PENSION MANAGEMENT OVERSIGHT COMMISSION

Legislative Services Agency
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MEETING MINUTES[1]

Meeting Date:	**August 14, 2012**
Meeting Time:	**9:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 404**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**1**

Members Present: **Rep. Woody Burton, Chairperson; Rep. Jeffrey Thompson; Rep. David Niezgodski; Rep. Win Moses; Sen. Greg Walker; Sen. Phil Boots; Sen. Karen Tallian; Kip White; Gary Lewis; James Scheetz.**

Members Absent: **Sen. Lindel Hume; Steve Meno.**

Representative Woody Burton, Chairperson, called the meeting to order at 9:00 a.m. Members and staff of the Commission introduced themselves. The Commission briefly reviewed the Legislative Council's policies governing study committees.

Staff Informational Report concerning Reporting of Local Pension Plan Data

Dan Paliganoff, Attorney for the Commission, presented a brief report summarizing the Commission staff's preliminary investigation and discussions with Dawn Anderson and Jennifer Carmack of the State Board of Accounts (SBOA), Eric Bussis of the Department of Local Government Finance (DLGF), and Ann Kaiser of the Office of Management and

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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.

Budget (OMB), concerning the Commission's assigned study topic: the development of a system for political subdivisions with local pension and retirement plans to report to the General Assembly on the operating and financial condition of those plans.

Mr. Paliganoff related that, although political subdivisions with local pension and retirement plans currently have a statutory obligation under IC 5-10-1.5 to report to the Indiana Public Retirement System (INPRS) certain financial information about those plans, the information is not being submitted to INPRS. INPRS is reluctant to collect and analyze local pension data, because it does not have the resources to do so and may not use the resources of the plans that it administers because of limitations imposed under Section 401(a) of the Internal Revenue Code.

Financial reports currently submitted by political subdivisions to SBOA include some information about local pension plans, but the information is not readily available and does not include all of the information necessary to determine the plans' financial condition.

Ms. Kaiser of OMB, Mr. Bussis of DLGF, and Paul Joyce of SBOA have had preliminary conversations about adding a local pension reporting module to the Indiana Transparency Portal. To accomplish this result, the task of collecting local pension data would be reassigned from INPRS to SBOA. Then OMB, SBOA, DLGF, and the state Office of Technology would administratively and collaboratively develop an online form for local units to report pension information. After review by the SBOA, the local unit's pension information report would be released publicly on the Indiana Transparency Portal. The state agencies involved believe this project could be accomplished using existing resources.

Mr. Paliganoff listed three broad components that the Commission might want to consider as part of a bill draft for this idea:

(1) Repeal IC 5-10-1.5 that assigns the duty to collect local pension plan data to INPRS and reassign this task to SBOA.
(2) Specify the minimum set of local pension plan data that must be included in a local unit's pension plan report.
(3) Require SBOA to make an annual report on local pension plans to the General Assembly. The report would be due on a date that would allow the Commission to consider the report as a part of its work plan each interim.

In response to a question from Senator Tallian, Mr. Paliganoff confirmed that the state does not currently know how many local pension plans exist and which political subdivisions have them. Senator Tallian requested that someone from DLGF be invited to the next Commission meeting to explain the current reporting system.

Representative Thompson briefly explained why this project is so important. He discussed a situation that occurred several years ago in which a school corporation had a severely underfunded supplemental retirement plan.

Representative Burton requested that staff prepare a Preliminary Draft as outlined by Mr. Paliganoff for the Commission's consideration during its next meeting. He also requested that someone from DLGF or Ms. Kaiser from OMB be invited to the Commission's next meeting to discuss this topic from the state agencies' point of view.

INPRS 2012 Updates

Steve Russo, INPRS Executive Director, introduced the INPRS staff present and briefly described the reporting areas each person would cover. He provided an overview of the seven retirement plans and three non-retirement funds administered by INPRS. (Exhibit A, 2012 INPRS Update, dated August 14, 2012).

The member demographics of INPRS retirement plans have not changed much. INPRS serves more than 480,000 members. (Exhibit A, Page 4). Sixty-four percent of these members are members of the Public Employees' Retirement Fund (PERF), 32% are members of the Indiana State Teachers' Retirement Fund (TRF), 3.5% are members of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund), and the remaining .5% are members of the Judges' Retirement System (JRS), the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Fund (EG&C Fund), the Prosecuting Attorneys' Retirement Fund (PARF), or the Legislators' Retirement System (LRS).

Forty-eight percent of all members are active employees, 25% are benefit recipients, and the remaining 27% are inactive vested and non-vested members. (Exhibit A, Page 4). Currently, there are two people working for every person who is retired, but this ratio will soon decline as retirements increase.

More than 1,300 employers participate in INPRS retirement plans. (Exhibit A, Page 5). Seventeen percent of these employers are cities, 27% are schools, 6% are counties, 17% are towns, and 13% are townships, with the remaining 19% including libraries, waste management districts, fire districts, airport authorities, and other smaller units. The state has 16 employers.

(1) <u>Financial and Actuarial Data Report</u>

Julia Pogue, INPRS Chief Financial Officer, presented FY 2012 financial and actuarial data for INPRS. INPRS experienced lots of market volatility this year, and was able to achieve just under 1% return as investment income. Net assets remained basically the same from June 30, 2011, to June 30, 2012. (Exhibit A, Page 6).

(A) HB 1376 Implementation

Ms. Pogue reviewed the administration and financial impact of amounts provided to INPRS under HB 1376, which specified that if state reserves are $50 million or more, 50% of the excess reserves are transferred to certain pension funds, and 50% are used to provide taxpayer refunds. (Exhibit A, Page 7).The JRS, EG&C Fund, PARF, and State Police (not administered by INPRS) received appropriations sufficient to achieve an 80% funded status based on the actuarial valuation as of June 30, 2012. The amount received by JRS, EG&C Fund, and PARF collectively was $120 million. The Pension Stabilization Fund, established for the pre-1996 TRF account, received the remaining funds, approximately $180-220 million, which improved the account's funded status by 0.2%.

(B) Actuarial Data

The funding sources, actuarial funded status, and unfunded actuarial accrued liability (UAAL) for each retirement plan were reviewed. (Exhibit A, Pages 8-9). FY2012 actual general fund appropriation was $870.1 million, with $725.4 million of that amount funding benefits for the TRF pre-1996 account. The general fund appropriation estimated for FY2013 is $943.6 million, for FY 2014 is $965.6 million, and for FY2015 is $994.2 million.

The actual actuarial funded status on June 30, 2011, for all INPRS' defined benefit retirement plans, excluding the TRF pre-1996 account, was 84.9%. The actuarial funded status for the TRF pre-1996 account, which is a pay-as-you-go plan, was 32.0%. The aggregate actuarial funded status for all INPRS plans was 63.0%.

The estimated actuarial funded status as of June 30, 2012, for all INPRS defined benefit plans, excluding the TRF pre-1996 account, is 80.6%. The estimated actuarial funded status for the TRF pre-1996 account is 30.0%, and the estimated aggregate actuarial funded status for all INPRS plans is 60.4%. The actuarial funded status is decreasing from June 30, 2011, to June 30, 2012, because of:

(1) the FY2012 investment return of 0.6% (versus the actuarial assumed rate of 7.0%); and
(2) the INPRS' Board's decision to reduce the actuarial assumed investment/interest rate from 7.0% to 6.75%.

INPRS' new actuarial assumed investment/interest rate is the lowest rate used by 98 large public plans. (Exhibit A, Page 10). The mean rate of those plans is 7.9%, and the median rate is 8.0%.

(C) TRF Pre-1996 Account

Ms. Pogue next discussed the budget impacts and funding projections for the TRF pre-1996 account. (Exhibit A, Pages 11- 15). Assuming 103% appropriations growth to provide benefit payments and maintain a reasonable Pension Stabilization Fund balance, and maintenance of $30 million per year in lottery revenue going to the Pension Stabilization Fund, the peak appropriation will be approximately $1.2 billion in about 2025. Appropriations are expected to decline after that year until 2038, when the Pension Stabilization Fund should provide enough revenue to pay benefits without a general fund appropriation.

