance of employment, death, or for any other reason may not be applied to increase the benefits any member would otherwise receive under this chapter.

(4) If the 1977 fund is terminated, or if all contributions to the 1977 fund are completely discontinued, the rights of each affected member to the benefits accrued at the date of the termination or discontinuance, to the extent then funded, are nonforfeitable.

(5) All benefits paid from the 1977 fund shall be distributed in accordance with the requirements of Section 401(a)(9) of the Internal Revenue Code and the regulations under that section. In order to meet those requirements, the 1977 fund is subject to the following provisions:

(A) The life expectancy of a member, the member's spouse, or the member's beneficiary shall not be recalculated after the initial determination, for purposes of determining benefits.

(B) If a member dies before the distribution of the member's benefits has begun, distributions to beneficiaries must begin no later than December 31 of the calendar year immediately following the calendar year in which the member died.

(C) The amount of an annuity paid to a member's beneficiary may not exceed the maximum determined under the incidental death benefit requirement of the Internal Revenue Code.

(6) The ~~PERF~~ **system** board may not:

(A) determine eligibility for benefits;

(B) compute rates of contribution; or

(C) compute benefits of members or beneficiaries;

in a manner that discriminates in favor of members who are considered officers, supervisors, or highly compensated, as prohibited under Section 401(a)(4) of the Internal Revenue Code.

(7) Benefits paid under this chapter may not exceed the maximum benefit specified by Section 415 of the Internal Revenue Code.

(8) The salary taken into account under this chapter may not exceed the applicable amount under Section 401(a)(17) of the Internal Revenue Code.

(9) The trustee may not engage in a transaction prohibited by Section 503(b) of the Internal Revenue Code.

SECTION 116. IC 36-8-8-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3. (a) If a town establishes a board of metropolitan police commissioners, or if a town becomes a city, the municipality shall participate in the 1977 fund. However, if a police officer or former marshal is a member of the public employees' retirement fund, ~~he~~ **the police officer or former marshal** may continue as a member of that fund instead of the 1977 fund. Notwithstanding the age requirements under section 7(a) of this chapter, a police officer or former marshal employed by a municipality

at the time the municipality enters the 1977 fund under this section shall be a member of the 1977 fund unless the police officer or former marshal elects to continue as a member of the public employees' retirement fund. A person may become a member of the 1977 fund under this subsection without meeting the age limitation under section 7(a) of this chapter only if the person satisfies:

(1) any aptitude, physical agility, or physical and mental standards established by a local board under IC 36-8-3.2; and

(2) the minimum standards that are:

(A) adopted by the ~~PERF~~ **system** board under section 19 of this chapter; and

(B) in effect on the date the person becomes a member of the 1977 fund.

Credit for prior service of a person who becomes a member of the 1977 fund under this subsection shall be determined under section 18 or 18.1 of this chapter. No service credit beyond that allowed under section 18 or 18.1 of this chapter may be recognized under the 1977 fund.

(b) If a unit did not establish a 1937 fund for its firefighters, the unit may participate in the public employees' retirement fund or it may participate in the 1977 fund. If a unit established a 1937 fund for its firefighters, the unit is and shall remain a participant in the 1977 fund.

(c) A unit that:

(1) has not established a pension fund for its firefighters; or

(2) is participating in the public employees' retirement fund under subsection (b);

may participate in the 1977 fund upon approval by the fiscal body, notwithstanding IC 5-10.3-6-8. A unit that participates in the 1977 fund under this subsection must comply with section 21 of this chapter. However, if a firefighter is a member of the public employees' retirement fund, the firefighter may continue as a member of that fund instead of the 1977 fund.

SECTION 117. IC 36-8-8-4, AS AMENDED BY P.L.23-2011, SECTION 27, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) There is established a police officers' and firefighters' pension and disability fund to be known as the 1977 fund. The 1977 fund consists of fund member and employer contributions, plus the earnings on them, to be used to make benefit payments to fund members and their survivors in the amounts and under the conditions specified in this chapter.

(b) The ~~board of trustees of the Indiana public retirement system (referred to in this chapter as the "system board")~~ **system board** shall administer the 1977 fund, which may be commingled **for investment purposes** with **other funds administered by** the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system.** ~~for investment purposes.~~ All actuarial data shall be computed on the total membership of the fund, and the cost of participation is the same for all employers in the fund.

The fund member and employer contributions shall be recorded separately for each employer.

~~(c) Any reference or cross-reference to the 1977 fund advisory committee in the Indiana Code shall be treated after June 30, 2011, as a reference or cross-reference to the system board.~~

SECTION 118. IC 36-8-8-5, AS AMENDED BY P.L.99-2010, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 5. (a) The ~~PERF~~ **system** board shall:

(1) determine eligibility for and make payments of benefits, except as provided in section 12 of this chapter;

(2) in accordance with the powers and duties granted it in ~~IC 5-10.3-3-7, IC 5-10.3-3-8, and~~ IC 5-10.3-5-3 through IC 5-10.3-5-6, **IC 5-10.5-4, and IC 5-10.5-5,** administer the 1977 fund;

(3) provide by rule for the implementation of this chapter; and

(4) authorize deposits.

(b) A determination by the ~~PERF~~ **system** board may be appealed under the procedures in IC 4-21.5.

(c) The powers and duties of the director ~~and~~ **of the system board,** the actuary of the ~~PERF~~ **system** board, **and** the attorney general, ~~and the auditor of state,~~ with respect to the 1977 fund, are those specified in IC 5-10.3-3, ~~and~~ IC 5-10.3-4, **and IC 5-10.5.**

(d) The ~~PERF~~ **system** board may hire additional personnel, including hearing officers, to assist it in the implementation of this chapter.

(e) The 1977 fund records of individual members and membership information are confidential, except for the name and years of service of a 1977 fund member.

SECTION 119. IC 36-8-8-6, AS AMENDED BY P.L.13-2011, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 6. (a) Each employer shall annually on March 31, June 30, September 30, and December 31, for the calendar quarters ending on those dates, or an alternate date established by the rules of the ~~PERF~~ **system** board, pay into the 1977 fund an amount determined by the ~~PERF~~ **system** board:

(1) for administration expenses; and

(2) sufficient to maintain level cost funding during the period of employment on an actuarial basis for members hired after April 30, 1977.

(b) After December 31, 2011, each employer shall submit the payments required by subsection (a) by electronic funds transfer.

(c) If an employer fails to make the payments required by subsection (a) or fails to send the fund members' contributions required by section 8(a) of this chapter, the amount payable, on request of the ~~PERF~~ **system** board, may be withheld by the auditor of state from money payable to the employer and transferred to the fund. In the alternative,

the amount payable may be recovered in the circuit or superior court of the county in which the employer is located, in an action by the state on the relation of the ~~PERF~~ **system** board, prosecuted by the attorney general.

SECTION 120. IC 36-8-8-7, AS AMENDED BY P.L.1-2006, SECTION 575, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7. (a) Except as provided in subsections (d), (e), (f), (g), (h), (k), (l), and (m):

(1) a police officer; or

(2) a firefighter;

who is less than thirty-six (36) years of age and who passes the baseline statewide physical and mental examinations required under section 19 of this chapter shall be a member of the 1977 fund and is not a member of the 1925 fund, the 1937 fund, or the 1953 fund.

(b) A police officer or firefighter with service before May 1, 1977, who is hired or rehired after April 30, 1977, may receive credit under this chapter for service as a police officer or firefighter prior to entry into the 1977 fund if the employer who rehires the police officer or firefighter chooses to contribute to the 1977 fund the amount necessary to amortize the police officer's or firefighter's prior service liability over a period of not more than forty (40) years, the amount and the period to be determined by the ~~PERF~~ **system** board. If the employer chooses to make the contributions, the police officer or firefighter is entitled to receive credit for the police officer's or firefighter's prior years of service without making contributions to the 1977 fund for that prior service. In no event may a police officer or firefighter receive credit for prior years of service if the police officer or firefighter is receiving a benefit or is entitled to receive a benefit in the future from any other public pension plan with respect to the prior years of service.

(c) Except as provided in section 18 of this chapter, a police officer or firefighter is entitled to credit for all years of service after April 30, 1977, with the police or fire department of an employer covered by this chapter.

(d) A police officer or firefighter with twenty (20) years of service does not become a member of the 1977 fund and is not covered by this chapter, if the police officer or firefighter:

(1) was hired before May 1, 1977;

(2) did not convert under IC 19-1-17.8-7 or IC 19-1-36.5-7 (both of which were repealed September 1, 1981); and

(3) is rehired after April 30, 1977, by the same employer.

(e) A police officer or firefighter does not become a member of the 1977 fund and is not covered by this chapter if the police officer or firefighter:

(1) was hired before May 1, 1977;

(2) did not convert under IC 19-1-17.8-7 or IC 19-1-36.5-7 (both of which were repealed September 1, 1981);

(3) was rehired after April 30, 1977, but before February 1, 1979; and

(4) was made, before February 1, 1979, a member of a 1925, 1937, or 1953 fund.

(f) A police officer or firefighter does not become a member of the 1977 fund and is not covered by this chapter if the police officer or firefighter:

(1) was hired by the police or fire department of a unit before May 1, 1977;

(2) did not convert under IC 19-1-17.8-7 or IC 19-1-36.5-7 (both of which were repealed September 1, 1981);

(3) is rehired by the police or fire department of another unit after December 31, 1981; and

(4) is made, by the fiscal body of the other unit after December 31, 1981, a member of a 1925, 1937, or 1953 fund of the other unit.

If the police officer or firefighter is made a member of a 1925, 1937, or 1953 fund, the police officer or firefighter is entitled to receive credit for all the police officer's or firefighter's years of service, including years before January 1, 1982.

(g) As used in this subsection, "emergency medical services" and "emergency medical technician" have the meanings set forth in IC 16-18-2-110 and IC 16-18-2-112. A firefighter who:

(1) is employed by a unit that is participating in the 1977 fund;

(2) was employed as an emergency medical technician by a political subdivision wholly or partially within the department's jurisdiction;

(3) was a member of the public employees' retirement fund during the employment described in subdivision (2); and

(4) ceased employment with the political subdivision and was hired by the unit's fire department due to the reorganization of emergency medical services within the department's jurisdiction;

shall participate in the 1977 fund. A firefighter who participates in the 1977 fund under this subsection is subject to sections 18 and 21 of this chapter.

(h) A police officer or firefighter does not become a member of the 1977 fund and is not covered by this chapter if the individual was appointed as:

(1) a fire chief under a waiver under IC 36-8-4-6(c); or

(2) a police chief under a waiver under IC 36-8-4-6.5(c);

unless the executive of the unit requests that the 1977 fund accept the individual in the 1977 fund and the individual previously was a member of the 1977 fund.

(i) A police matron hired or rehired after April 30, 1977, and before July 1, 1996, who is a member of a police department in a second or third class city on March 31, 1996, is a member of the 1977 fund.

(j) A park ranger who:

(1) completed at least the number of weeks of training at the Indiana law enforcement academy or a comparable law enforcement academy in another state that were required at the time the park ranger attended the Indiana law enforcement academy or the law enforcement academy in another state;

(2) graduated from the Indiana law enforcement academy or a comparable law enforcement academy in another state; and

(3) is employed by the parks department of a city having a population of more than one hundred twenty thousand (120,000) but less than one hundred fifty thousand (150,000);

is a member of the fund.

(k) Notwithstanding any other provision of this chapter, a police officer or firefighter:

(1) who is a member of the 1977 fund before a consolidation under IC 36-3-1-5.1 or IC 36-3-1-6.1;

(2) whose employer is consolidated into the consolidated law enforcement department or the fire department of a consolidated city under IC 36-3-1-5.1 or IC 36-3-1-6.1; and

(3) who, after the consolidation, becomes an employee of the consolidated law enforcement department or the consolidated fire department under IC 36-3-1-5.1 or IC 36-3-1-6.1;

is a member of the 1977 fund without meeting the requirements under sections 19 and 21 of this chapter.

(l) Notwithstanding any other provision of this chapter, if:

(1) before a consolidation under IC 8-22-3-11.6, a police officer or firefighter provides law enforcement services or fire protection services for an entity in a consolidated city;

(2) the provision of those services is consolidated into the law enforcement department or fire department of a consolidated city; and

(3) after the consolidation, the police officer or firefighter becomes an employee of the consolidated law enforcement department or the consolidated fire department under IC 8-22-3-11.6;

the police officer or firefighter is a member of the 1977 fund without meeting the requirements under sections 19 and 21 of this chapter.

(m) A police officer or firefighter who is a member of the 1977 fund under subsection (k) or (l) may not be:

(1) retired for purposes of section 10 of this chapter; or

(2) disabled for purposes of section 12 of this chapter;

solely because of a change in employer under the consolidation.

SECTION 121. IC 36-8-8-7.2, AS ADDED BY P.L.180-2007, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 7.2. (a) This section applies to an individual:

(1) who becomes a member of the 1977 fund under section 7(h)

of this chapter;

(2) whose appointment as a fire chief or police chief ends after June 30, 2007; and

(3) who is not eligible to receive a benefit from the 1977 fund at the end of the individual's appointment as a fire chief or police chief.

(b) A fund member described in subsection (a) may elect:

(1) to receive the fund member's contributions to the 1977 fund under section 8 of this chapter; or

(2) to transfer the fund member's service credit earned as a fire chief or police chief to PERF under subsection (c).

(c) If a fund member makes the election described in subsection (b)(2), the ~~PERF~~ **system** board shall:

(1) grant to the fund member service credit in PERF for all service earned as a fire chief or police chief in the 1977 fund; and

(2) transfer from the 1977 fund to PERF:

(A) the fund member's contributions made during the fund member's appointment as a fire chief or police chief to the 1977 fund; plus

(B) the present value of the unreduced benefit that would be payable to the transferring fund member upon retirement under section 10 of this chapter.

(d) The ~~PERF~~ **system** board shall deposit the amounts transferred to PERF under subsection (c) as follows:

(1) The fund member's contributions to the 1977 fund shall be credited to the fund member's PERF annuity savings account.

(2) The present value of the unreduced benefit that would be payable to the transferring fund member upon retirement under section 10 of this chapter shall be credited to PERF's retirement allowance account.

(e) For a fund member who makes the election described in subsection (b)(2), all credit for service as a fire chief or police chief in the 1977 fund is waived.

SECTION 122. IC 36-8-8-8, AS AMENDED BY P.L.13-2011, SECTION 17, AND AS AMENDED BY P.L.16-2011, SECTION 13, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8. (a) Each fund member shall contribute during the period of the fund member's employment or for thirty-two (32) years, whichever is shorter, an amount equal to six percent (6%) of the salary of a first class patrolman or firefighter. However, the employer may pay all or a part of the contribution for the member. The amount of the contribution, other than contributions paid on behalf of a member, shall be deducted each pay period from each fund member's salary by the disbursing officer of the employer. The employer shall send to the ~~PERF~~ **system** board each year on March 31, June 30, September 30, and December 31, for the calendar quarters

ending on those dates, *or an alternate date established by the rules of the ~~PERF~~* **system** *board,* a certified list of fund members and a warrant issued by the employer for the total amount deducted for fund members' contributions.

(b) After December 31, 2011, an employer shall submit:

(1) the list described in subsection (a) in a uniform format through a secure connection over the Internet or through other electronic means specified by the ~~PERF~~ **system** *board; and*

(2) the contributions paid by or on behalf of a member under subsection (a) by electronic funds transfer.

~~(b)~~ (c) Except as provided in section 7.2 of this chapter, if a fund member ends the fund member's employment other than by death or disability before the fund member completes twenty (20) years of active service, the ~~PERF~~ **system** board shall return to the fund member in a lump sum the fund member's contributions plus interest *~~as determined~~ at a rate specified by rule* by the ~~PERF~~ **system** board. If the fund member returns to service, the fund member is entitled to credit for the years of service for which the fund member's contributions were refunded if the fund member repays the amount refunded to the fund member in either a lump sum or a series of payments determined by the ~~PERF~~ **system** board.

SECTION 123. IC 36-8-8-8.3, AS ADDED BY P.L.19-2009, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8.3. (a) This section applies to a fund member who, after June 30, 2009, completes service for which the 1977 fund gives credit.

(b) A fund member may purchase not more than two (2) years of service credit for the fund member's service on active duty in the armed services if the fund member meets the following conditions:

(1) The fund member has at least one (1) year of credited service in the fund.

(2) The fund member serves on active duty in the armed services of the United States for at least six (6) months.

(3) The fund member receives an honorable discharge from the armed services.

(4) Before the fund member retires, the fund member makes contributions to the fund as follows:

(A) Contributions that are equal to the product of the following:

(i) The salary of a first class patrolman or firefighter at the time the fund member actually makes a contribution for the service credit.

(ii) A rate, determined by the actuary of the 1977 fund, that is based on the age of the fund member at the time the fund member actually makes a contribution for service credit and that is computed to result in a contribution amount that

approximates the actuarial present value of the retirement benefit attributable to the service credit purchased.

(iii) The number of years of service credit the fund member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary of the 1977 fund, for the period from the fund member's initial membership in the 1977 fund to the date payment is made by the fund member.

(c) A fund member must have at least twenty (20) years of service before a fund member may receive a benefit based on a service credit purchased under this section. A fund member's years of service may not exceed thirty-two (32) years with the inclusion of the service credit purchased under this section.

(d) A fund member may not receive service credit under this section:

(1) for service credit received under IC 36-8-5-7; or

(2) if the military service for which the fund member requests credit also qualifies the fund member for a benefit in a military or another governmental retirement system.

(e) A fund member who:

(1) terminates service before satisfying the eligibility requirements necessary to receive a retirement benefit payment from the 1977 fund; or

(2) receives a retirement benefit for the same service from another retirement system, other than under the federal Social Security Act;

may withdraw the fund member's contributions made under this section plus accumulated interest after submitting to the fund a properly completed application for a refund.

(f) The following apply to the purchase of service credit under this section:

(1) The ~~PERF~~ **system** board may allow a fund member to make periodic payments of the contributions required for the purchase of the service credit. The ~~PERF~~ **system** board shall determine the length of the period during which the payments must be made.

(2) The ~~PERF~~ **system** board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A fund member may not claim the service credit for purposes of determining eligibility or computing benefits unless the fund member has made all payments required for the purchase of the service credit.

(g) To the extent permitted by the Internal Revenue Code and applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing service credit under this section, a rollover of a 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 that is maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a 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 408(b) of the Internal Revenue Code.

(h) To the extent permitted by the Internal Revenue Code and the applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing service credit under this section, a trustee to trustee transfer from any of the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

SECTION 124. IC 36-8-8-8.5, AS ADDED BY P.L.70-2010, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8.5. (a) This section applies to a fund member who, after June 30, 2010, completes service for which the 1977 fund gives credit.

(b) As used in this section, "public retirement fund" refers to any of the following, either singly or collectively:

(1) The public employees' retirement fund (IC 5-10.3).

(2) The Indiana state teachers' retirement fund (IC 5-10.4).

(3) The state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement fund (IC 5-10-5.5).

(4) The state police pension trust (IC 10-12).

(5) A sheriff's pension trust (IC 36-8-10-12).

(c) Subject to this section, a fund member may purchase service credit for the fund member's prior service in a position covered by a public retirement fund.

(d) To purchase the service credit described in subsection (c), a fund member must meet the following requirements:

(1) The fund member has at least one (1) year of creditable service in the 1977 fund.

(2) The fund member has not attained vested status in and is not an active member in the public retirement fund from which the fund member is purchasing service credit.

(3) Before the fund member retires, the fund member makes contributions to the 1977 fund as follows:

(A) Contributions that are equal to the product of the following:

(i) The salary of a first class patrolman or firefighter at the time the fund member actually makes a contribution for the service credit.

(ii) A rate, determined by the actuary for the 1977 fund, that is based on the age of the fund member at the time the fund member actually makes a contribution for the service credit and that is computed to result in a contribution amount that approximates the actuarial present value of the retirement benefit attributable to the service credit purchased.

(iii) The number of years of service credit the fund member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary for the 1977 fund, for the period from the fund member's initial membership in the 1977 fund to the date payment is made by the fund member.

(e) At the request of the fund member purchasing service credit under this section, the amount a fund member is required to contribute under subsection (d)(3) may be reduced by a trustee to trustee transfer from the public retirement fund in which the fund member has an account that contains amounts attributable to member contributions (plus any credited earnings) to the 1977 fund. The fund member may direct the transfer of an amount only to the extent necessary to fund the service purchase under subsection (d)(3). The fund member shall complete any forms required by the public retirement fund from which the fund member is requesting a transfer or the 1977 fund before the transfer is made.

(f) A fund member must have at least twenty (20) years of service in the 1977 fund before a fund member may receive a retirement benefit based on service credit purchased under this section. A fund member's years of service may not exceed thirty-two (32) years with the inclusion of the service credit purchased under this section.

(g) A fund member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a retirement benefit payment from the 1977 fund; or

(2) receives a retirement benefit for the same service from another tax supported governmental retirement plan other than the federal Social Security Act;

may withdraw the fund member's contributions made under this section plus accumulated interest after submitting a properly completed application for a refund to the 1977 fund.

(h) The following apply to the purchase of service credit under this section:

(1) The ~~PERF~~ **system** board may allow a fund member to make periodic payments of the contributions required for the purchase of the service credit. The ~~PERF~~ **system** board shall determine the

length of the period during which the payments may be made.

(2) The ~~PERF~~ **system** board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A fund member may not claim the service credit for purposes of determining eligibility or computing benefits unless the fund member has made all payments required for the purchase of the service credit.

(i) To the extent permitted by the Internal Revenue Code and applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing service credit under this section, a rollover of a distribution from any of the following:

(1) A qualified plan described in Section 401(a) or 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 that is maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a 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 408(b) of the Internal Revenue Code.

(j) To the extent permitted by the Internal Revenue Code and applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing service credit under this section, a trustee to trustee transfer from any of the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

(k) The fund member's employer may pay all or a part of the fund member's contributions required for the purchase of service credit under this section. In that event, the actuary shall determine the amortization, and subsections (g), (h)(1), (h)(3), and (i) do not apply.

SECTION 125. IC 36-8-8-8.8, AS ADDED BY P.L.88-2010, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 8.8. (a) This section applies to a fund member who, after June 30, 2010, completes service for which the 1977 fund gives credit.

(b) As used in this section, "out-of-state service" means service in another state in a comparable position for which the fund member would receive service credit in the 1977 fund if the service had been performed in Indiana.

(c) Subject to subsections (d) through (g), a fund member may purchase out-of-state service credit if the fund member meets the following requirements:

(1) The fund member has at least one (1) year of credited service in the 1977 fund.

(2) Before the fund member retires, the fund member makes contributions to the 1977 fund as follows:

(A) Contributions that are equal to the product of the following:

(i) The salary of a first class patrolman or firefighter at the time the fund member makes a contribution for the service credit.

(ii) A rate, determined by the actuary for the 1977 fund, that is based on the age of the fund member at the time the fund member makes a contribution for the service credit and that is computed to result in a contribution amount that approximates the actuarial present value of the retirement benefit attributable to the service credit purchased.

(iii) The number of years of out-of-state service credit the fund member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary for the 1977 fund, for the period from the fund member's initial membership in the 1977 fund to the date payment is made by the fund member.

(3) The fund member has received verification from the 1977 fund that the out-of-state service is, as of the date payment is made by the fund member, valid.

(d) A fund member must have at least twenty (20) years of service before the fund member may receive a benefit based on service credit purchased under this section. A fund member's years of service may not exceed thirty-two (32) years with the inclusion of service credit purchased under this section.

(e) A fund member may not receive service credit under this section if the service for which the fund member requests credit also qualifies the fund member for a benefit in another governmental retirement system.

(f) A fund member who:

(1) terminates service before satisfying the eligibility requirements necessary to receive a retirement benefit payment from the 1977 fund; or

(2) receives a retirement benefit for the same service from another retirement system, other than under the federal Social Security Act;

may withdraw the fund member's contributions made under this section plus accumulated interest after submitting to the 1977 fund a properly completed application for a refund.

(g) The following apply to the purchase of service credit under this section:

(1) The ~~PERF~~ **system** board may allow a fund member to make

periodic payments of the contributions required for the purchase of the service credit. The ~~PERF~~ **system** board shall determine the length of the period during which the payments must be made.

(2) The ~~PERF~~ **system** board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) The fund member may not claim the service credit for purposes of determining eligibility or computing benefits unless the fund member has made all payments required for the purchase of the service credit.

(h) To the extent permitted by the Internal Revenue Code and the applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing service credit under this section, a rollover of a 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 that is maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a 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 408(b) of the Internal Revenue Code.

(i) To the extent permitted by the Internal Revenue Code and the applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing service credit under this section, a trustee to trustee transfer from any of the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

SECTION 126. IC 36-8-8-11.5, AS ADDED BY P.L.130-2008, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 11.5. (a) Not less than thirty (30) days after a fund member retires from a position covered by this chapter, the fund member may:

(1) be rehired by the same unit that employed the fund member in a position covered by this chapter for a position not covered by this chapter; and

(2) continue to receive the fund member's retirement benefit under this chapter.

(b) This section may be implemented unless the ~~PERF~~ **system** board receives from the Internal Revenue Service a determination that prohibits the implementation.

SECTION 127. IC 36-8-8-12, AS AMENDED BY P.L.13-2011,

SECTION 18, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 12. (a) Benefits paid under this section are subject to sections 2.5 and 2.6 of this chapter.

(b) If an active fund member has a covered impairment, as determined under sections 12.3 through 13.1 of this chapter, the member is entitled to receive the benefit prescribed by section 13.3 or 13.5 of this chapter. A member who has had a covered impairment and returns to active duty with the department shall not be treated as a new applicant seeking to become a member of the 1977 fund.

(c) If a retired fund member who has not yet reached the member's fifty-second birthday is found by the ~~PERF~~ **system** board to be permanently or temporarily unable to perform all suitable work for which the member is or may be capable of becoming qualified, the member is entitled to receive during the disability the retirement benefit payments payable at fifty-two (52) years of age. During a reasonable period in which a fund member with a disability is becoming qualified for suitable work, the member may continue to receive disability benefit payments. However, benefits payable for disability under this subsection are reduced by amounts for which the fund member is eligible from:

(1) a plan or policy of insurance providing benefits for loss of time because of disability;

(2) a plan, fund, or other arrangement to which the fund member's employer has contributed or for which the fund member's employer has made payroll deductions, including a group life policy providing installment payments for disability, a group annuity contract, or a pension or retirement annuity plan other than the fund established by this chapter;

(3) the federal Social Security Act (42 U.S.C. 401 et seq.), the Railroad Retirement Act (45 U.S.C. 231 et seq.), the United States Department of Veterans Affairs, or another federal, state, local, or other governmental agency;

(4) worker's compensation payable under IC 22-3; and

(5) a salary or wage, including overtime and bonus pay and extra or additional remuneration of any kind, the fund member receives or is entitled to receive from the member's employer.

For the purposes of this subsection, a retired fund member is considered eligible for benefits from subdivisions (1) through (5) whether or not the member has made application for the benefits.

(d) Notwithstanding any other law, a plan, policy of insurance, fund, or other arrangement:

(1) delivered, issued for delivery, amended, or renewed after April 9, 1979; and

(2) described in subsection (c)(1) or (c)(2);

may not provide for a reduction or alteration of benefits as a result of benefits for which a fund member may be eligible from the 1977 fund

under subsection (c).