(D) GASB Rule Changes

Finally, Ms. Pogue explained new Governmental Accounting Standards Board (GASB) rule changes related to the method for calculating and reporting net pension liability and pension expense. (Exhibit A, Page 16).The most significant changes are:

(1) State and local units of government must report their share of net pension liability and pension expense in their financial statements.
(2) Certain actuarial methods and assumptions are specified for calculating net pension liability and pension expense.
(3) The discount rate used to project total pension liability depends on whether the liabilities are funded or unfunded. Funded liabilities will continue to use a fund's expected long-term rate of return, while unfunded liabilities will use a 20-year municipal bond rate (currently, 4-5%).

INPRS is working with the Auditor of State, local units, and actuaries to determine the impact of these changes, but doesn't think there will be a significant impact. The biggest change will be showing pension liabilities on financial statements. INPRS is already using the GASB methods and assumptions or something close to them. In response to a question, Ms. Pogue said that she does not think these changes will have much impact on bond ratings, because the rating agencies are already looking below the surface of the financial statements at pension liabilities.

Commission member Kip White commended INPRS for making financial and actuarial decisions in a conservative direction.

(2) Investment Report

David Cooper, INPRS Chief Investment Officer, reviewed INPRS' investment performance and discussed the new target asset allocation strategy adopted in October 2011. (Exhibit A, Pages 17-21). PERF and TRF had separate asset allocation strategies, so, when the assets of the two funds were combined under a single board, a new common strategy was needed to diversify the portfolio and reduce stock exposure. The new target allocation strategy decreases the percentage of assets held in public equity, private equity, fixed income (both inflation-linked and not inflation-linked), and cash; and increases the percentage of assets held in commodities, real estate, absolute return, and risk parity, compared to the Defined Benefits pool's former allocation strategy. In discussing the expected long-term return for each asset category, Mr. Cooper stated that the new allocation strategy is more balanced. He takes a long term view and believes that diversification of assets is the key. In response to a question from Senator Walker, Mr. Cooper said that his safety categories are fixed income and US Treasury Inflation Protected Securities (TIPS).

Mr. Cooper further related that combining the PERF and TRF assets yielded a one-time savings of $14.7 million and on-going annual savings of $18.6 million per year in investment administrative costs and fees. The current administrative costs equal 60 basis points with active management offsetting those costs. Other changes following the consolidation of assets have included segregating the Guaranteed Fund assets from the Defined Benefit pool and allocating those assets to short term, fixed income investment options, and the adoption of a single investment policy statement.

For recent investment performance, Mr. Cooper said that the peak to trough market value of the Defined Benefit pool fell 43% from mid-2007 to early 2008. The pool has regained 71% of its peak value as of June 30, 2012.

Mr. Russo added that INPRS' objective is to hit the expected rate of return with the least amount of risk. The normal cost of PERF and TRF is 6% of payroll. Employer contributions at a higher percentage are required whenever a fund has an unfunded accrued liability. INPRS is trying to eliminate the under funding and stabilize the rate of contributions at normal cost.

In response to a question from Senator Tallian, Mr. Cooper reported that the current year return for the Guaranteed Fund is .28%.

(3) Divestment Report for Sudan and States That Sponsor Terrorism

Mr. Cooper reported that INPRS does not hold any assets that it must divest under the Sudan divestment law (IC 5-10.2-9). In addition, he reported that INPRS is on schedule to divest by 2016 holdings in four companies identified in 2011 under the states that sponsor terror divestment law (IC 5-10.2-10). This year INPRS has identified 12 additional companies for divestment by 2017. (Exhibit A, Pages 22-24).

Mr. Cooper does not know the administrative costs incurred to divest or the lost opportunity costs resulting from the divestment policies. INPRS does incur approximately $60,000 year in fixed administrative costs to create and maintain the lists of prohibited companies. Mr. Russo suggested repealing the Sudan divestment law because Sudan is incorporated into the states that sponsor terror divestment law and slight differences between the two divestment statutes double INPRS' administrative costs.

(4) Operational Report

Steve Barley, INPRS Chief Operations Officer, reported that INPRS is consistently achieving high levels of performance in member satisfaction and on-time benefit payments. (Exhibit A, Pages 25-26). INPRS is constantly trying to improve its performance by asking members and other stakeholders to give it feedback, and is working to have members receive their first pension check without a gap after their paychecks stop. INPRS has received national recognition in customer service, financial reporting, and funding and administration.

Mr. Barley also reported that the implementation of a new financial system is complete as is the implementation of daily valuations and the hiring of a third party administrator for the annuity savings accounts (ASA). A new employer reporting web portal is scheduled to go live on October 1, 2012. The new portal will reduce manual intervention and the number of steps required to process retirement applications. "Push button" retirement is the goal. Finally, a new benefits administration system is scheduled to be implemented on April 1, 2013. (Exhibit A, Page 27).

(5) Cost of Living Adjustments (COLA) and Thirteenth Checks

Mr. Barley provided information about the funding, history, and costs of COLAs and thirteenth checks. (Exhibit A, Pages 28-31). COLAs and thirteenth checks are not free. Actuaries factor in ad-hoc COLAs based upon historical experience. Except for the TRF pre-1996 account, COLAs are funded by the employers as part of their contribution rate. COLAs for the TRF pre-1996 account are funded directly from the state general fund.

(6) 401(h) Account Update

Mr. Barley related that INPRS filed the proper paperwork to obtain approval of the account from the Internal Revenue Service (IRS). (Exhibit A, Page 32). The IRS delayed consideration of INPRS' request, because it was reviewing 401(h) plans generally. INPRS continues to wait for the IRS' response, but believes the request is getting close to approval. INPRS has selected a third party administrator and will implement the account within one year after receiving IRS approval.

(7) Optional Defined Contribution (ASA only) Plan Update

Mr. Barley provided a brief update on the implementation of the optional defined contribution (ASA only) plan for state employees. (Exhibit A, Page 33). INPRS has filed paperwork with the IRS to have the plan approved as an account within PERF, and has started outlining the system and business requirements for the plan, which will be available six months after IRS approval.

(8) National Trends for Public Pension Plans

Mr. Russo reported on national trends for public pension plans and compared INPRS with other states' plans. (Exhibit A, Pages 34-38). Excluding the TRF pre-1996 account, INPRS pension plans were 88% funded in FY2010. Indiana has the lowest burden per United States' household to fully fund public pensions (including the TRF pre-1996 account): less than $500 per household. In January 2011, Moody's reported Indiana's combined pension and debt liability as 1.7% of GDP, the second lowest percentage in the country. In June

2011, the National Institute on Retirement Security determined the key features of a well-funded retirement plan. Indiana's plans have these key features:

- Employers pay the annual required contributions (ARC).
- Employees contribute to the plan.
- Benefit improvements are actuarially funded.
- COLAs are responsibly provided and funded.
- Anti-spiking measures have been enacted.
- Reasonable actuarial assumptions are used.

In response to a question by Commission member Gary Lewis about the purchase of service credit, Mr. Russo said that, under certain conditions, members may purchase service credit by paying the full actuarial cost of the benefit. Because the cost of the service is so expensive, particularly when a member is close to retirement, few members use this provision.

(9) Proposed Legislative Agenda

Andrea Unzicker, INPRS Chief Legal and Compliance Officer, presented INPRS' proposed legislative changes.

(A) Preliminary Draft (PD) 3035 - Public Employees' Defined Contribution (ASA only) Plan - Exhibit B

PD 3035 proposes two changes to the Public Employees' Defined Contribution (ASA only) Plan. (Exhibit A, Pages 40-41; Exhibit B). The first change provides that "normal retirement age" means 5 years of service, instead of 10 years of service, and 62 years of age. This change conforms the definition of "normal retirement age" to the plan's 5-year vesting schedule. The purpose of the definition is to establish the minimum age and service requirements for a member to use the member's account balance to purchase an annuity.

The second change requires a vested plan member to be separated from employment for at least 30 days before the member may make a withdrawal from the member's account. This change conforms the defined contribution (ASA only) plan with PERF and TRF, which require members to be separated from employment for at least 30 days to withdraw their ASA balances, and complies with IRS guidelines.

(B) PD 3036 - INPRS Administrative Matters - Exhibit C

PD 3036 proposes three changes. (Exhibit A, Pages 42-44; Exhibit C). The first change moves from June 30 to December 31 the date by which the INPRS board of trustees selects its officers each year. This change would allow the selection of board officers after the term of new board members begins on July 1.