(e) Time spent receiving disability benefits, not to exceed twenty (20) years, is considered active service for the purpose of determining retirement benefits. A fund member's retirement benefit shall be based on:

(1) the member's years of active service; plus

(2) if applicable, the period, not to exceed twenty (20) years, during which the member received disability benefits.

(f) A fund member who is receiving disability benefits:

(1) under section 13.3(d) of this chapter; or

(2) based on a determination under this chapter that the fund member has a Class 3 impairment;

shall be transferred from disability to regular retirement status when the member becomes fifty-two (52) years of age.

(g) A fund member who is receiving disability benefits:

(1) under section 13.3(c) of this chapter; or

(2) based on a determination under this chapter that the fund member has a Class 1 or Class 2 impairment;

is entitled to receive a disability benefit for the remainder of the fund member's life in the amount determined under the applicable sections of this chapter.

SECTION 128. IC 36-8-8-12.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 12.3. (a) Upon a request from a fund member or from the safety board of the appropriate police or fire department, the local board shall conduct a hearing under section 12.7 of this chapter to determine whether the fund member has a covered impairment.

(b) A covered impairment is an impairment that permanently or temporarily makes a fund member unable to perform the essential function of the member's duties, considering reasonable accommodation to the extent required by the Americans with Disabilities Act, with the police or fire department. However, a covered impairment does not include an impairment:

(1) resulting from an intentionally self-inflicted injury or attempted suicide while sane or insane;

(2) resulting from the fund member's commission or attempted commission of a felony;

(3) that begins within two (2) years after a fund member's entry or reentry into active service with the department and that was caused or contributed to by a mental or physical condition that manifested itself before the fund member entered or reentered active service. Notwithstanding this subdivision, a fund member may not be required to satisfy more than one (1) such two (2) year period for the same mental or physical condition; or

(4) that is occasioned, in whole or in part, by the fund member currently engaging (as defined in 29 CFR 1630.3, Appendix) in

any of the following:

(A) Use of a controlled substance (as defined in the Controlled Substances Act (21 U.S.C. 812)).

(B) Unlawful use of a prescription drug.

(c) Notwithstanding subsection (b), this subsection applies to the following:

(1) A fund member who is hired after March 1, 1992.

(2) A fund member who was admitted to the 1977 fund after having been covered by another public pension plan as a police officer or firefighter.

For a fund member who is determined by the ~~PERF~~ **system** board to have a Class 3 excludable condition under IC 36-8-8-13.6, a covered impairment does not include an impairment that would be classified as a Class 3 impairment that begins at any time after the fund member's entry or reentry into active service with the department and is related in any manner to the Class 3 excludable condition.

(d) If the local board determines that a covered impairment exists, the chief of the police or fire department shall submit to the local board written determinations of the following:

(1) Whether there is suitable and available work on the appropriate department for which the fund member is or may be capable of becoming qualified, considering reasonable accommodation to the extent required by the Americans with Disabilities Act.

(2) For a fund member covered by sections 12.5 and 13.5 of this chapter, the fund member's years of service with the department.

SECTION 129. IC 36-8-8-12.4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 12.4. A fund member who is hired for the first time before January 1, 1990, may choose to be covered by sections 12.5 and 13.5 of this chapter (instead of section 13.3 of this chapter) if the fund member files an election with the ~~PERF~~ **system** board before January 1, 1991. However, an election may not be filed after the fund member has a covered impairment. An election filed under this section is irrevocable.

SECTION 130. IC 36-8-8-12.7, AS AMENDED BY P.L.29-2006, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 12.7. (a) This section applies to hearings conducted by local boards concerning determinations of impairment under this chapter or of disability under IC 36-8-5-2(g), IC 36-8-6, IC 36-8-7, and IC 36-8-7.5.

(b) At least five (5) days before the hearing, the local board shall give notice to the fund member and the safety board of the time, date, and place of the hearing.

(c) The local board must hold a hearing not more than ninety (90) days after the fund member requests the hearing.

(d) At the hearing, the local board shall permit the fund member and

the safety board to:

(1) be represented by any individual;

(2) through witnesses and documents, present evidence;

(3) conduct cross-examination; and

(4) present arguments.

(e) At the hearing, the local board shall require all witnesses to be examined under oath, which may be administered by a member of the local board.

(f) The local board shall, at the request of the fund member or the safety board, issue:

(1) subpoenas;

(2) discovery orders; and

(3) protective orders;

in accordance with the Indiana Rules of Trial Procedure that govern discovery, depositions, and subpoenas in civil actions.

(g) The local board shall have the hearing recorded so that a transcript may be made of the proceedings.

(h) After the hearing, the local board shall make its determinations, including findings of fact, in writing and shall provide copies of its determinations to the fund member and the safety board not more than thirty (30) days after the hearing.

(i) If the local board:

(1) does not hold a hearing within the time required under subsection (c); or

(2) does not issue its determination within the time required under subsection (h);

the fund member shall be considered to be totally impaired for purposes of section 13.5 of this chapter and, if the issue before the local board concerns the class of the member's impairment, the member shall be considered to have a Class 1 impairment. The ~~PERF~~ **system** board shall review an impairment determined under this subsection as provided in section 13.1 of this chapter.

(j) The local board may on its own motion issue:

(1) subpoenas;

(2) discovery orders; and

(3) protective orders;

in accordance with the Indiana Rules of Trial Procedure that govern discovery, depositions, and subpoenas in civil actions.

(k) At the hearing, the local board may exclude evidence that is irrelevant, immaterial, unduly repetitious, or excludable on the basis of evidentiary privilege recognized by the courts.

(l) At the hearing, the local board may request the testimony of witnesses and the production of documents.

(m) If a subpoena or order is issued under this section, the party seeking the subpoena or order shall serve it in accordance with the Indiana Rules of Trial Procedure. However, if the subpoena or order is

on the local board's own motion, the sheriff of the county in which the subpoena or order is to be served shall serve it. A subpoena or order under this section may be enforced in the circuit or superior court of the county in which the subpoena or order is served.

(n) With respect to a hearing conducted for purposes of determining disability under IC 36-8-6, IC 36-8-7, or IC 36-8-7.5, the determination of the local board after a hearing is final and may be appealed to the court.

(o) With respect to a hearing conducted for purposes of determining impairment or class of impairment under this chapter, the fund member may appeal the local board's determinations. An appeal under this subsection:

(1) must be made in writing;

(2) must state the class of impairment and the degree of impairment that is claimed by the fund member;

(3) must include a written determination by the chief of the police or fire department stating that there is no suitable and available work; and

(4) must be filed with the local board and the ~~PERF~~ **system** board's director no later than thirty (30) days after the date on which the fund member received a copy of the local board's determinations.

(p) To the extent required by the Americans with Disabilities Act, the transcripts, records, reports, and other materials generated as a result of a hearing, review, or appeal conducted to determine an impairment under this chapter or a disability under IC 36-8-6, IC 36-8-7, or IC 36-8-7.5 must be:

(1) retained in the separate medical file created for the member; and

(2) treated as a confidential medical record.

(q) If a local board determines that a fund member described in section 13.3(a) of this chapter has a covered impairment, the local board shall also make a recommendation to the ~~1977 fund advisory committee~~ **system board** concerning whether the covered impairment is an impairment described in section 13.3(c) of this chapter or whether it is an impairment described in section 13.3(d) of this chapter. The local board shall forward its recommendation to the ~~1977 fund advisory committee.~~ **system board.**

(r) The ~~1977 fund advisory committee~~ **system board** shall review the local board's recommendation not later than forty-five (45) days after receiving the recommendation and shall then issue an initial determination of whether the disability is in the line of duty or not in the line of duty. The ~~1977 fund advisory committee~~ **system board** shall notify the local board, the safety board, and the fund member of its initial determination.

(s) The fund member, the safety board, or the local board may object

in writing to the ~~1977 fund advisory committee's~~ **system board's** initial determination under subsection (r) not later than fifteen (15) days after the initial determination is issued. If a written objection is not filed, the ~~1977 fund advisory committee's~~ **system board's** initial determination becomes final. If a timely written objection is filed, the ~~1977 fund advisory committee~~ **system board** shall issue a final determination after a hearing. The final determination must be issued not later than one hundred eighty (180) days after the date of receipt of the local board's recommendation.

SECTION 131. IC 36-8-8-13.1, AS AMENDED BY P.L.13-2011, SECTION 19, AND AS AMENDED BY P.L.23-2011, SECTION 28, IS CORRECTED AND AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 13.1. (a) If:

(1) the local board has determined under this chapter that a covered impairment exists and the safety board has determined that there is no suitable and available work within the department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act; or

(2) the fund member has filed an appeal under section 12.7(o) of this chapter;

the local board shall submit the local board's determinations and the safety board's determinations to the ~~*PERF*~~ *system* board's director.

(b) Whenever a fund member is determined to have an impairment under section 12.7(i) of this chapter, the ~~*PERF*~~ *system* board's director shall initiate a review of the default award not later than sixty (60) days after the director learns of the default award.

(c) After the ~~*PERF*~~ *system* board's director receives the determinations under subsection (a) or initiates a review under subsection (b), the fund member must submit to an examination by a medical authority selected by the ~~*PERF*~~ *system* board. The authority shall determine if there is a covered impairment. With respect to a fund member who is covered by sections 12.5 and 13.5 of this chapter, the authority shall determine the degree of impairment. The ~~*PERF*~~ *system* board shall adopt rules ~~*under IC 4-22-2*~~ to establish impairment standards, such as the impairment standards contained in the United States Department of Veterans Affairs Schedule for Rating Disabilities. The report of the examination shall be submitted to the ~~*PERF*~~ *system* board's director. If a fund member refuses to submit to an examination, the authority may find that no impairment exists.

(d) The ~~*PERF*~~ *system* board's director shall review the medical authority's report and the local board's determinations and issue an initial determination within sixty (60) days after receipt of the local board's determinations. The ~~*PERF*~~ *system* board's director shall notify the local board, the safety board, and the fund member of the initial determination. The following provisions apply if the ~~*PERF*~~ *system* board's director does not issue an initial determination within sixty (60)

days and if the delay is not attributable to the fund member or the safety board:

(1) In the case of a review initiated under subsection (a)(1):

(A) the determinations of the local board and the chief of the police or fire department are considered to be the initial determination; and

(B) for purposes of section 13.5(d) of this chapter, the fund member is considered to be totally impaired.

(2) In the case of an appeal submitted under subsection (a)(2), the statements made by the fund member under section 12.7(o) of this chapter are considered to be the initial determination.

(3) In the case of a review initiated under subsection (b), the initial determination is the impairment determined under section 12.7(i) of this chapter.

(e) The fund member, the safety board, or the local board may object in writing to the director's initial determination within fifteen (15) days after the determination is issued. If no written objection is filed, the initial determination becomes the final order of the ~~PERF~~ *system* board. If a timely written objection is filed, the ~~PERF~~ *system* board shall issue the final order after a hearing. *Unless an administrative law judge orders a waiver or an extension of the period for cause shown,* the final order shall be issued not later than one hundred eighty (180) days after the date of receipt of the local board's determination or the date the ~~PERF~~ *system* board's director initiates a review under subsection (b). The following provisions apply if a final order is not issued within ~~one hundred eighty (180) days~~ *the time limit described in this subsection* and if the delay is not attributable to the fund member or the chief of the police or fire department:

(1) In the case of a review initiated under subsection (a)(1):

(A) the determinations of the local board and the chief of the police or fire department are considered to be the final order; and

(B) for purposes of section 13.5(d) of this chapter, the fund member is considered to be totally impaired.

(2) In the case of an appeal submitted under subsection (a)(2), the statements made by the fund member under section 12.7(o) of this chapter are considered to be the final order.

(3) In the case of a review initiated under subsection (b), the impairment determined under section 12.7(i) of this chapter is considered to be the final order.

(f) If the ~~PERF~~ *system* board approves the director's initial determination, then the ~~PERF~~ *system* board shall issue a final order adopting the initial determination. The local board and the chief of the police or fire department shall comply with the initial determination. If the ~~PERF~~ *system* board does not approve the initial determination, the ~~PERF~~ *system* board may receive additional evidence on the matter

before issuing a final order.

(g) Appeals of the ~~PERF~~ *system* board's final order may be made under IC 4-21.5.

(h) The transcripts, records, reports, and other materials compiled under this section must be retained in accordance with the procedures specified in section 12.7(p) of this chapter.

SECTION 132. IC 36-8-8-13.4, AS ADDED BY P.L.177-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 13.4. (a) This section applies only to a fund member or survivor of a fund member who is receiving a disability benefit under section 13.3(b) of this chapter.

(b) A fund member or survivor of a fund member described in subsection (a) may file an application, in accordance with this section, requesting a determination that:

(1) the member's covered impairment, as determined under section 13.3(b) of this chapter, was:

(A) the direct result of:

(i) a personal injury that occurred while the fund member was on duty;

(ii) a personal injury that occurred while the fund member was off duty and was responding to an offense or a reported offense, in the case of a police officer, or an emergency or reported emergency for which the fund member was trained, in the case of a firefighter; or

(iii) an occupational disease (as defined in IC 22-3-7-10), including a duty related disease that is also included within clause (B);

(B) a duty related disease, which for purposes of this section, means a disease arising out of the fund member's employment. A disease is considered to arise out of the fund member's employment if it is apparent to the rational mind, upon consideration of all of the circumstances, that:

(i) there is a connection between the conditions under which the fund member's duties are performed and the disease;

(ii) the disease can be seen to have followed as a natural incident of the fund member's duties as a result of the exposure occasioned by the nature of the fund member's duties; and

(iii) the disease can be traced to the fund member's employment as the proximate cause; or

(C) a disability presumed incurred in the line of duty under IC 5-10-13 or IC 5-10-15; or

(2) the member's covered impairment, as determined under section 13.3(b) of this chapter, was not a covered impairment described in subsection (b)(1).