The second change specifies that, for a PERF member who dies after June 30, 2013, the right to receive a death benefit from PERF vests with the designated beneficiary on file with PERF at the time of the member's death. Current TRF law has this provision, while PERF law is silent of the issue. PERF's current policy is to follow the TRF provision. There have been several instances in which survivors have disputed the designated beneficiary's right to receive PERF benefits, so that the time and expense of an administrative proceeding is necessary to resolve the issue.

The final change would allow a TRF member's employer to be reimbursed from the member's account for a member's criminal taking that results in a loss to the member's employer, if the loss is proven by a felony or misdemeanor conviction. PERF law currently has this provision, and there were 14 cases seeking reimbursement from PERF members last year.

Representative Niezgodski asked which INPRS plans have loan provisions. Currently, only the legislators' defined contribution plan allows a participant to obtain a loan from the participant's account balance.

Representative Burton deferred action on these PDs until the Commission's next meeting.

Additional Suggested Study Topics

(1) Proposal to Align PARF Provisions with JRS Provisions

David Powell, Executive Director, and Lawrence Brodeur, Staff Attorney, representing the Indiana Prosecuting Attorneys Council, made a brief presentation requesting that the provisions of the Prosecuting Attorneys' Retirement Fund be aligned with the provisions of the Judges' Retirement System. They distributed a packet of materials describing the proposed alignment:

(1) A Comparison of Judges' Pensions with Prosecutors' Pensions (1 page)(Exhibit D).
(2) Proposed Amendments to Prosecutors' Pension Statutes to Provide Parity with Judges' Retirement Statutes (8 pages)(Exhibit E).
(3) A Memorandum from the Indiana Prosecuting Attorneys Council and the Association of Indiana Prosecuting Attorneys, Inc., to Members of the Pension Management Oversight Commission concerning PARF Pension Benefits Comparison to Judges' Retirement System (JRS), dated August 14, 2012 (19 pages)(Exhibit F).

These materials are also available on a flash drive to any Commission member. Mr. Powell and Mr. Brodeur asked that the Commission request a fiscal analysis of the proposal, after which they would present a plan to fund the changes.

Representative Moses suggested that the prosecutors' proposal was worth study and requested that a PD be prepared, although there's probably not enough time this year for the Commission to act on the proposal.

Representative Burton granted Mr. Powell and Mr. Brodeur 30 minutes on the agenda of the Commission's next meeting to present at least preliminary fiscal information related to the prosecuting attorneys' proposal.

(2) TRF $500 Minimum Monthly Benefit

Andrew Thomas representing the Indiana Retired Teachers Association requested that the Commission consider recommending legislation to establish a minimum monthly benefit of $500 for TRF members. He reported there are about 1,000 retired teachers receiving a benefit that is less than $500 per month, and that he believes the fiscal impact of this change would be about $1 million. He has talked to Senator Kenley, who expressed some interest in this topic. Mr. Thomas asked for time during the next Commission meeting to make a presentation on this topic.

Representative Thompson requested that the years of service be provided for the retired teachers receiving a monthly benefit of less than $500.

Senator Tallian asked whether teachers are eligible to receive Social Security benefits, and Mr. Thomas responded that they are.

Representative Burton granted Mr. Thomas 30 minutes on the agenda for the next Commission meeting to make a presentation about increasing the minimum monthly TRF benefit for retired teachers.

Agenda for the Next Commission Meeting

Representative Burton stated that the Commission will consider the following PDs during its next meeting:

(1) PD 3035 - Public employees' defined contribution plan.
(2) PD 3036 - INPRS administrative matters.
(3) PD concerning the Commission's assigned study topic, the reporting of local pension plan information.
(4) PD concerning cost-of-living-adjustments for PERF and TRF.
(5) PD concerning thirteenth checks for PERF, TRF, Conservation, Gaming, & Excise Officers Retirement Plan, and State Police 1987 Benefit System.

Representative Niezgodski requested that the current version of the Pension Handbook be distributed to Commission members.

Next Meeting Date

The Commission selected Thursday, August 30, 2012, at 10:00 a.m. as its next meeting date.

Adjournment

The Chairperson adjourned the meeting at 11:10 a.m.

PRS
INDIANA PUBLIC RETIREMENT SYSTEM

2012 INPRS UPDATE

Pension Management Oversight Commission

August 14, 2012

Steve Russo

Executive Director

One North Capitol, Suite 001 ▲ Indianapolis, IN 46204 ▲ (888) 526-1687

EXHIBIT A
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #1 - AUGUST 14, 2012

Agenda

- Financial Update
- Investments Update (including Terror Divestment)
- Operations Update
- COLAs & One-Time Checks
- 401(h) Accounts Update
- Optional ASA Only Plan for State Employees Update
- National Trends
- Recommended Indiana Code Changes

Overview – Plans & Funds

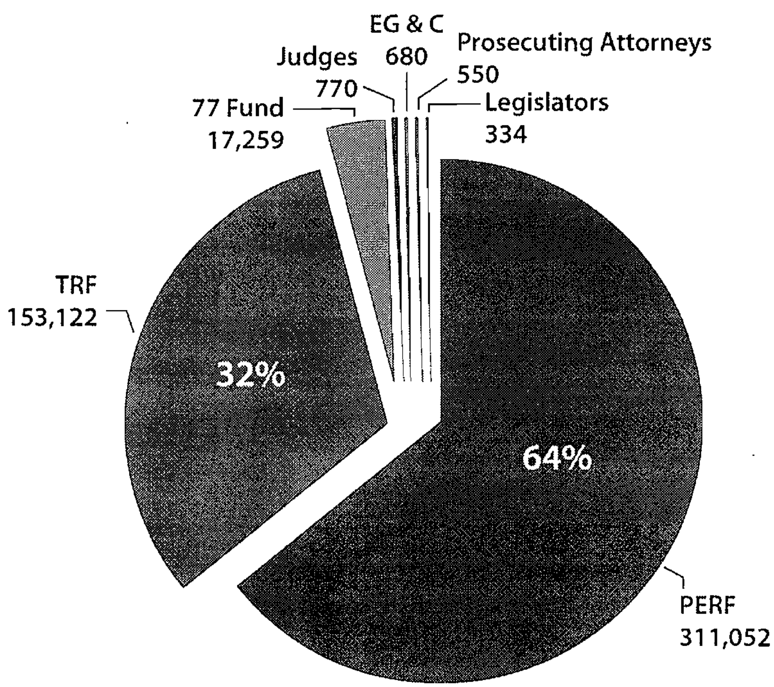
- Seven Retirement Plans
  - ❑ PERF
  - ❑ TRF
  - ❑ '77 Police and Fire
  - ❑ Judges
  - ❑ Excise Police, Gaming Agents and Conservation Officers
  - ❑ Prosecuting Attorneys
  - ❑ Legislators

- Three Non-Retirement Funds
  - ❑ Pension Relief
  - ❑ Public Safety Officers' Special Death Benefit Fund
  - ❑ State Employees' Death Benefit Fund