The application must be filed with the local board that made the

determination of a covered impairment resulting in a disability benefit under section 13.3(b) of this chapter. The application form shall be prepared by the ~~PERF~~ **system** board or its designee and be made available to a fund member or survivor of a fund member described in subsection (a) upon request.

(c) A fund member or survivor of a fund member who files an application under this section has the burden of presenting sufficient evidence to support a finding that the member's covered impairment, as determined under section 13.3(b) of this chapter, satisfies the standard provided in subsection (b)(1). Such evidence may include any documents, materials, or other evidence provided in connection with the original hearing and determination of a covered impairment as determined under section 13.3(b) of this chapter, including any transcript from that proceeding. A fund member or a survivor of a fund member may include with an application any additional probative evidence that is relevant to the determination under subsection (b)(1). The local board may establish reasonable procedures with respect to the application process and may engage a medical authority to provide opinions relevant to making its determination. The local board may hold a hearing with respect to an application filed under this section if the fund member or survivor of a fund member shows good cause that documents or other probative evidence sufficient to make the showing required under this subsection is not reasonably obtainable and that holding a hearing would be reasonably likely to provide such probative evidence. If the local board conducts a hearing, it shall be subject to the provisions of section 12.7 of this chapter relating to the conduct of hearings on the determinations of covered impairments under this chapter.

(d) The local board shall make its recommendation, including findings of fact, in writing and shall provide copies of its recommendation to the fund member or survivor of the fund member ~~the 1977 fund advisory committee,~~ and the ~~PERF~~ **system** board ~~no~~ **not** later than thirty (30) days after the:

(1) filing of the application, if no hearing is held; or

(2) hearing, if held.

(e) If the local board does not issue its recommendation within the time required under subsection (d), the member's covered impairment shall be considered to be a covered impairment described under subsection (b)(1) for purposes of the local board's recommendation.

(f) The ~~1977 fund advisory committee~~ **system board** shall review the local board's recommendation, or the considered recommendation under subsection (e), not later than forty-five (45) days after receiving the recommendation and shall then issue an initial determination of whether the covered impairment is one described under subsection (b)(1). The ~~1977 fund advisory committee~~ **system board** shall notify ~~the PERF board,~~ the local board and the fund member or survivor of

the fund member of its initial determination. ~~and the PERF board or its designee will issue a final determination to the local board and the fund member or survivor of the fund member. If no objection is made to the initial determination under subsection (g) or (h) the PERF board must issue a final determination not later than thirty (30) days after receiving an initial determination.~~

(g) The fund member or survivor of the fund member or the local board may object in writing to the ~~1977 fund advisory committee's~~ **system board's** initial determination under subsection (f) not later than fifteen (15) days after the initial determination is issued by filing an objection with the ~~PERF~~ **system** board. If a written objection is not filed, the ~~1977 advisory committee's~~ **system board's** initial determination becomes final. If a timely written objection is filed, the ~~PERF~~ **system** board shall issue a final determination after a hearing. Unless an administrative law judge orders a waiver or an extension of the period for cause shown, the final determination must be issued not later than one hundred eighty (180) days after the date of receipt of the local board's recommendation.

(h) If the ~~1977 fund advisory committee~~ **system board** fails to issue an initial determination within forty-five (45) days after receiving the local board's recommendation, the default determination on whether the covered impairment is one described under subsection (b)(1) will be the determination made by ~~PERF's~~ **the system board's** medical authority. An objection to this determination may be filed in accordance with the provisions of subsection (g).

(i) A determination that a member's covered impairment is one described under subsection (b)(1) will apply only on a prospective basis beginning on January 1 of the calendar year in which the determination is made. The amount of the benefit will not be changed as a result of this determination.

(j) A fund member or survivor of a fund member described in subsection (a) must file an application under this section no later than two (2) years after the date the ~~PERF~~ **system** board notifies the fund members and survivors described in subsection (a) that the board has received a favorable ruling from the Internal Revenue Service. The ~~PERF~~ **system** board will provide notice of receipt of a favorable ruling within thirty (30) days of its receipt.

(k) This section expires July 1, 2021.

SECTION 133. IC 36-8-8-13.5, AS AMENDED BY P.L.34-2009, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 13.5. (a) This section applies only to a fund member who:

(1) is hired for the first time after December 31, 1989;

(2) chooses coverage by this section and section 12.5 of this chapter under section 12.4 of this chapter; or

(3) is described in section 12.3(c)(2) of this chapter.

(b) A fund member who is determined to have a Class 1 impairment and for whom it is determined that there is no suitable and available work within the fund member's department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act, is entitled to a monthly base benefit equal to forty-five percent (45%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment.

(c) A fund member who is determined to have a Class 2 impairment and for whom it is determined that there is no suitable and available work within the fund member's department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act, is entitled to a monthly base benefit equal to twenty-two percent (22%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment plus one-half percent (0.5%) of that salary for each year of service, up to a maximum of thirty (30) years of service.

(d) For applicants hired before March 2, 1992, a fund member who is determined to have a Class 3 impairment and for whom it is determined that there is no suitable and available work within the fund member's department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act, is entitled to a monthly base benefit equal to the product of the member's years of service (not to exceed thirty (30) years of service) multiplied by one percent (1%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment.

(e) For applicants hired after March 1, 1992, or described in section 12.3(c)(2) of this chapter, a fund member who is determined to have a Class 3 impairment and for whom it is determined that there is no suitable and available work within the fund member's department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act, is entitled to the following benefits instead of benefits provided under subsection (d):

(1) If the fund member did not have a Class 3 excludable condition under section 13.6 of this chapter at the time the fund member entered or reentered the fund, the fund member is entitled to a monthly base benefit equal to the product of the member's years of service, not to exceed thirty (30) years of service, multiplied by one percent (1%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment.

(2) Except as provided in subdivision (5), a fund member is entitled to receive the benefits set forth in subdivision (1) if:

(A) the fund member had a Class 3 excludable condition under section 13.6 of this chapter at the time the fund member entered or reentered the fund;

(B) the fund member has a Class 3 impairment that is not

related in any manner to the Class 3 excludable condition described in clause (A); and

(C) the Class 3 impairment described in clause (B) occurs after the fund member has completed four (4) years of service with the employer after the date the fund member entered or reentered the fund.

(3) Except as provided in subdivision (5), a fund member is not entitled to a monthly base benefit for a Class 3 impairment if:

(A) the fund member had a Class 3 excludable condition under section 13.6 of this chapter at the time the fund member entered or reentered the fund; and

(B) the Class 3 impairment occurs before the fund member has completed four (4) years of service with the employer after the date the fund member entered or reentered the fund.

(4) A fund member is not entitled to a monthly base benefit for a Class 3 impairment if:

(A) the fund member had a Class 3 excludable condition under section 13.6 of this chapter at the time the fund member entered or reentered the fund; and

(B) the Class 3 impairment is related in any manner to the Class 3 excludable condition.

(5) If, during the first four (4) years of service with the employer:

(A) a fund member with a Class 3 excludable condition is determined to have a Class 3 impairment; and

(B) the Class 3 impairment is attributable to an accidental injury that is not related in any manner to the fund member's Class 3 excludable condition;

the member is entitled to receive the benefits provided in subdivision (1) with respect to the accidental injury. For purposes of this subdivision, the local board shall make the initial determination of whether an impairment is attributable to an accidental injury. The local board shall forward the initial determination to the director of the ~~PERF~~ **system** board for a final determination by the ~~PERF~~ **system** board or the ~~PERF~~ **system** board's designee.

(f) If a fund member is entitled to a monthly base benefit under subsection (b), (c), (d), or (e), the fund member is also entitled to a monthly amount that is no less than ten percent (10%) and no greater than forty-five percent (45%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment. The additional monthly amount shall be determined by the ~~PERF~~ **Indiana public retirement system** medical authority based on the degree of impairment.

(g) Benefits for a Class 1 impairment as determined under this section are payable for the remainder of the fund member's life.

(h) Benefits for a Class 2 impairment are payable:

(1) for a period equal to the years of service of the member, if the member's total disability benefit is less than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment and the member has fewer than four (4) years of service; or

(2) for the remainder of the fund member's life if the fund member's benefit is:

(A) equal to or greater than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment; or

(B) less than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment if the member has at least four (4) years of service.

(i) Benefits for a Class 3 impairment are payable:

(1) for a period equal to the years of service of the member, if the member's total disability benefit is less than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment and the member has fewer than four (4) years of service; or

(2) until the member becomes fifty-two (52) years of age if the member's benefit is:

(A) equal to or greater than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment; or

(B) less than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment if the member has at least four (4) years of service.

(j) Upon becoming fifty-two (52) years of age, a fund member with a Class 2 impairment determined under subsection (h)(1) is entitled to receive the retirement benefit payable to a fund member with:

(1) twenty (20) years of service; or

(2) the total years of service (including both active service and the period, not to exceed twenty (20) years, during which the member received disability benefits) and salary, as of the year the member becomes fifty-two (52) years of age, that the fund member would have earned if the fund member had remained in active service until becoming fifty-two (52) years of age;

whichever is greater.

(k) Upon becoming fifty-two (52) years of age, a fund member who is receiving or has received a Class 3 impairment benefit that is:

(1) equal to or greater than thirty percent (30%) of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment; or

(2) less than thirty percent (30%) of the monthly salary of a first

class patrolman or firefighter in the year of the local board's determination of impairment if the member has at least four (4) years of service;

is entitled to receive the retirement benefit payable to a fund member with twenty (20) years of service.

(l) Notwithstanding section 12.3 of this chapter and any other provision of this section, a member who:

(1) has had a covered impairment;

(2) recovers and returns to active service with the department; and

(3) within two (2) years after returning to active service has an impairment that, except for section 12.3(b)(3) of this chapter, would be a covered impairment;

is entitled to the benefit under this subsection if the impairment described in subdivision (3) results from the same condition or conditions (without an intervening circumstance) that caused the covered impairment described in subdivision (1). The member is entitled to receive the monthly disability benefit amount paid to the member at the time of the member's return to active service plus any adjustments under section 15 of this chapter that would have been applicable during the member's period of reemployment.

SECTION 134. IC 36-8-8-13.7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 13.7. (a) No more than once every twelve (12) months after the final determination of covered impairment under this chapter:

(1) a petition for review of the fund member's impairment may be filed with the local board by the fund member, the safety board, or the ~~PERF~~ **system** board; or

(2) the local board may on its own motion seek a review of a fund member's impairment.

(b) The review may include a review of whether a covered impairment continues to exist, whether the degree of impairment has changed, and any other matter considered appropriate by the local board.

(c) The local board shall conduct a hearing under section 12.7 of this chapter to determine the matters raised in the petition for review. The local board's determination shall be submitted to the ~~PERF~~ **system** board, and the procedures specified in section 13.1 of this chapter apply.

(d) The costs of a medical examination required by the local board shall be paid by the party who filed the petition for review.

SECTION 135. IC 36-8-8-15, AS AMENDED BY P.L.99-2010, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 15. Each year the ~~PERF~~ **system** board shall determine if there has been an increase or decrease in the consumer price index (United States city average) prepared by the United States Department of Labor by comparing the arithmetic mean of the

consumer price index for January, February, and March of that year with the arithmetic mean for the same three (3) months of the preceding year. If there has been an increase, or a decrease, it shall be stated as a percentage of the arithmetic mean for the preceding three (3) month period. The percentage shall be rounded to the nearest one-tenth of one percent (0.1%) and may not exceed three percent (3%). If there is a percentage increase of the arithmetic mean for the preceding three (3) month period, a fund member's or survivor's monthly benefit, beginning with the July payment, shall be increased by an amount equal to the June payment times the percentage increase. However, a fund member's or survivor's monthly benefit may not be increased under this section until July of the year following the year of the first monthly benefit payment to the fund member or survivor. In computing a fund member's benefit, the increase is based only on those years for which the fund member was eligible for benefit payments under this chapter. A monthly benefit may not be reduced if there is a percentage decrease of the arithmetic mean for the preceding three (3) month period.

SECTION 136. IC 36-8-8-17.2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 17.2. (a) Notwithstanding any other provision of this chapter, a person receiving a disability, retirement, or survivor monthly benefit under this chapter may, after June 30, 2004, authorize the ~~PERF~~ **system** board to make a deduction from the benefit.

(b) An authorization for a deduction from a disability, retirement, or survivor monthly benefit paid under this chapter is valid only if all the following requirements are met:

(1) The authorization is:

(A) in writing;

(B) signed personally by the person receiving the benefit;

(C) revocable at any time by the person receiving the benefit upon written notice to the ~~PERF~~ **system** board; and

(D) agreed to in writing by the ~~PERF~~ **system** board.

(2) An executed copy of the authorization is delivered to the ~~PERF~~ **system** board within ten (10) days after its execution.

(3) The deduction is made for a purpose described in subsection (c).

(c) A deduction under this section may be made for the purpose of paying any of the following:

(1) A premium on a policy of insurance for medical, surgical, hospitalization, dental, vision, long term care, or Medicare supplement coverage offered to retired fund members by the fund member's former employer, the state, or the ~~PERF~~ **system** board.

(2) A pledge or contribution to a charitable or nonprofit organization.

(3) Dues payable by the person receiving the benefit to a labor

organization of which the person is a member.

SECTION 137. IC 36-8-8-18, AS AMENDED BY P.L.13-2011, SECTION 20, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 18. (a) Except as provided in subsection (b), if a unit becomes a participant in the 1977 fund, credit for prior service by police officers (including prior service as a full-time, fully paid town marshal or full-time, fully paid deputy town marshal by a police officer employed by a metropolitan board of police commissioners) or by firefighters before the date of participation may be given by the ~~PERF~~ **system** board only if:

(1) the unit contributes to the 1977 fund the amount necessary to amortize prior service liability over a period of not more than forty (40) years, the amount and period to be determined by the ~~PERF~~ **system** board; and

(2) the police officers or firefighters pay, either in a lump sum or in a series of payments determined by the ~~PERF~~ **system** board, the amount that they would have contributed if they had been members of the 1977 fund during their prior service.