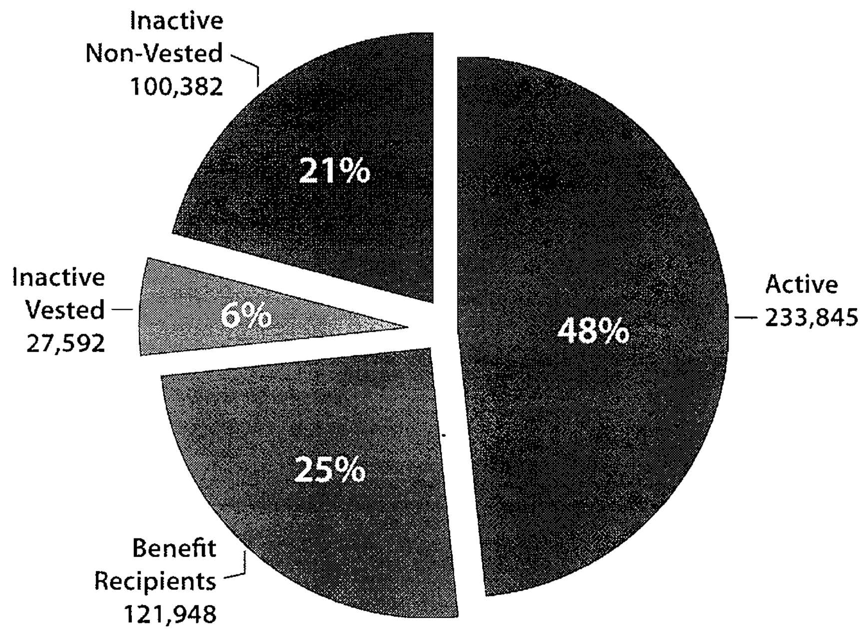
Overview – Member Demographics

480,000 + Members

Members By Fund

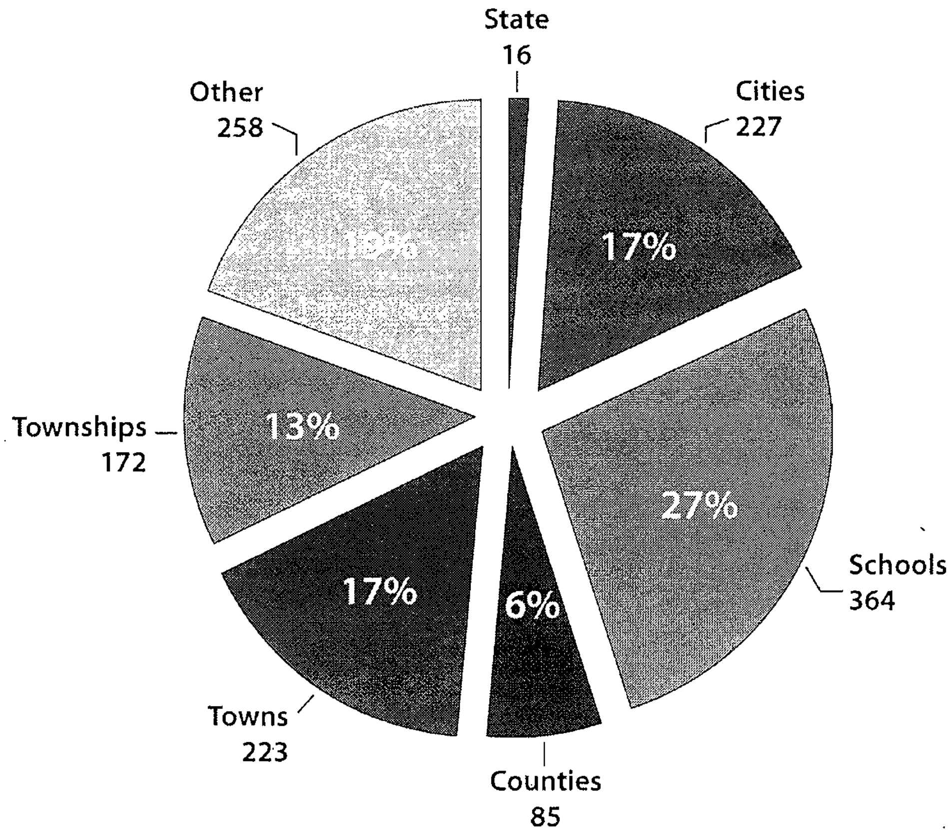


Members By Status



Overview – Employer Demographics

1,300 + Employers



FY2012 Actual
Change In Net Position

- INPRS' Net Assets remained basically the same from June 30, 2011 to June 30, 2012

Net Assets – June 30, 2011		**$25.8B**
Contributions	+ $2.0B	
Investment Income	+ $0.2B	
Payments	- $2.4B	
Net Assets – June 30, 2012		**$25.6B**

HB 1376 (Excess State Reserves) Financial Impact Summary

- HB 1376 specifies that if the excess State reserves are $50 million or more, 50% of the excess reserves shall be transferred to certain pension funds and 50% of the excess reserves shall be used to provide taxpayer refunds

- Provides for State appropriations to be used to achieve 80% funded status based on the actuarial valuations as of 6/30/2012 for the following plans:
  - JRS (estimated to be approximately $91 million)
  - E,G,&C Plan (estimated to be approximately $12 million)
  - PARF (estimated to be approximately $19 million)
  - State Police (not administered by INPRS)

- The Pension Stabilization Fund (PSF), established for the TRF Pre-1996 Account (Pay-As-You-Go Plan), will receive any remaining funds
  - Estimated to be approximately $180 - $220 million for FY2013 based on the State's excess reserves of $361 million
  - Reduces Unfunded Actuarial Accrued Liability (UAAL) by $180 - $220 million
  - Estimated to improve TRF Pre-1996 Account FY2013 funded status by 0.2 percentage points

Pension Funding Sources
FY2012 – FY2015

$ in Millions

Fund	FY2012 Actual General Fund Appropriation	FY2012 Actual Other [1]	FY2013 Forecast General Fund Appropriation	FY2013 Forecast HB 1376 State Excess Reserves [2]	FY2013 Forecast Other [1]	FY2014 Forecast General Fund Appropriation	FY2014 Forecast Other [1]	FY2015 Forecast General Fund Appropriation	FY2015 Forecast Other [1]
PERF	-	556.5	-	-	635.0	-	726.0	-	750.0
TRF Pre-1996 Account	725.4	145.6	747.2	220.0	156.8	769.6	178.4	792.7	198.3
TRF 1996 Account	-	263.7	-	-	295.0	-	321.0	-	341.0
1977 Fund	-	176.5	-	-	176.0	-	181.0	-	188.0
JRS	11.8	9.6	14.1	91.0	9.8	14.4	9.9	14.9	10.0
E,G,&C Plan	-	6.0	-	12.0	6.0	-	6.1	-	6.3
PARF	1.8	1.3	2.1	19.0	1.1	1.4	1.1	1.4	1.2
LEDB & LEDC	0.1	1.3	0.2	-	1.5	0.2	1.6	0.2	1.5
Pension Relief	131.0	93.6	180.0	-	57.2	180.0	58.5	185.0	58.4
Total	870.1	1,254.1	943.6	342.0	1,338.4	965.6	1,483.6	994.2	1,554.7

[1] Other includes member contributions, employer contributions, Pension Stabilization Fund drawdown, lottery proceeds, docket & court fees, cigarette & alcohol taxes, and Pension Relief Fund drawdown

[2] HB 1376 amounts are "preliminary" estimates; HB 1376 also includes the State Police Benefit Fund (*not* administered by INPRS)

Funded Status as of June 30, 2012 (Estimate)

- INPRS' Aggregate Funded Status is projected to decrease from June 30, 2011 to June 30, 2012 primarily due to:
  - FY2012 Investment Return of 0.6% (vs. actuarial assumed rate of 7.0%)
  - For the actuarial valuations as of June 30, 2012, the investment return / interest rate assumption is being reduced from 7.0% to 6.75% (approved by INPRS Board in June 2012)