If the requirements of subdivisions (1) and (2) are not met, a fund member is entitled to credit only for years of service after the date of participation.

(b) If a unit becomes a participant in the 1977 fund under section 3(c) of this chapter, or if a firefighter becomes a member of the 1977 fund under section 7(g) of this chapter, credit for prior service before the date of participation or membership shall be given by the ~~PERF~~ **system** board as follows:

(1) For a member who will accrue twenty (20) years of service credit in the 1977 fund by the time the member reaches the earliest retirement age under the fund at the time of the member's date of participation in the 1977 fund, the member will be given credit in the 1977 fund for one-third (1/3) of the member's years of participation in PERF as a police officer, a firefighter, or an emergency medical technician.

(2) For a member who will not accrue twenty (20) years of service credit in the 1977 fund by the time the member reaches the earliest retirement age under the fund at the time of the member's date of participation in the 1977 fund, such prior service shall be given only if:

(A) The unit contributes to the 1977 fund the amount necessary to fund prior service liability amortized over a period of not more than ten (10) years. The amount of contributions must be based on the actual salary earned by a first class firefighter at the time the unit becomes a participant in the 1977 fund, or the firefighter becomes a member of the 1977 fund, or if no such salary designation exists, the actual salary earned by the firefighter. The limit on credit for prior

service does not apply if the firefighter was a member of the 1937 fund or 1977 fund whose participation was terminated due to the creation of a new fire protection district under IC 36-8-11-5 and who subsequently became a member of the 1977 fund. A firefighter who was a member of or reentered the 1937 fund or 1977 fund whose participation was terminated due to the creation of a new fire protection district under IC 36-8-11-5 is entitled to full credit for prior service in an amount equal to the firefighter's years of service before becoming a member of or reentering the 1977 fund. Service may only be credited for time as a full-time, fully paid firefighter or as an emergency medical technician under section 7(g) of this chapter.

(B) The amount the firefighter would have contributed if the firefighter had been a member of the 1977 fund during the firefighter's prior service must be fully paid and must be based on the firefighter's actual salary earned during that period before service can be credited under this section.

(C) Any amortization schedule for contributions paid under clause (A) and contributions to be paid under clause (B) must include interest at a rate determined by the ~~PERF~~ **system** board.

(3) If, at the time a unit entered the 1977 fund, the unit contributed the amount required by subdivision (2) so that a fund member received the maximum prior service credit allowed by subdivision (2) and, at a later date, the earliest retirement age was lowered, the unit may contribute to the 1977 fund on the fund member's behalf an additional amount that is determined in the same manner as under subdivision (2) with respect to the additional prior service, if any, available as a result of the lower retirement age. If the unit pays the additional amount described in this subdivision in accordance with the requirements of subdivision (2), the fund member shall receive the additional service credit necessary for the fund member to retire at the lower earliest retirement age.

(c) This subsection applies to a unit that:

(1) becomes a participant in the 1977 fund under section 3(c) of this chapter; and

(2) is a fire protection district created under IC 36-8-11 that includes a township or a municipality that had a 1937 fund.

A firefighter who continues uninterrupted service with a unit covered by this subsection and who participated in the township or municipality 1937 fund is entitled to receive service credit for such service in the 1977 fund. However, credit for such service is limited to the amount accrued by the firefighter in the 1937 fund or the amount necessary to allow the firefighter to accrue twenty (20) years of service credit in the

1977 fund by the time the firefighter becomes fifty-two (52) years of age, whichever is less.

(d) The unit shall contribute into the 1977 fund the amount necessary to fund the amount of past service determined in accordance with subsection (c), amortized over a period not to exceed ten (10) years with interest at a rate determined by the ~~PERF~~ **system** board.

(e) If the township or municipality has accumulated money in its 1937 fund, any amount accumulated that exceeds the present value of all projected future benefits from the 1937 plan shall be paid by the township or municipality to the unit for the sole purpose of making the contributions determined in subsection (d).

(f) To the extent permitted by the Internal Revenue Code and the applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing permissive service credit under this chapter, a rollover of a 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 that is 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.

(g) To the extent permitted by the Internal Revenue Code and the applicable regulations, the 1977 fund may accept, on behalf of a fund member who is purchasing permissive service credit under this chapter, a trustee to trustee transfer from any of the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

SECTION 138. IC 36-8-8-18.1, AS AMENDED BY P.L.13-2011, SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 18.1. (a) As used in this section, "police officer" includes a former full-time, fully paid town marshal or full-time, fully paid deputy town marshal who is employed as a police officer by a metropolitan board of police commissioners.

(b) If a unit becomes a participant in the 1977 fund and the unit previously covered police officers, firefighters, or emergency medical technicians in PERF, or if the employees of the unit become members of the 1977 fund under section 7(g) of this chapter, the following provisions apply:

(1) A minimum benefit applies to members electing to transfer or being transferred to the 1977 fund from PERF. The minimum

benefit, payable at age fifty-two (52), for such a member equals the actuarial equivalent of the vested retirement benefit payable to the member upon normal retirement under IC 5-10.2-4-1 as of the day before the transfer, based solely on:

(A) creditable service;

(B) the average of the annual compensation; and

(C) the amount credited to the annuity savings account;

of the transferring member as of the day before the transfer under IC 5-10.2 and IC 5-10.3.

(2) The ~~PERF~~ **system** board shall transfer from PERF to the 1977 fund the amount credited to the annuity savings accounts and the present value of the retirement benefits payable at age sixty-five (65) attributable to the transferring members.

(3) The amount the unit and the member must contribute to the 1977 fund under section 18 of this chapter, if any service credit is to be given under that section, will be reduced by the amounts transferred to the 1977 fund by the ~~PERF~~ **system** board under subdivision (2).

(4) Credit for prior service in PERF of a member as a police officer, a firefighter, or an emergency medical technician is waived in PERF. Any credit for that service under the 1977 fund shall only be given in accordance with section 18 of this chapter.

(5) Credit for prior service in PERF of a member, other than as a police officer, a firefighter, or an emergency medical technician, remains in PERF and may not be credited under the 1977 fund.

SECTION 139. IC 36-8-8-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 20. (a) As used in this section, "dies in the line of duty" has the meaning set forth in section 14.1 of this chapter.

(b) Benefits paid under this section are subject to section 2.5 of this chapter.

(c) A special death benefit of seventy-five thousand dollars ($75,000) for a fund member who dies in the line of duty before January 1, 1998, and one hundred fifty thousand dollars ($150,000) for a fund member who dies in the line of duty after December 31, 1997, shall be paid in a lump sum by the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** from the pension relief fund established under IC 5-10.3-11 to the following relative of a fund member who dies in the line of duty:

(1) To the surviving spouse.

(2) If there is no surviving spouse, to the surviving children (to be shared equally).

(3) If there is no surviving spouse and there are no surviving children, to the parent or parents in equal shares.

(d) The benefit provided by this section is in addition to any other benefits provided under this chapter.

SECTION 140. IC 36-8-8-21 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 21. (a) This section applies to firefighters who:

(1) are employed by units that become participants in the 1977 fund under section 3(c) of this chapter; or

(2) become members of the 1977 fund under section 7(g) of this chapter.

(b) A firefighter may become a member of the 1977 fund without meeting the age limitation under section 7(a) of this chapter if the firefighter satisfies:

(1) any aptitude, physical agility, or physical and mental standards established by a local board under IC 36-8-3.2; and

(2) the minimum standards that are:

(A) adopted by the ~~PERF~~ **system** board under section 19 of this chapter; and

(B) in effect on the date the firefighter becomes a member of the 1977 fund.

(c) Credit for prior service of a firefighter who becomes a member of the 1977 fund under this section shall be determined under section 18 or 18.1 of this chapter. No service credit beyond that allowed under section 18 or 18.1 of this chapter may be recognized under the 1977 fund.

SECTION 141. IC 36-8-8-22 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 22. Nothing in this chapter limits the discretion of the ~~PERF~~ **system** board to select an administrative law judge under IC 4-21.5-3-9.

SECTION 142. IC 36-8-8-24, AS ADDED BY P.L.62-2010, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 24. (a) A fund member may designate one (1) or more beneficiaries to receive in a lump sum the fund member's contributions plus interest at a rate determined by the ~~PERF~~ **system** board if the fund member dies:

(1) without receiving a retirement benefit under sections 10 and 11 of this chapter;

(2) without receiving a disability benefit under section 13.3 or 13.5 of this chapter;

(3) without a survivor entitled to receive a benefit under section 13.8, 13.9, or 14.1 of this chapter; and

(4) without the ~~PERF~~ **system** board returning the fund member's contributions under section 8 of this chapter.

(b) A fund member who chooses to designate one (1) or more beneficiaries under this section shall file the fund member's designation with the ~~PERF~~ **system** board on a form prescribed by the ~~PERF~~ **system** board.

(c) The ~~PERF~~ **system** board shall adopt rules to allow a fund member who designates more than one (1) beneficiary to allocate the

contributions and interest paid in percentage increments.

(d) Whenever a fund member does not designate a beneficiary under this section and has no survivors entitled to receive a benefit under section 13.8, 13.9, or 14.1 of this chapter, the ~~PERF~~ **system** board shall refund to the fund member's estate:

(1) the fund member's contributions; plus

(2) interest at a rate determined by the ~~PERF~~ **system** board.

SECTION 143. IC 36-8-8.5-1.5, AS ADDED BY P.L.51-2006, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 1.5. This chapter expires for members of the 1925 fund, the 1937 fund, or the 1953 fund on the date the authority of the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** to distribute from the pension relief fund established under IC 5-10.3-11-1 to units of local government (described in IC 5-10.3-11-3) amounts determined under IC 5-10.3-11-4.7 expires.

SECTION 144. IC 36-8-8.5-14, AS AMENDED BY P.L.177-2011, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 14. (a) Subject to subsection (b), a member who enters the DROP established by this chapter shall exit the DROP at the earliest of:

(1) the member's DROP retirement date;

(2) thirty-six (36) months after the member's DROP entry date;

(3) the mandatory retirement age applicable to the member, if any;

(4) the date the member retires because of a disability as provided under section 16.5(d) of this chapter; or

(5) the date determined under IC 36-8-8-24.8.

(b) A member of the 1925 fund, the 1937 fund, or the 1953 fund who enters the DROP established by this chapter must exit the DROP on the date the authority of the board of trustees of the **Indiana** public ~~employees'~~ retirement ~~fund~~ **system** to distribute from the pension relief fund established under IC 5-10.3-11-1 to units of local government (described in IC 5-10.3-11-3) amounts determined under IC 5-10.3-11-4.7 expires.

Indiana Public Retirement System
PD 3236 Section Summary
October 25, 2011

SEC	CITE	EFF. DATE	SUBJECT
1	2-3.5-1-2	JULY 1, 2012	Cross-references to the board of trustees (board) of the Indiana Public Retirement System (INPRS). Legislators' retirement system.
2	2-3.5-1-4	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
3	2-3.5-2-2.7	JULY 1, 2012	Definition of board. Legislators' retirement system.
4	2-3.5-3-1	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
5	2-3.5-3-2	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
6	2-3.5-3-3	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
7	2-3.5-3-4	JULY 1, 2012	Cross-references to board. Conforming changes to the board's powers and duties. Legislators' retirement system.
8	2-3.5-5-3	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
9	2-3.5-5-5.5	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
10	2-3.5-5-6	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
11	2-3.5-5-7	JULY 1, 2012	Cross-references to board. Legislators' retirement system.
12	2-3.5-5-11	JULY 1, 2012	Cross-reference to board. Legislators' retirement system.
13	4-1-8-1	JULY 1, 2012	Conforming reference to board. State requests for Social Security Number.
14	4-1-10-5	JULY 1, 2012	Conforming reference to board. Release of Social Security Number.
15	4-10-10-1.5	JULY 1, 2012	Extends chapter exemption for benefit checks from the teachers' retirement fund (TRF) to INPRS. Funds have administratively established 180 day payment period for benefit checks. 35 IAC 1.2-5-23 (public employees' retirement fund (PERF)); 35 IAC 14-7-13 (TRF). Cancellation and reissue of warrants outstanding more than two years.

EXHIBIT 9
PMOC 3rd Mtg
Oct 25, 2011

Indiana Public Retirement System
PD 3236 Section Summary
October 25, 2011

SEC	CITE	EFF. DATE	SUBJECT
16	4-12-1-14.3	JULY 1, 2012	Conforming reference to INPRS. The Budget Agency. Tobacco master settlement agreement fund
17	4-12-4-10	JULY 1, 2012	Conforming reference to INPRS. Indiana Tobacco Use Prevention and Cessation Trust Fund.
18	4-12-9-2	JULY 1, 2012	Conforming reference to INPRS. Tobacco Farmers and Rural Community Impact Fund.
19	4-13-1-17	JULY 1, 2012	Conforming reference to INPRS. Department of Administration. Exempts INPRS from the prohibition against a state agency purchasing insurance to cover the loss or damage to property.
20	5-10-0.5-1	JULY 1, 2012	Conforming references to INPRS and the board's powers. Limitations on public retirement fund investments.
21	5-10-1.1-7.5	JULY 1, 2012	Conforming reference to INPRS. Public employees deferred compensation plans.
22	5-10-1.7-1	JULY 1, 2012	Conforming change to definition of "board" as used in chapter. Retirement plan investments.
23	5-10-5.5-1	JULY 1, 2012	Conforming reference to INPRS. Reconciles conflict between amendments made by P.L.16-2011, SECTION 1, and P.L.23-2011, SECTION 3, concerning definitions of "board" and "interest". State excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan.
24	5-10-5.5-12.7	JULY 1, 2012	Conforming reference to INPRS. Excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan.
25	5-10-10-1	JULY 1, 2012	Conforming reference to INPRS. Special death benefit fund.
26	5-10-11-1	JULY 1, 2012	Conforming reference to INPRS. State employees' death benefit.