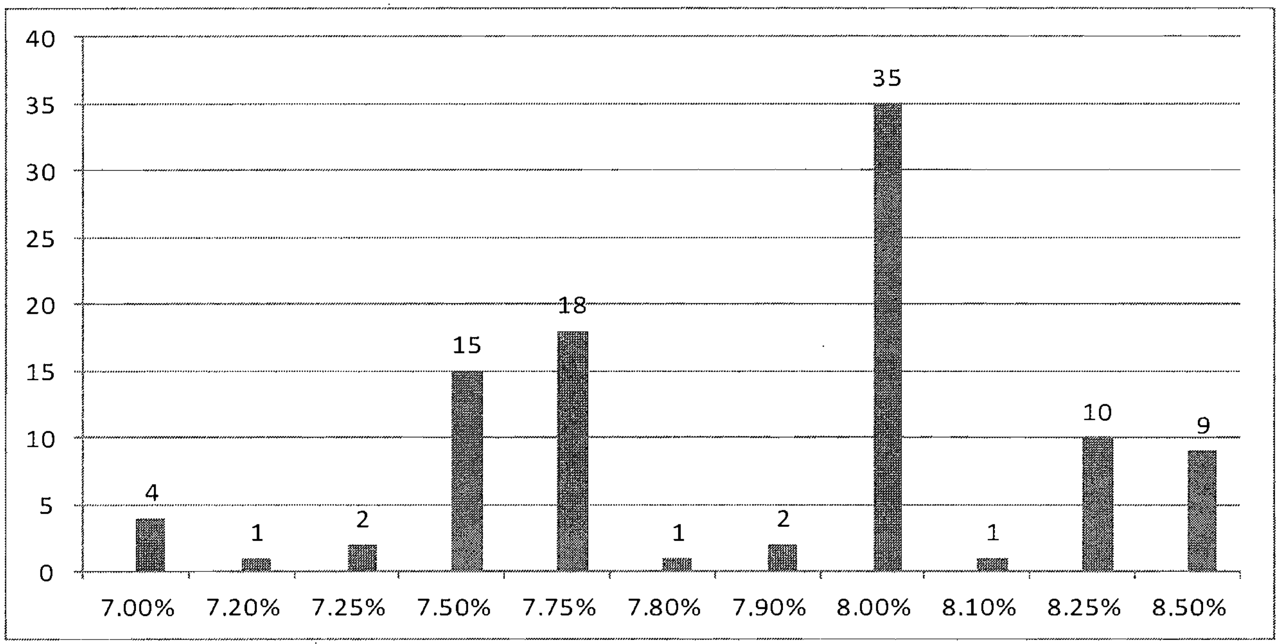
$ In Millions

	Estimate -- June 30, 2012		Actual -- June 30, 2011	
Defined Benefit Retirement Plans	**Actuarial Funded Status**	**Unfunded Actuarial Accrued Liability**	**Actuarial Funded Status**	**Unfunded Actuarial Accrued Liability**
PERF	75.7%	$ 3,877	80.5%	$ 2,912
TRF 1996 Account	90.2%	425	91.7%	332
1977 Fund	92.6%	303	98.8%	45
Judges	59.2%	180	62.1%	152
E,G,&C Plan	68.8%	35	71.5%	29
PARF	47.1%	31	48.2%	28
LEDB	71.7%	1	78.6%	1
Aggregate Pre-funded Plans	**80.6%**	**$ 4,852**	**84.9%**	**$ 3,499**
TRF Pre-1996 Account (Pay-As-You-Go)	30.0%	11,587	32.0%	11,091
Aggregate All INPRS Plans	**60.4%**	**$ 16,439**	**63.0%**	**$ 14,590**

Distribution of Investment Return Assumptions Used by Large Public Plans

(NASRA Public Fund Survey -- February 2012)

- The current INPRS interest rate / investment return assumption of 7.0% is approximately one (1) percentage point less than the mean (7.9%) and median (8.0%) of 98 large public plans
    - The chart below does not show how different public plans invest (i.e., different investment policies / strategies / allocations will produce different returns)



INPRS
PERF/TRF = 7.0%

Mean = 7.9%
Median = 8.0%

INPRS reducing to 6.75% effective with the actuarial valuations as of 6/30/12

Teachers' Retirement Fund (TRF) Pre-1996 Account Budget Impacts

- 3% year-over-year appropriations growth for FY2013 – FY2015

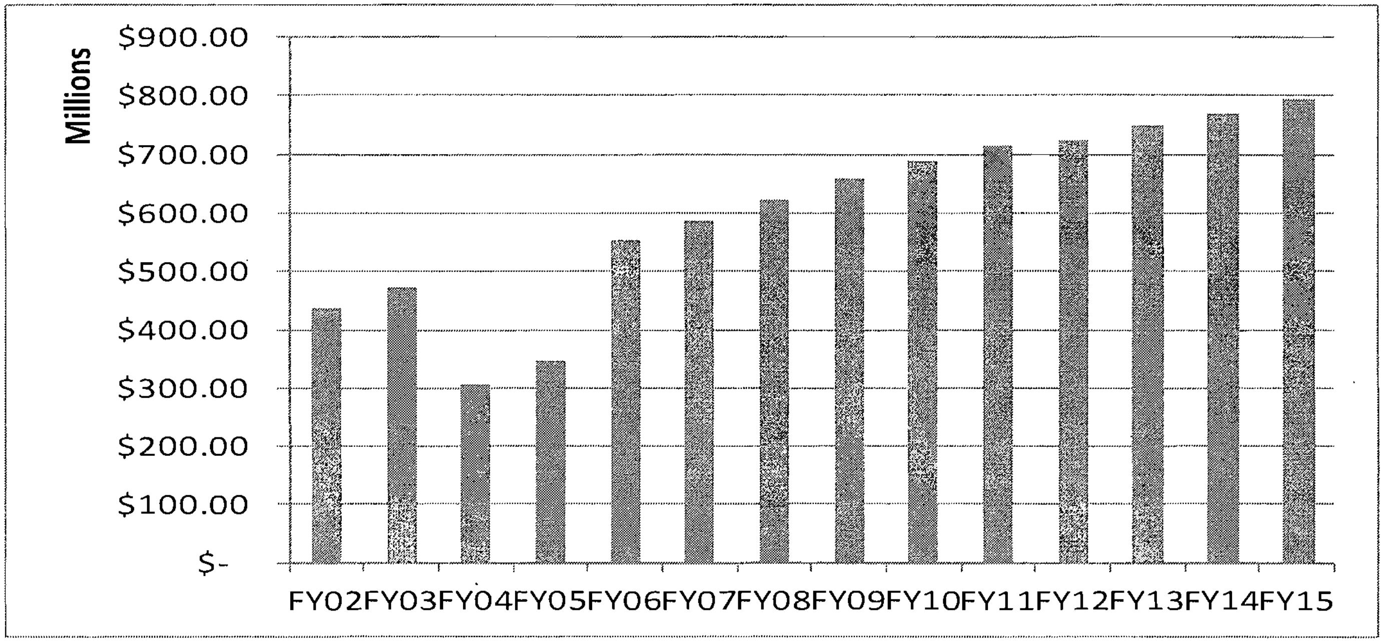
Preliminary FY 2014 - 2015 Budget

$ Millions	Actual FY09	Actual FY10	Actual FY11	Actual FY12	Forecast FY13	Forecast FY14	Forecast FY15
Total:							
Benefit Payments	$661.4	$714.1	$769.4	$814.6	$850.3	$897.3	$942.5
General Fund Appropriations	$662.6	$687.3	$704.3	$725.4	$747.2	$769.6	$792.7
Payments (O)/U Appropriations	$1.2	($26.8)	($65.1)	($89.2)	($103.1)	($127.7)	($149.8)
Amount Withdrawn from PSF	-	$26.8	$65.1	$89.2	$103.1	$127.7	$149.8

PSF = Pension Stabilization Fund

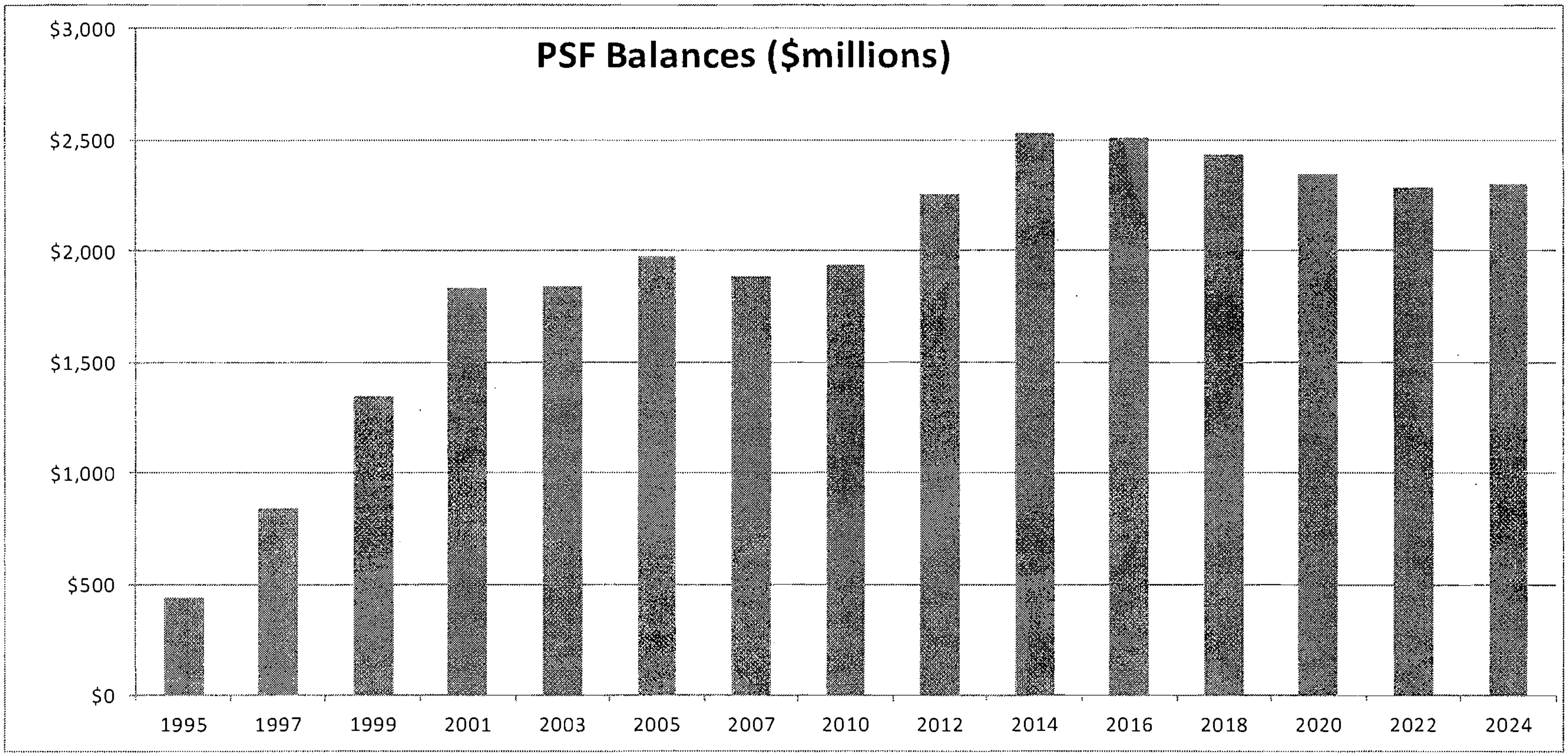
Teachers' Retirement Fund (TRF) Pre-1996 Account General Fund Appropriations

- 103% appropriations growth safely provides benefit payments and maintains a reasonable PSF balance
- Complies with existing Indiana Code IC 5-10.4-2-5(d)
- Maintains lottery revenue and continued appropriations growth



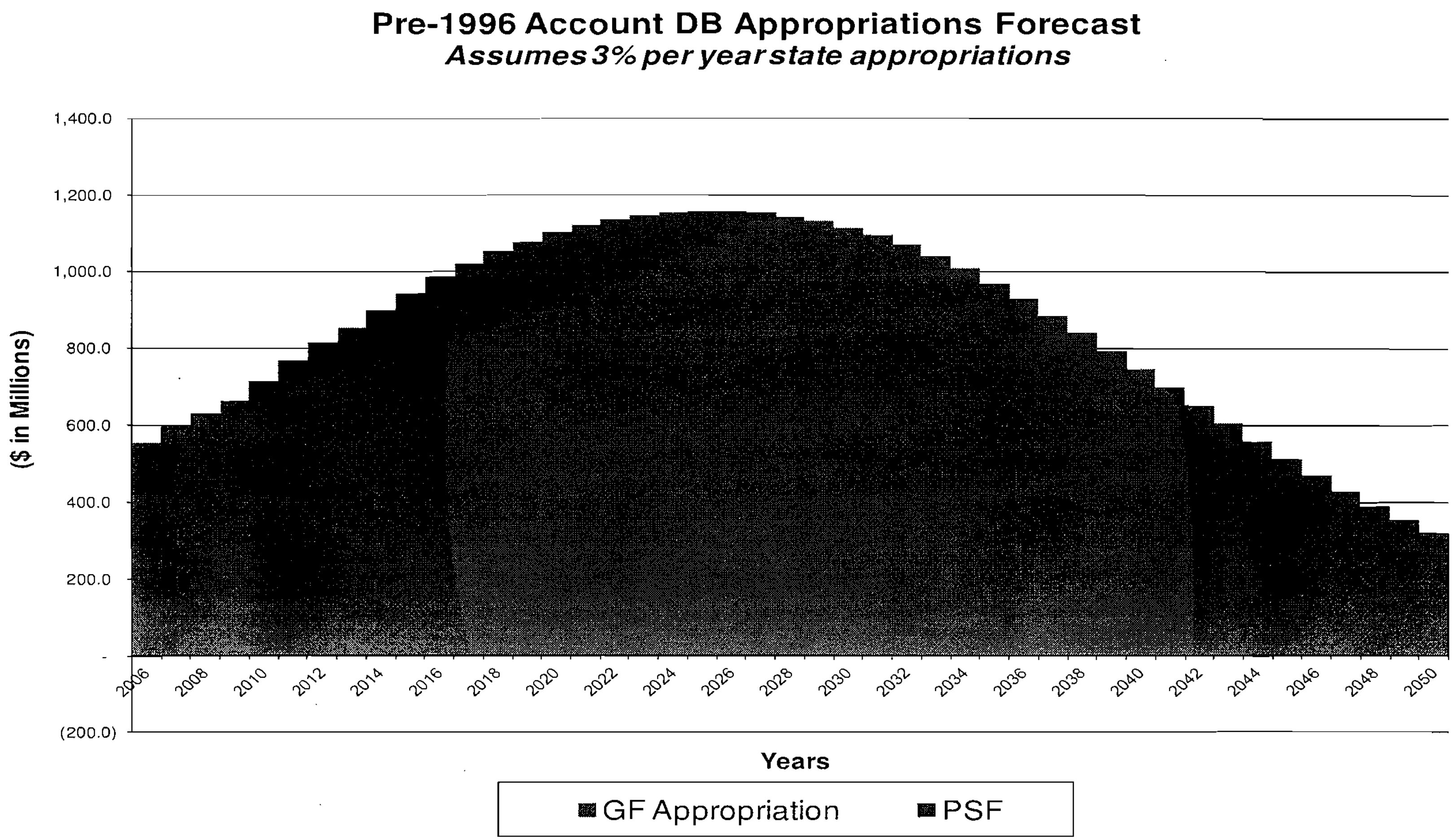
TRF Pre-1996 PSF Historical & Projected Balances

Projections based on 103% year-over-year General Fund Appropriations With $30M per year Lottery Revenue