Indiana Public Retirement System
PD 3236 Section Summary
October 25, 2011

SEC	CITE	EFF. DATE	SUBJECT
27	5-10.1-1-8	JULY 1, 2012	Conforming reference to INPRS. Social Security coverage for public employees.
28	5-10.1-4-6	JULY 1, 2012	Conforming reference to INPRS. Social Security coverage for public employees.
29	5-10.2-1-6	JULY 1, 2012	Addition of INPRS to definition of "retirement fund law". Public employees' retirement fund (PERF) and teachers' retirement fund (TRF).
30	5-10.2-2-1.5	JULY 1, 2012	Conforming change for board. PERF and TRF.
31	5-10.2-2-2.5	JULY 1, 2012	Conforming change for board and the board's investment guidelines and limits. PERF and TRF.
32	5-10.2-2-3	JULY 1, 2012	Cross-references and conforming changes for board and the board's investment duties and limitations for PERF and TRF annuity savings accounts.
33	5-10.2-2-4	JULY 1, 2012	Conforming changes for board. PERF and TRF.
34	5-10.2-2-6	JULY 1, 2012	Reconciles conflict between amendments made by P.L.22-2011, SECTION 1, and P.L.23-2011, SECTION 9, concerning PERF and TRF retirement allowance accounts.
35	5-10.2-2-10	JULY 1, 2012	Conforming changes for board. PERF and TRF.
36	5-10.2-2-11	JULY 1, 2012	Conforming changes for board. PERF and TRF.
37	5-10.2-2-12	JULY 1, 2012	Conforming changes for board. PERF and TRF.
38	5-10.2-2-13	JULY 1, 2012	Conforming changes for board. PERF and TRF.
39	5-10.2-3-1	JULY 1, 2012	Conforming changes for board. PERF and TRF.
40	5-10.2-3-2	JULY 1, 2012	Conforming change for board. PERF and TRF.
41	5-10.2-4-1.3	JULY 1, 2012	Conforming change for board. PERF and TRF.

Indiana Public Retirement System
PD 3236 Section Summary
October 25, 2011

SEC	CITE	EFF. DATE	SUBJECT
42	5-10.2-4-2	JULY 1, 2012	Conforming changes for board. PERF and TRF.
43	5-10.2-4-6	JULY 1, 2012	Reconciles conflict between amendments made by P.L.124-2008, SECTION 2, and P.L.131-2008, SECTION 1, concerning the effective date of an increase in the minimum monthly disability retirement benefit. PERF and TRF.
44	5-10.2-4-7	JULY 1, 2012	Conforming change for board. PERF and TRF.
45	5-10.2-4-8	JULY 1, 2012	Conforming change for board. PERF and TRF.
46	5-10.2-5-29	JULY 1, 2012	Conforming change for board. PERF and TRF.
47	5-10.2-5-30	JULY 1, 2012	Conforming change for board. PERF and TRF.
48	5-10.2-8-2	JULY 1, 2012	Conforming change for board. PERF and TRF.
49	5-10.2-9-6	JULY 1, 2012	Conforming change for INPRS. Sudan divestment. PERF and TRF.
50	5-10.2-9-7	JULY 1, 2012	Conforming change for INPRS. Sudan divestment. PERF and TRF.
51	5-10.2-9-11	JULY 1, 2012	Conforming change for INPRS. Sudan divestment. PERF and TRF.
52	5-10.2-9-17	JULY 1, 2012	Conforming change for INPRS. Sudan divestment. PERF and TRF.
53	5-10.2-9-20.5	JULY 1, 2012	**NEW Section.** Definition of "system". Sudan divestment. PERF and TRF.
54	5-10.2-9-21	JULY 1, 2012	Conforming change for board. Sudan Divestment. PERF and TRF.
55	5-10.2-9-22	JULY 1, 2012	Conforming change for board. Sudan Divestment. PERF and TRF.
56	5-10.2-9-23	JULY 1, 2012	Conforming change for board. Sudan Divestment. PERF and TRF.
57	5-10.2-9-24	JULY 1, 2012	Conforming change for board. Sudan Divestment. PERF and TRF.
58	5-10.2-9-25	JULY 1, 2012	Conforming changes for INPRS. Sudan Divestment. PERF and TRF.

Indiana Public Retirement System
PD 3236 Section Summary
October 25, 2011

SEC	CITE	EFF. DATE	SUBJECT
59	5-10.2-9-26	JULY 1, 2012	Conforming changes for board and INPRS. Sudan Divestment. PERF and TRF.
60	5-10.2-9-27	JULY 1, 2012	Conforming change for INPRS. Sudan Divestment. PERF and TRF.
61	5-10.2-9-29	JULY 1, 2012	Conforming changes for board. Sudan Divestment. PERF and TRF.
62	5-10.2-9-31	JULY 1, 2012	Conforming change for board. Sudan Divestment. PERF and TRF.
63	5-10.2-9-33	JULY 1, 2012	Conforming changes for INPRS. Sudan Divestment. PERF and TRF.
64	5-10.2-9-34	JULY 1, 2012	Conforming changes for board and INPRS. Sudan Divestment. PERF and TRF.
65	5-10.2-9-35	JULY 1, 2012	Conforming changes for INPRS. Sudan Divestment. PERF and TRF.
66	5-10.2-10-6	JULY 1, 2012	Conforming change for INPRS. Divestment from states that sponsor terror. PERF and TRF.
67	5-10.2-10-7	JULY 1, 2012	Conforming changes for INPRS. Divestment from states that sponsor terror. PERF and TRF.
68	5-10.2-10-10	JULY 1, 2012	Conforming change for INPRS. Divestment from states that sponsor terror. PERF and TRF.
69	5-10.2-10-16.5	JULY 1, 2012	**NEW Section.** Definition of "system". Divestment from states that sponsor terror. PERF and TRF.
70	5-10.2-10-17	JULY 1, 2012	Conforming changes for board. Divestment from states that sponsor terror. PERF and TRF.
71	5-10.2-10-18	JULY 1, 2012	Conforming changes for board. Divestment from states that sponsor terror. PERF and TRF.
72	5-10.2-10-19	JULY 1, 2012	Conforming changes for board. Divestment from states that sponsor terror. PERF and TRF.

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SEC	CITE	EFF. DATE	SUBJECT
73	5-10.2-10-20	JULY 1, 2012	Conforming changes for board and INPRS. Divestment from states that sponsor terror. PERF and TRF.
74	5-10.2-10-21	JULY 1, 2012	Conforming changes for INPRS. Divestment from states that sponsor terror. PERF and TRF.
75	5-10.2-10-22	JULY 1, 2012	Conforming changes for board and INPRS. Divestment from states that sponsor terror. PERF and TRF.
76	5-10.2-10-23	JULY 1, 2012	Conforming change for INPRS. Divestment from states that sponsor terror. PERF and TRF.
77	5-10.2-10-25.5	JULY 1, 2012	Conforming changes for board. Divestment from states that sponsor terror. PERF and TRF.
78	5-10.2-10-26	JULY 1, 2012	Conforming change for board and INPRS. Divestment from states that sponsor terror. PERF and TRF.
79	5-10.2-10-28	JULY 1, 2012	Conforming change for INPRS. Divestment from states that sponsor terror. PERF and TRF.
80	5-10.2-10-29	JULY 1, 2012	Conforming changes for INPRS. Divestment from states that sponsor terror. PERF and TRF.
81	5-10.3-7-1	JULY 1, 2012	Conforming change in definition of "employees of the state" for PERF membership to allow system employees who were TRF employees to remain in TRF. PERF.
82	5-10.3-7-2	JULY 1, 2012	Conforming change to list of employees excluded from PERF membership to include state employees who elect to become members of the public employees' defined contribution plan. PERF.
83	5-10.3-8-14	JULY 1, 2012	Cross-reference to board's rule-making authority. PERF.
84	5-10.3-11-2	JULY 1, 2012	Cross-references to board's powers and duties. Pension relief fund.

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SEC	CITE	EFF. DATE	SUBJECT
85	5-10.3-12-21	JULY 1, 2012	Corrects cross-reference to rollover accounts. Public employees' defined contribution plan.
86	5-10.4-1-6	JULY 1, 2012	Conforming change to definition of "director". TRF.
87	5-10.4-1-16	JULY 1, 2012	Conforming change to definition of "trustee". TRF.
88	5-10.4-2-3	JULY 1, 2012	Conforming changes concerning the payment of expenses of the fund and INPRS. TRF.
89	5-10.4-2-5	JULY 1, 2012	Conforming changes to board's powers and duties. Pension stabilization fund.
90	5-11-19-1	JULY 1, 2012	Conforming changes to references to board. Transitional provisions concerning the transfer of the state board of accounts field examiner fund to PERF.
91	5-11-19-2	JULY 1, 2012	Conforming change to references to board. Transitional provisions concerning the transfer of the state board of accounts field examiner fund to PERF.
92	5-13-5-5	JULY 1, 2012	Conforming changes to references to INPRS. Use of electronic funds transfer by political subdivisions.
93	5-13-12-4	JULY 1, 2012	Cross-reference to INPRS. Transfers from pension distribution fund to the pension relief fund.
94	7.1-4-11-1	JULY 1, 2012	Cross-reference to INPRS. Conforming changes to references to state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan. Miscellaneous collections and distributions by alcohol and tobacco commission.
95	8-1-13.1-10	JULY 1, 2012	Cross-reference to INPRS. Alternative energy incentive fund.
96	8-14-14-5	JULY 1, 2012	Cross-reference to INPRS. Major Moves construction fund.

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SEC	CITE	EFF. DATE	SUBJECT
97	8-14-14-8	JULY 1, 2012	Cross-reference to INPRS. Major Moves construction fund.
98	8-14-15-8	JULY 1, 2012	Cross-reference to INPRS. Next Generation trust fund.
99	8-14-17-4	JULY 1, 2012	Cross-reference to INPRS. Alternative transportation construction fund.
100	15-11-10-3	JULY 1, 2012	Cross-reference to INPRS. Tobacco farmers and rural community impact fund
101	16-22-3-11	JULY 1, 2012	Cross-reference to INPRS. Hospital governing boards.
102	20-24-6-7	JULY 1, 2012	Cross-references to board and INPRS. Employment of teachers and other personnel for charter schools.
103	20-26-4-1	JULY 1, 2012	Conforming change to INPRS. Organization and operation of school corporation governing body.
104	33-38-6-23	JULY 1, 2012	Conforming changes to INPRS and board's powers and duties. Judges' retirement system.
105	33-38-6.9-1	JULY 1, 2012	Conforming changes to definition of "board". Judges' retirement system.
106	33-39-7-11	JULY 1, 2012	Conforming changes to INPRS, and powers and duties of board, INPRS director, actuary, and attorney general. Prosecuting attorneys' retirement fund.
107	34-13-3-20	JULY 1, 2012	Conforming changes to INPRS. Tort claims against governmental entities and public employees.
108	35-33-8-3.2	JULY 1, 2012	Cross-reference to INPRS. Bail and bail procedure. Collection of fee for the special death benefit fund.
109	36-8-3.2-2	JULY 1, 2012	Cross-reference to INPRS. Employment standards for public safety officers.
110	36-8-5-2	JULY 1, 2012	Cross-reference to INPRS. Police and fire leaves of absence.

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SEC	CITE	EFF. DATE	SUBJECT
111	36-8-6-20	JULY 1, 2012	Cross-reference to INPRS. 1925 Police Pension Fund.
112	36-8-7-26	JULY 1, 2012	Cross-reference to INPRS. 1937 Firefighters' Pension Fund.
113	36-8-7.5-22	JULY 1, 2012	Cross-reference to INPRS. 1953 Police Pension Fund (Indianapolis).
114	36-8-8-2.3	JULY 1, 2012	**NEW section.** Definition of "system board". 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund).
115	36-8-8-2.5	JULY 1, 2012	Cross-references to INPRS. 1977 Fund.
116	36-8-8-3	JULY 1, 2012	Cross-reference to INPRS and technical correction. 1977 Fund.
117	36-8-8-4	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
118	36-8-8-5	JULY 1, 2012	Cross-reference to system board, and conforming changes to powers and duties of system board, system director, actuary, and attorney general. 1977 Fund.
119	36-8-8-6	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
120	36-8-8-7	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
121	36-8-8-7.2	JULY 1, 2012	Conforming references to system board. 1977 Fund.
122	36-8-8-8	JULY 1, 2012	Conforming references to system board. Reconciles conflict between amendments to P.L.13-2011, SECTION 17, and P.L.16-2011, SECTION 13, concerning electronic funds transfers. 1977 fund.
123	36-8-8-8.3	JULY 1, 2012	Conforming references to system board. 1977 Fund.
124	36-8-8-8.5	JULY 1, 2012	Conforming references to system board. 1977 Fund.
125	36-8-8-8.8	JULY 1, 2012	Conforming references to system board. 1977 Fund.
126	36-8-8-11.5	JULY 1, 2012	Conforming reference to system board. 1977 Fund.