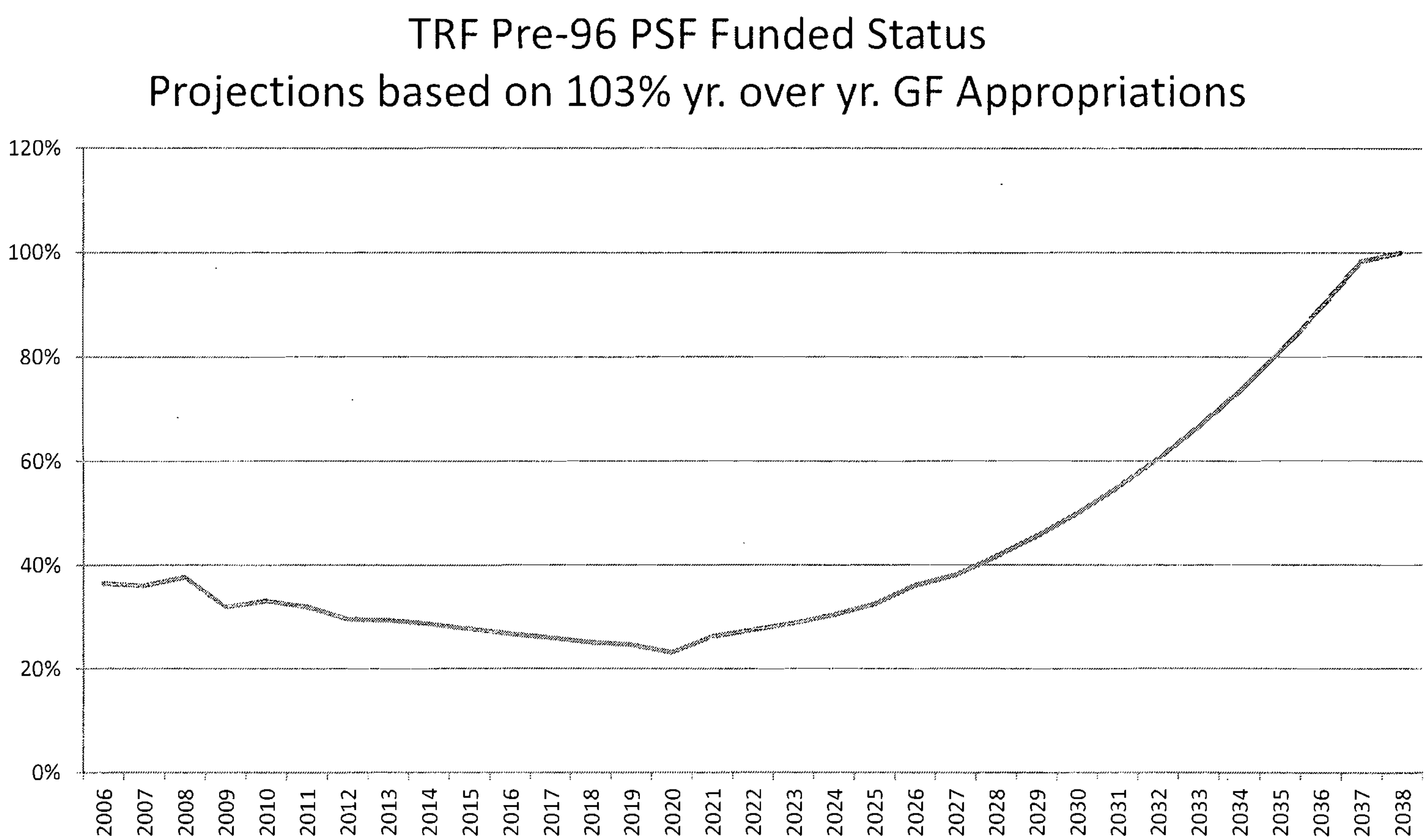


Note: $180 - 220 Million associated with HB 1376 will occur in FY2013

Teachers' Retirement Fund (TRF) Pre-1996 Account Budget Impacts



Teachers' Retirement Fund (TRF) Pre-1996 Account Funded Projection



GASB Rule Changes

- GASB has issued changes to its accounting standards related to pensions
  - Defines the method for calculating and reporting Net Pension Liability and Pension Expense
    - Net Pension Liability is equivalent to Unfunded Liability (Accrued Liabilities less Actuarial Value of Assets)
    - Changes in Net Pension Liability booked as Pension Expense
  - Requires state and local units of government to report their share of Net Pension Liability and Pension Expense in their financial statements
  - Defines how certain actuarial methods and assumptions are to be used for calculating Net Pension Liability and Pension Expense
  - Changes the discount rate used to project total pension liability
    - Funded liabilities will continue to use the fund's expected long-term rate of return = 6.75%
    - Unfunded liabilities will use a 20-year municipal bond index rate
  - Financial Statement Note Disclosures and Required Supplementary Information schedules will be significantly expanded for both INPRS and state and local government units
  - Final guidelines to be released in August 2012
  - Effective date for INPRS is FY2014; for state & local government is FY2015
- INPRS to work with Auditor of State, local units of government, and actuaries to determine impact prior to implementation of standards

Investments - A Year in Review

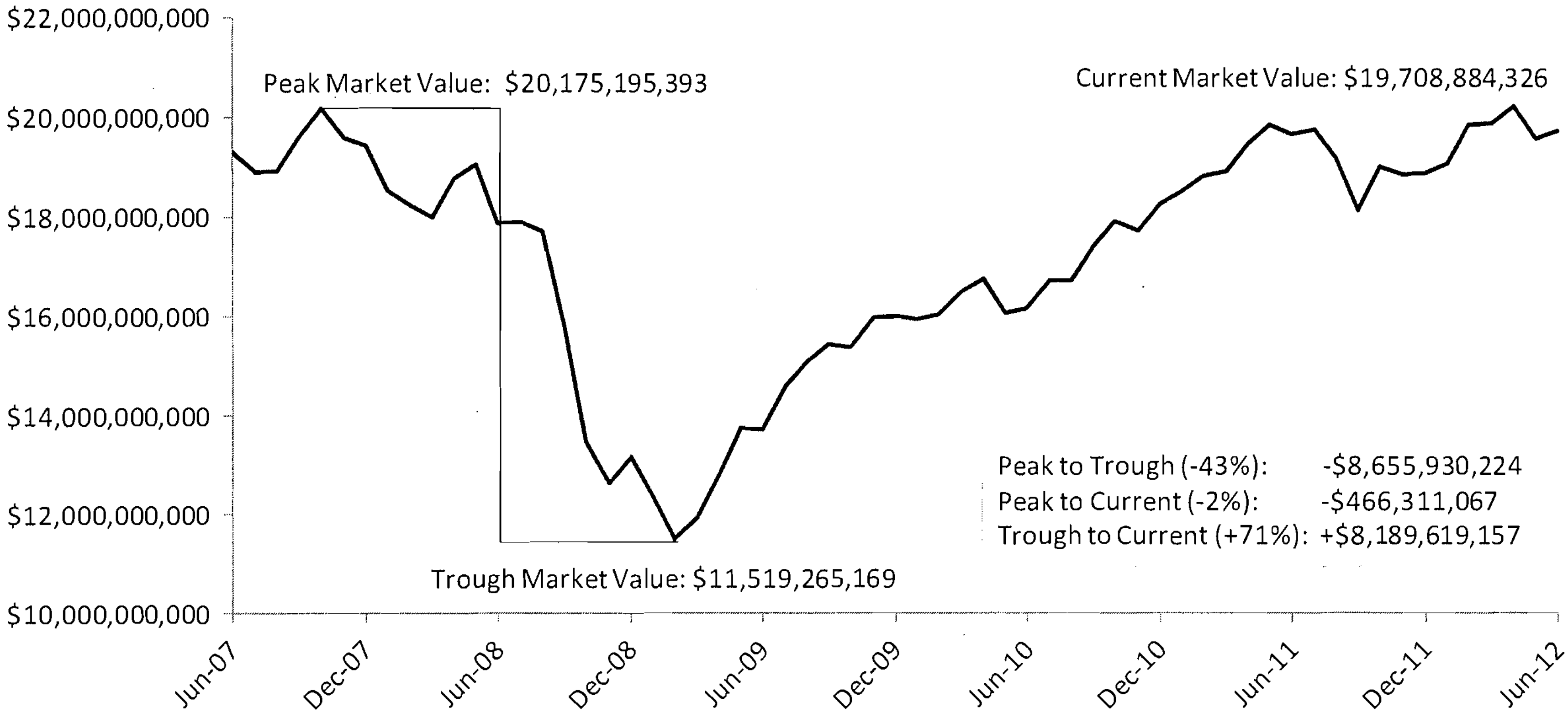
- Adopted new common INPRS asset allocation to further diversify the portfolio and reduce stock exposure
- Commingled PERF/TRF DB assets to improve performance and reduce fees