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SEC	CITE	EFF. DATE	SUBJECT
127	36-8-8-12	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
128	36-8-8-12.3	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
129	36-8-8-12.4	JULY 1, 2012	Conforming references to system board. 1977 Fund.
130	36-8-8-12.7	JULY 1, 2012	Conforming references to system board. Removes references to 1977 fund advisory committee (repealed by P.L.23-2011, SECTION 27) and assigns committee's duties to the system board. 1977 fund.
131	36-8-8-13.1	JULY 1, 2012	Reconciles conflict between P.L.13-2011, SECTION 19, and P.L.23-2011, SECTION 28, concerning process for determining whether a covered impairment exists. 1977 fund.
132	36-8-8-13.4	JULY 1, 2012	Conforming references to system board. Removes references to 1977 fund advisory committee (repealed by P.L.23-2011, SECTION 27) and assigns committee's duties to the system board. 1977 fund.
133	36-8-8-13.5	JULY 1, 2012	Conforming references to INPRS and system board. 1977 Fund.
134	36-8-8-13.7	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
135	36-8-8-15	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
136	36-8-8-17.2	JULY 1, 2012	Conforming references to system board. 1977 Fund.
137	36-8-8-18	JULY 1, 2012	Conforming references to system board. 1977 Fund.
138	36-8-8-18.1	JULY 1, 2012	Conforming references to system board. 1977 Fund.
139	36-8-8-20	JULY 1, 2012	Conforming reference to INPRS. 1977 Fund.
140	36-8-8-21	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
141	36-8-8-22	JULY 1, 2012	Conforming reference to system board. 1977 Fund.
142	36-8-8-24	JULY 1, 2012	Conforming references to system board. 1977 Fund.

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SEC	CITE	EFF. DATE	SUBJECT
143	36-8-8.5-1.5	JULY 1, 2012	Conforming reference to INPRS. Deferred Retirement Option Plan (DROP).
144	36-8-8.5-14	JULY 1, 2012	Conforming reference to INPRS. Deferred Retirement Option Plan (DROP).

Prepared by Peggy Piety, Attorney for the Pension Management Oversight Commission
October 25, 2011

EXHIBIT 10
PMOC 3rd meeting
OCT 25, 2011

PRELIMINARY DRAFT
No. 3257

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2012 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10-1.5; IC 5-10.3-11-4; IC 5-11-4-3.6.

Synopsis: Indiana public retirement system administration. Repeals a requirement that certain retirement plans of the state or a political subdivision must report to the public employees' retirement fund (PERF) information necessary for the PERF actuary to perform an actuarial valuation of the plan. Requires that the Indiana public retirement system pay the direct and indirect costs of the state board of accounts' examination of the public pension and retirement funds administered by the system.

Effective: July 1, 2012.

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

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

SECTION 1. IC 5-10-1.5 IS REPEALED [EFFECTIVE JULY 1, 2012]. (Retirement Plan Reporting).

SECTION 2. IC 5-10.3-11-4, AS AMENDED BY P.L.146-2008, SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 4. (a) Monies from the pension relief fund shall be paid annually by the state board under the procedures specified in this section.

(b) Each year, before a date set by the state board, each unit of local government must certify to the state board:

(1) the amount of payments made during the preceding year for benefits under its pension funds covered by this chapter, referred to in this section as "pension payments";

(2) the data determined necessary by the state board to perform an actuarial valuation of the unit's pension funds covered by this chapter;

(3) the names required to prepare the list specified in subsection (c); and

(4) any other information that is necessary for the state board to make distributions to units under this chapter.

A unit is ineligible to receive a distribution under this section if it does not supply the complete information required by this subsection or a substantial amount of the information required if it is accompanied by an affidavit of the chief executive officer of the unit detailing the steps which have been taken to obtain the information and the reasons the complete information has not been obtained. ~~This subsection supersedes the reporting requirement of IC 5-10-1.5 as it applies to pension funds covered by this chapter.~~

(c) Each year, before a date set by the state board, the state board shall prepare a list of all police officers and firefighters, active, retired, and deceased if their beneficiaries are eligible for benefits, who are members of a police or fire pension fund that was established before

May 1, 1977. The list may not include police officers, firefighters, or their beneficiaries for whom no future benefits will be paid. The state board shall then compute the present value of the accrued liability to provide the pension and other benefits to each person on the list.

(d) Each year, before a date set by the state board, the state board shall determine the total pension payments made by all units of local government for the preceding year and shall estimate the total pension payments to be made to all units in the calendar year in which the July 1 occurs and in the following calendar year.

SECTION 3. IC 5-11-4-3.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2012]: Sec. 3.6. As provided in section 3 of this chapter, each of the following units of state government and eligible federal projects shall bear the direct and indirect costs of its own examination from the following designated funds:

(1) Indiana department of transportation (except toll project costs and expenses), bureau of motor vehicles (including branch offices), motor fuel tax division, state police department, and traffic safety functions under IC 9-27-2 from the motor vehicle account fund.

(2) Indiana ~~state teachers'~~ **public** retirement ~~fund~~ **system** from the **public pension and retirement** funds ~~accruing to that fund.~~ **administered by the system in accordance with IC 5-10.5-6-5.**

(3) Alcohol and tobacco commission from the funds accruing to the alcoholic beverage enforcement and administration fund.

(4) Indiana department of transportation, for the costs and expenses related to a particular toll project, from any special fund established for revenues from that project.

(5) State fair commission from the state fair fund.

(6) State colleges and universities from state appropriations. However, colleges and universities shall not be charged at a rate higher than that charged to local taxing units under section 3 of this chapter.

(7) Eligible federal grants and projects from funds provided by the federal government or as are properly chargeable to the grant or project or recoverable through an indirect cost allocation recovery approved by the federal government.

The New York Times

EXHIBIT 11
PMOC 3rd meeting
Oct 25, 2011

The Little State With a Big Mess

By MARY WILLIAMS WALSH

Published: October 22, 2011

ON the night of Sept. 8, Gina M. Raimondo, a financier by trade, rolled up here with news no one wanted to hear: Rhode Island, she declared, was going broke.

Maybe not today, and maybe not tomorrow. But if current trends held, Ms. Raimondo warned, the Ocean State would soon look like Athens on the Narragansett: undersized and overextended. Its economy would wither. Jobs would vanish. The state would be hollowed out.

It is not the sort of message you might expect from Ms. Raimondo, a proud daughter of Providence, a successful venture capitalist and, not least, the current general treasurer of Rhode Island. But it is a message worth hearing. The smallest state in the union, it turns out, has a very big debt problem.

After decades of drift, denial and inaction, Rhode Island's $14.8 billion pension system is in crisis. Ten cents of every state tax dollar now goes to retired public workers. Before long, Ms. Raimondo has been cautioning in whistle-stops here and across the state, that figure will climb perilously toward 20 cents. But the scary thing is that no one really knows. The Providence Journal recently tried to count all the municipal pension plans outside the state system and stopped at 155, conceding that it might have missed some. Even the Securities and Exchange Commission is asking questions, including the big one: Are these numbers for real?

"We're in the fight of our lives for the future of this state," Ms. Raimondo said in a recent interview. And if the fight is lost? "Either the pension fund runs out of money or cities go bankrupt."

All of this might seem small in the scheme of national affairs. After all, this is Little Rhody (population: 1,052,567). But the nightmare scenario is that Ms. Raimondo has seen the future of America, and it is Rhode Island. As Wall Street fixates on the financial disaster in Greece, a fiscal wreck is playing out right here. And the odds are that it won't be the last. Before this is over, many Americans may be forced to rethink what government means at the state and local level.

Economists have talked endlessly about a financial reckoning for the United States, of a moment in the not-so-far-away when the nation's profligate ways catch up with it. But for Rhode Island, that moment is now. The state has moved to safeguard its bond investors, to avoid being locked out of the credit markets. Last week, the General Assembly went into special session and proposed rolling back benefits for public employees, including those who have already retired. Whether the plan will succeed is anyone's guess.

Central Falls, a small city north of Providence, didn't wait for news from the Statehouse. In August, the city filed for bankruptcy rather than keep its pension promises to its retired firefighters and police officers.

Illinois, California, Connecticut, Oklahoma, Michigan — the list of stretched states runs on. In Pennsylvania, the capital city, Harrisburg, filed for bankruptcy earlier this month to avoid having to use prized assets to pay off Wall Street creditors. In New Jersey, Gov. Chris Christie wants to roll back benefits, too.

In most places, as in Rhode Island, the big issue is pensions. By conventional measures, state and local pensions nationwide now face a combined shortfall of about $3 trillion. Officials argue that, by their accounting, the total is far less. But with pensions, hope often triumphs over experience. Until this year, Rhode Island calculated its pension numbers by assuming that its various funds would post an average annual return on their investments of 8.25 percent; the real number for the last decade is about 2.4 percent. A phrase that gets thrown around here, à la Rick Perry describing Social Security, is "Ponzi scheme."

That evening in September, Ms. Raimondo walked into the Cranston Portuguese Club to face yet another angry audience. People like Paul L. Valletta Jr., the head of Local 1363 of the firefighters union.

"I want to get the biggest travesty out of the way here," Mr. Valletta boomed from the back of the hall. "You're going after the retirees! In this economic time, how could you possibly take a pension away?"

Someone else in the audience said Rhode Island was reneging on a moral obligation.

Ms. Raimondo, 40, stood her ground. Rhode Island, she said, had a choice: it could pay for schoolbooks, roadwork, care for the elderly and so on, or it could keep every promise to its retirees.

"I would ask you, is it morally right to do nothing, and not provide services to the state's most vulnerable citizens?" she asked the crowd. "Yes, sir, I think this is moral."

FOR many Americans, the Ocean State conjures images of Newport mansions and Narragansett chic. The overall reality is more prosaic. Rhode Island today is a place where the roads and bridges rank among the worst in the nation and where jobs are particularly hard to find. Unemployment rose faster during the 2008-9 recession than in any other state. The official jobless rate is now 10.6 percent, versus the national average of 9.1 percent.

The textile mills and jewelry manufacturers that once employed thousands here have dwindled away. The big employers today are in health care and education, both of which rely heavily on government spending that has been drying up.

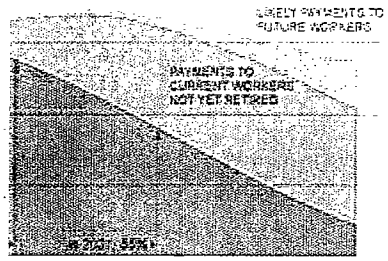
Many states and cities can credibly say their pension plans are viable, even when those plans are not fully funded. That is because state retirement funds, like Social Security, pay out benefits bit by bit, over many years.

But unlike, say, California, with its large, diverse economy, Rhode Island is so small that there is little margin for error. Leaving the state, to escape its taxes, is almost as easy as moving to the other side of town. Efforts to balance the state budget by shrinking the public work force have left Rhode Island with a problem like the one that plagues General Motors: the state has more public-sector retirees than public-sector workers.

More ominous still, in each of the last 10 years, the state pension fund paid more money to retirees than the fund collected from state employees and taxpayers combined. The fund is shrinking, even though the benefits coming due are growing.

James Meunier, 70, a retired Central Falls police officer, spoke at a meeting in July, when retired police officers and firefighters were asked to accept large pension reductions.

Multimedia



The government cutbacks also took their toll on the city's library.

For all the pain here, one important constituency — Wall Street — seems satisfied enough. To reassure its bond investors, Rhode Island passed a special law this year giving them first dibs on tax revenue. In other words, bondholders will be paid, whatever happens. Ms. Raimondo has at times been accused of selling out ordinary Rhode Islanders to Wall Street interests, but she says hard choices must be made.

Ms. Raimondo remembers better times in Rhode Island. She grew up in a suburb of Providence, rode public buses to public schools and played in public parks. Her grandfather, who arrived from Italy, studied English in the evenings at the Providence Public Library. (That library system lost its financing from the city in 2009, closed branches and shortened its hours. These days, it is seldom open after 6 p.m.)

But Ms. Raimondo also learned early on about economic forces at work in her state. When she was in sixth grade, the Bulova watch factory, where her father worked, shut its doors. He was forced to retire early, on a sharply reduced pension; he then juggled part-time jobs.

"You can't let people think that something's going to be there if it's not," Ms. Raimondo said in an interview in her office in the pillared Statehouse, atop a hill in Providence. No one should be

blindsided, she said. If pensions are in trouble, it's better to deliver the news and give people time to make other plans.

BY any standard, Ms. Raimondo is a high achiever. She graduated from Harvard, collected a law degree from Yale and attended Oxford as a Rhodes scholar. After a stint in New York in the venture capital business, she helped found Rhode Island's first venture capital firm, Point Judith Capital.

Then, in 2009, with zero political experience, she ran for the state office of treasurer. Although she is a Democrat in a heavily Democratic state, she stood out because she refused to promise that state jobs and pension benefits would be protected no matter what. She won by a landslide, receiving more votes than any other candidate for any state office. Her long-term ambitions, in politics, business or both, are the subject of speculation in Providence.

No sooner had she been sworn in than the S.E.C. called. She learned that the commission was investigating the finances of various cities and states, including Rhode Island, to determine whether bond investors were receiving truthful information. At the heart of the S.E.C. inquiry were pension funds.

Ms. Raimondo said she wasn't entirely surprised. When she disclosed the investigation, she said: "For months, Rhode Island has been listed among several states with precarious finances. This challenging position is, in part, due to our significant and growing unfunded pension liability." Her first priority, she vowed, would be to ensure that the numbers were right.

Others made similar pledges before. Rhode Island has been trying to fix its pension system for years; it has announced four "reform" plans since 2005, each of which has claimed to reduce costs for the state and cities. It has raised minimum retirement ages, slowed accrual rates, capped cost-of-living adjustments — but always for the youngest or least senior public workers. Retirees, and workers poised to retire, were spared, even though the numbers clearly showed that reducing payments to retirees was the only sure way to fix things quickly.

In recent months Ms. Raimondo has crisscrossed the state in an attempt to sell a different remedy, one in which everyone takes a hit. Yes, it would hurt. But at least the state would avoid having to come up with yet another plan in a year or two. The defined-benefit structure, very popular with public employees, could survive. Still, the battle lines are clear. Eight public workers' unions have already sued, saying the pension changes of 2009 and 2010 were illegal.

On a September evening out in North Scituate, at the historic Old Congregational Church, Ms. Raimondo told a crowd about what had happened in Vallejo, Calif. That city filed for bankruptcy in 2009 and, after grueling negotiations, left pensions intact but drastically cut bus service, police patrols and other government functions, along with the pay of the city workers who provide all those services.

"That's not what we want for Rhode Island," Ms. Raimondo said. "That's not the future we want for our children."

Others in the crowd had their own stories. Several retired teachers said they had played by the rules and sent a part of every paycheck to the pension fund, as required by law. One man demanded pension cuts for state troopers and judges. A woman said her aged father would be unable to buy medicine if the state stopped adjusting his pension for inflation.

Gina Raimondo, left, Rhode Island's general treasurer, listened to Ernest Gibbons, a retired employee of the University of Rhode Island, after a meeting on pension reform last month in Newport. "I feel your anger," Ms. Raimondo told the crowd. "In many ways, I'm angry myself. Many of the shenanigans that went on in past years were just wrong."

In some ways, the central question is not only what the government owes to pensioners but what citizens owe to one another. From the pews of the church, Cindy Gould, a fourth-grade teacher, said that under the current system, she had 11 years to go until retirement. Under Ms. Raimondo's plan, she might have to work longer. But, Ms. Gould, 54, said she was willing to do so if that meant the elderly would get the medical care they need.

Since the last recession hit, states and cities around the country have embarked on pension changes, often following the Rhode Island pattern. Benefits for state employees who have not yet been hired are usually the first to be cut. Then come changes for those now on the payroll, often in the form of higher mandatory contributions.

Retirees have mostly been off-limits, until now. In many instances, laws or legal precedent shield them. In the corporate sphere, they are supposed to bear losses only in bankruptcy. But those rules do not apply to states, which may not declare bankruptcy in any case. If a government homes in on retirees, a lawsuit is sure to follow, and the resolution will take years. But Ms. Raimondo says Rhode Island doesn't have years. This isn't a question of politics or law, she says, but of simple math. To get the numbers right, Ms. Raimondo quickly assembled a panel of experts that included academics, mayors and union officials. The goal was to figure out what a public pension should be and what Rhode Island could afford. Inflation protection every year, for people who in some cases retired in their 40s, started coming into focus.

Analysts also took a close look at the projected long-term investment return for the pension system: 8.25 percent. Everything rested on hitting that target, but the state's actuary said there was less than a 30 percent chance that would happen over the next 20 years. The board voted to lower the assumption to 7.5 percent. (Given the recent run in the financial markets, even that figure may seem optimistic.)

As a result of that change, the state's pension shortfall instantly rose to $9 billion from $7 billion. The unions said Ms. Raimondo had manufactured a crisis.

She denied it. "This is about the truth," she said, "and about doing the right thing."

Then, as if on cue, Central Falls declared bankruptcy. The city's pension fund wasn't just underfunded. It was completely out of money. A receiver for the city sought court permission to reduce by as much as half the base pensions of retired police officers and firefighters.

Suddenly the pension crisis wasn't an abstraction any more. The unthinkable had happened, and the odds were that it would happen again unless the state acted quickly.

Other mayors began stepping forward and warning that their communities were on the brink, too. Here in Cranston, Mayor Allan W. Fung said that unless things changed, he would have to eliminate trash collection, services to the elderly and recreation programs for children, as well as reduce the size of the police force and fire department.

Over in Woonsocket, John W. Ward, the president of the City Council, said that all summer parks programs had been eliminated and that teachers were working with larger classes than their contracts allowed. Half of Woonsocket's streetlights were out because the city couldn't afford to replace them. His son, daughter-in-law and granddaughter had moved to another state.

"To allow the pension system to remain largely unchanged will make it impossible for Woonsocket, and every other urban community, to survive," Mr. Ward said.

AT the Portuguese Club in Cranston, José M. Berto raised his hand. At 62, he told Ms. Raimondo, he was on the cusp of retirement.

"We're looking at a Ponzi scheme that would make Bernie Madoff look like a Boy Scout," said Mr. Berto, a supply officer for the state.

He asked if Rhode Island's pension problem was the worst in the nation.

Ms. Raimondo said it was.

"I don't like her message," Mr. Berto said after the session. "But she has been honest, forthcoming. We're in trouble. We're just in so much trouble."

Pending Federal Legislation
H.R. 567/S. 347
Public Employee Pension Transparency Act

Peggy Piety
Pension Management Oversight Commission

September 28, 2011

EXHIBIT 12
PMOC 3rd meeting
Oct 25, 2011

The Nunes/Burr Bills

H.R. 567 (Rep. Devin Nunes, CA)

Introduced 2/9/2011

Referred to Houses Ways and Means

51 co-sponsors

S. 347 (Sen. Richard Burr, NC)

Introduced 2/15/2011

Referred to Senate Finance

8 co-sponsors

Objectives of Bills

- Annual reporting requirements for state and local government employee pension benefit plans
- Directs U.S. Secretary of the Treasury to develop model reporting standards
- Directs the U.S. Secretary of the Treasury to create and maintain a public website where reports will be posted

Penalty for Failure to Report

State or political subdivision that fails to meet annual reporting requirements is denied Federal tax benefits relating to bonds issued by the state or political subdivision during period of non-compliance

Report Contents

- Schedule of funding status
- Schedule of contributions by plan sponsor

Report Contents

- Alternative projections for each of next 20 plan years for:
  - Annual contributions
  - Fair market value of plan assets
  - Current liability
  - Funding percentage
  - Other matters specified by the Secretary of the Treasury

Report Contents

- Actuarial assumptions
- Statement of investment returns
- Number of plan participants who are:
  - Retired/separated from service
  - Receiving or entitled to receive benefits
  - Active

Report Contents

- Statement of degree to which, and manner in which, unfunded liabilities are expected to be eliminated

- Statement of amount of pension obligation bonds outstanding

Proposed Findings

- Pension benefit plans "are becoming a large financial burden" resulting in tax increases and service reductions
- Pension plans unfunded by $3.23 trillion
- Lack of meaningful disclosure of pension plan assets and liabilities
- Governmental accounting rules and practices obscure plan assets and liabilities
- Status quo "constitutes serious threat"

Indiana Law concerning Public Pension Plan Amendments

Peggy Piety
Pension Management Oversight Commission

September 28, 2011

EXHIBIT 13
PMOC 3rd meeting
Oct 25, 2011

Private v. Public

Employer Retirement Income Security Act of 1974 (ERISA)

Internal Revenue Code of 1986

Haverstock v. State Public Employees Retirement Fund 490 N.E.2d 357 (Ind. Ct. of App., 1st Dist. 1986)

- Suit for declaratory judgment filed by police officers and firefighters hired after May 1, 1977, and before May 25, 1977, claiming new plan, 1977 Fund, not applicable to those hired before May 25, 1977, because they had vested contract right in old pension plan.
- 1977 Fund membership defined as police officers and firefighters hired after May 1, 1977.
- 1977 Fund established eligibility for benefit at age 55 with 20 years service; old plan was 20 years service.
- Trial court granted summary judgment in favor of PERF, because old plan was mandatory and therefore a gratuity. No contractual rights created.
- Court of Appeals affirmed: Retroactive effective date of 1977 Fund did not result in unconstitutional impairment of contractual rights in old plan.

Indiana Case Law Summary

- Mandatory plans
  - Participation is condition of employment
  - Benefit considered gratuity, no agreement of parties
  - No vested contract right until employee fulfills all conditions existing at time of application for benefit
  - Benefit called "pension"

- Voluntary plans
  - Participation is optional
  - Agreement between employee and employer: contributions in exchange for benefit
  - Changes detrimental to those with contractual rights may be invalidated as impairment of contract
  - Benefit called "annuity"

Board of Trustees v. Hill
472 N.E. 2d 204 (Ind. 1985)

- Suit for declaratory judgment filed by trial court judges challenging amendments to IC 33-13-8-10 [now IC 33-38-7-11], which redefined salary used to compute judge's plan retirement benefit.
- Amendment defined "salary" as salary being paid to judge when leaving the bench, rather than current salary of active judge.
- Trial court declared redefinition ineffective and unconstitutional under federal and state constitutional contract clauses.
- Supreme Court affirmed: Judges' retirement plan is voluntary. Amendments invalid because they "took away constitutionally protected contract rights."

Section 401 Qualification Requirements

- Minimum vesting standard: Section 401(a)(7), as in effect before ERISA

- For example, IC 5-10.2-2-1.5 says:

Sec. 1.5. Each retirement fund covered by this article shall satisfy the qualification requirements in Section 401 of the Internal Revenue Code, as applicable to each retirement fund. In order to meet those requirements, each fund is subject to the following provisions, notwithstanding any other provision of the retirement fund law:

. . .

(4) If a fund is terminated, or if all contributions to a fund are completely discontinued, the rights of each affected member to the benefits accrued at the date of the termination or discontinuance, to the extent then funded, are nonforfeitable.

State's Police Power

- State has ability to use its police power to modify contract where reasonable and necessary to achieve important public purpose. (See U.S. Trust Co. v. New Jersey, 431 U.S. 1 (1977).)

  -Reasonableness: Obligation has effects that are unforeseen and unintended when contract created.

  - Necessary:

    (1) No less drastic modification can accomplish the state's goal; and

    (2) State cannot achieve its goal without the modification.

EXHIBIT 14
PMOC 3rd MEETING
OCT 25, 2011

month. For retirees 55 and over, the premium for a family plan is currently $280. The plan provides supplemental insurance for those on Medicare. It is anticipated that premiums will increase in the future due to increases in the costs of health care. These provisions should reduce expenditures and help toward reducing unfunded liability.

Leave Conversion Pilot Program- The bill authorizes the legislative branch and the judicial branch to reestablish a leave conversion pilot program through June 30, 2013. The impact will depend on legislative and judicial branch actions and appropriations.

Thirteenth Check Provisions- For members of the Teachers' Retirement Fund, Pre-1996 Fund, there will be a one-time payment of $17.8 M in FY 2012. For members of the 1996 Fund, there will be a one-time payment in FY 2012 of $800,000.

For the Public Employees' Retirement Fund (PERF), the cost of providing a 13th check is shown in the table below.

13th Check	State
Change in Unfunded Accrued Liability	$8.8 M
Change in Annual Funding	$1.8 M
Change in Annual Funding as % of Pay	0.1%

The funded status for the combined state and local PERF funds would decrease from 85.12% to 84.99%.

The funds affected for the impact on annual funding are the state General Fund (55%), or $990,000, and various dedicated funds (45%), or $810,000

For the State Excise Police, Gaming Agent, Gaming Control Officers, and Conservation Enforcement Officers' Retirement Fund, there would be a one-time payment of $338,000.

Social Services

FSSA Provisions: The bill creates the Council on Evansville State Hospitals. The Council consists of 13 members who are not entitled to travel or salary per diem. Staffing and expenses of the Council are to be provided by the Division of Mental Health and Addictions (DMHA). The DMHA reports that if the combined operation of the Evansville Psychiatric Treatment Center for Children and the Evansville State Hospital is recommended by the Council on Evansville State Hospitals, the combining of the operations could result in cost savings of approximately $673,000 per year.

Residential Care Assistance Program (RCAP) Changes: FSSA reports the changes made to RCAP nonmedical assistance would reflect historic and current practice.

Repeal of Community Residential Council: The provisions of the bill that repeal the Community Residential Council and transfer the Council's duties to the Division of Disability and Rehabilitative Services (DDRS) are expected to save the state approximately $4,000 per year on Council expenditures.

the retirement of the Coliseum debt, the bill would allow the tax expiration date to extend past 2028. Tax collections have averaged $5.3 M per year between FY 2006 and FY 2010.

Tippecanoe Innkeeper's Tax- This provision would allow the Wabash River Enhancement Corporation (WREC) to use its share of Tippecanoe Innkeeper's Tax revenue for WREC employee salaries and ongoing administrative and operating costs of the WREC. Current law does not allow for the revenue to be used for salary or operating costs of the WREC.

Local Units

Thirteenth Check Provisions- The cost of providing a 13th check for PERF is shown in the table below.

13th Check	Local
Change in Unfunded Accrued Liability	$13.8 M
Change in Annual Funding	$1.
Change in Annual Funding as % of Pay	0.03%

Explanation of Local Revenues: The bill has the following provisions.

K-12 Education

School Formula- See *Explanation of State Expenditures.*

School Debt Levies- Under this provision, certain school corporations would be permitted to transfer certain amounts from their debt service levies to their capital projects, transportation, and school bus replacement funds. Eligible school corporations would include corporations that have circuit breaker losses from all funds that are at least 30% of the levies in the nondebt funds (i.e., capital projects, transportation, school bus replacement, and racial balance). Eligible schools would be able to refinance up to 50% of their existing bonds for a period not exceeding 10 years past the original term. The difference between the old debt service levy and the levy for the refinanced bond (or 0 for a retired bond) is the incremental levy amount and may be transferred, up to the amount of the circuit breaker losses, to the other funds.

In CY 2011, 31 school corporations had circuit breaker losses that were at least 30% of nondebt levies. These school corporations had total losses of $106 M. The 18 school corporations with a loss of at least 30% and up to 45% would have to seek approval through the referendum process. The 13 school corporations with a loss greater than 45% would have to seek approval through the petition and remonstrance process. The fiscal impact would depend on actions taken by eligible school corporations.

Textbook Reimbursement: Under current law, the reimbursement to school corporations is based on the cost of the textbooks; under this bill the reimbursement would be based on the number of eligible students in the school corporation. As a result, those school corporations with relatively lower textbook costs could be reimbursed more; others with relatively higher textbook costs could be reimbursed less.

New Charter School Startup Grant- For school years after the 2011-2012 school year, this bill would allow a charter school to receive funding for its first four months of operation (from September to December).