One-time Savings:	$14.7M
Ongoing Annual Savings:	$18.6M/yr.
Total NPV:	$290.3M

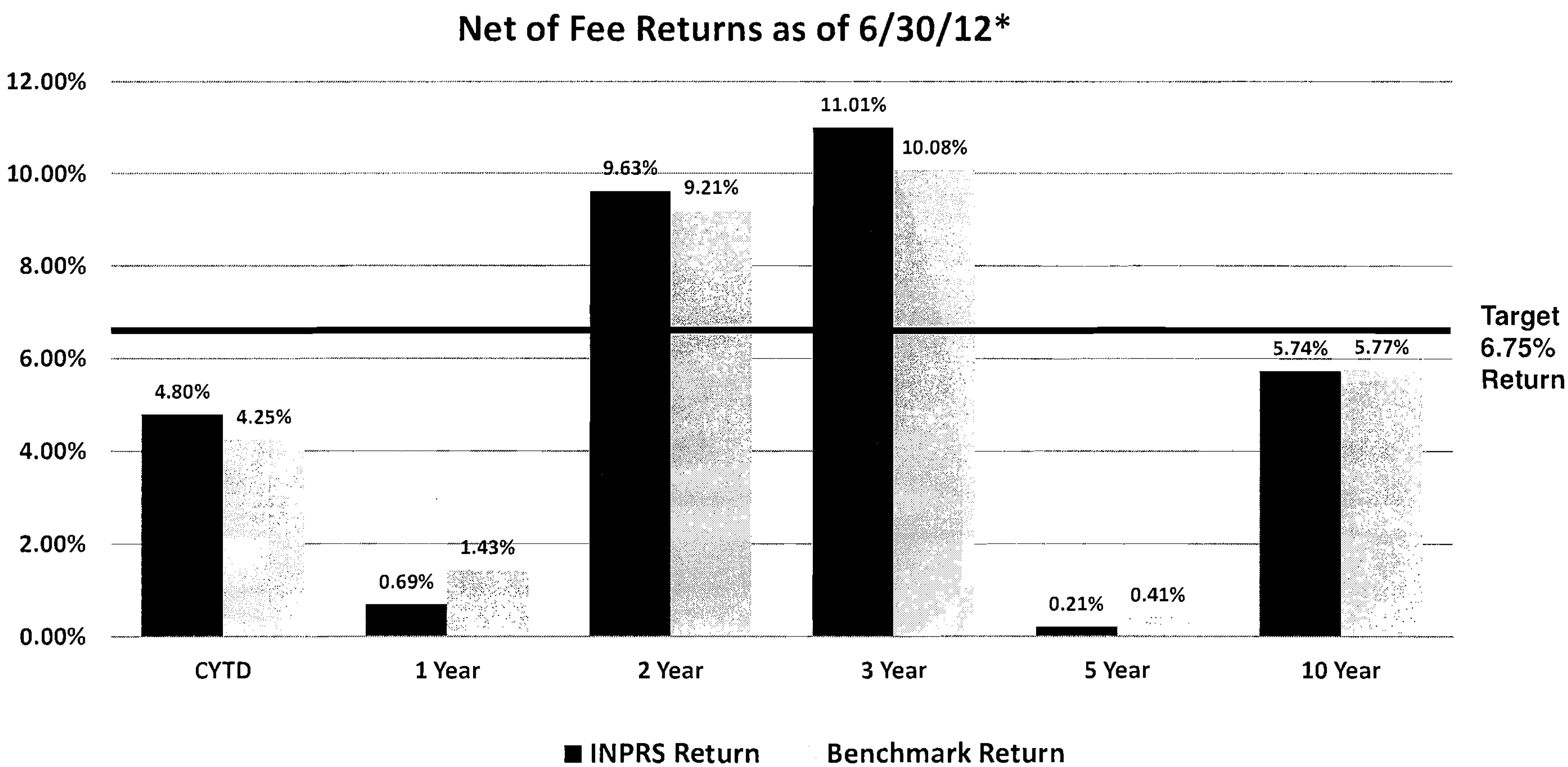
- Segregated the PERF Guaranteed Fund assets from the DB pool
- New Investment Policy Statement

Investments Performance

INPRS DB Market Value (As of 6/30/2012)



Investments Performance



* All returns annualized except calendar year-to-date

INPRS Return Expectations

	INPRS Allocation	Expected Long-Term Returns* (June 2012)
U.S. Inflation		2.4%
U.S. Large Cap Stock	9.1%	8.0%
U.S. Small Cap Stock	1.0%	8.3%
U.S. Fixed Income	22.0%	2.8%
Int'l Developed Mkt Stock	9.7%	8.0%
Emerging Mkt Stock	2.7%	8.5%
Private Markets	10.0%	10.5%
Real Estate	7.5%	6.6%
TIPS	10.0%	2.7%
Commodities	8.0%	4.3%
Hedge Funds	10.0%	5.3%
Risk Parity	10.0%	6.4%
INPRS Long-Term Expected Return		**6.76%**

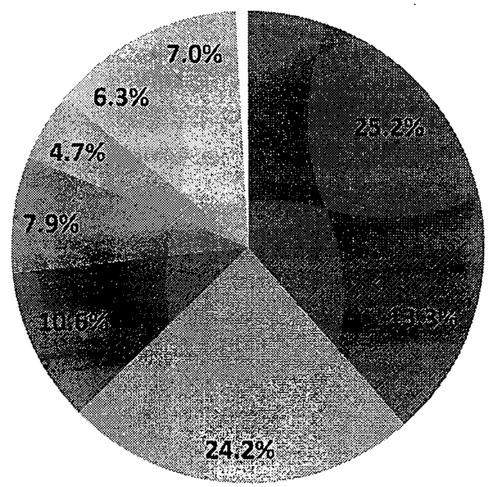
Due to the macro environment's low interest rates and slow global growth, expectations have been lowered.

**Annualized*

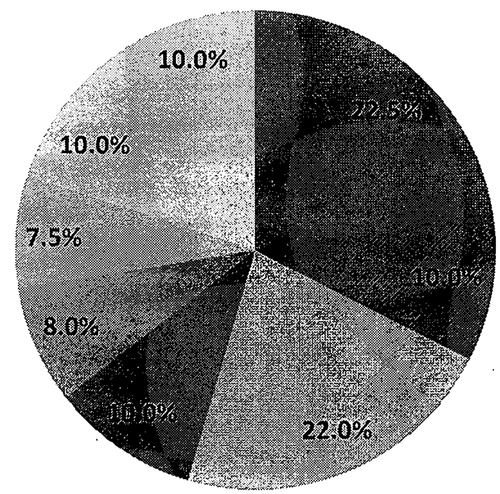
Source: SIS

Asset Allocation

INPRS Actual Allocation (6/30/2012)



INPRS Target Allocation



- Public Equity
- Private Equity
- Fixed Income (Ex Inflation-Linked)
- Fixed Income (Inflation-Linked)
- Commodities
- Real Estate
- Absolute Return
- Risk Parity
- Cash

Sudan and Terror States Divestment

HEA 1067 (Sudan Divestment)

If a company continues to have scrutinized active business operations 90 days after the Fund first sends written notice to the company, the Fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the Fund, as follows:

- At least 50% in 9 months
- 100% in 15 months.

HEA 1547 (Terror States Divestment)

If a company continues to have scrutinized active business operations 180 days after the Fund first sends written notice to the company, the Fund shall sell, redeem, divest, or withdraw all publicly traded securities of the company that are held by the Fund, as follows:

- At least 50% in 3 years
- At least 75% in 4 years
- 100% in 5 years

Sudan and Terror States Divestment Update

HEA 1067 (Sudan Divestment)

None

HEA 1547 (Terror States Divestment)

Companies Still on List from 2011

Must Be Divested: 50% by 5/16/2014, 75% by 5/16/2015 and 100% by 5/16/2016

Asset Description	Market Value ($)	% of INPRS Total Market Value
Gulfsands Petroleum	$4,806.12	0.000%
Maurel et Prom	$28,244.05	0.000%
Royal Dutch Shell	$2,970,274.54	0.015%
Sasol NVP	$513,108.08	0.003%
Total SA	$10,308,490.43	0.052%

Companies New to List in 2012

Must Be Divested: 50% by 4/15/2015, 75% by 4/15/2016 and 100% by 4/15/2017

Company	Market Value ($)	% of INPRS Total Market Value
Air Liquide	$1,118,209.77	0.006%
EDF Euro	$161,927.76	0.001%
Hyundai Heavy Industries	$603,422.84	0.003%
Maire Tecnimont	$581.86	0.000%
Mazda Motor Corporation	$100,576.51	0.001%
Mitsubishi Motor Corporation	$115,302.67	0.001%
Nissan Motor Corporation	$742,468.99	0.004%
Peugeot SA	$67,694.04	0.000%
Renault	$243,383.49	0.001%
Repsol SA	$427,474.87	0.002%
Statoil ASA	$873,335.80	0.004%
Volvo AB	$508,071.09	0.003%

Sudan and Terror State Divestment Update

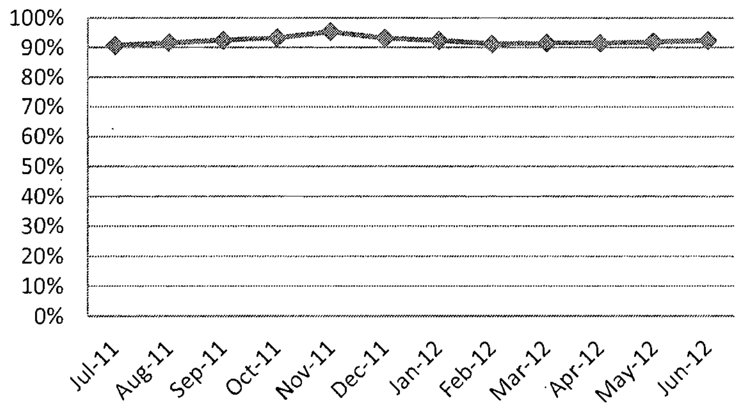
- INPRS will continue to divest from the companies listed on the Terror States list in accordance with the legislative guidelines.

- *INPRS continues to be in full compliance with the Sudan and Terror States Divestment guidelines and with providing the annual legislative update.*

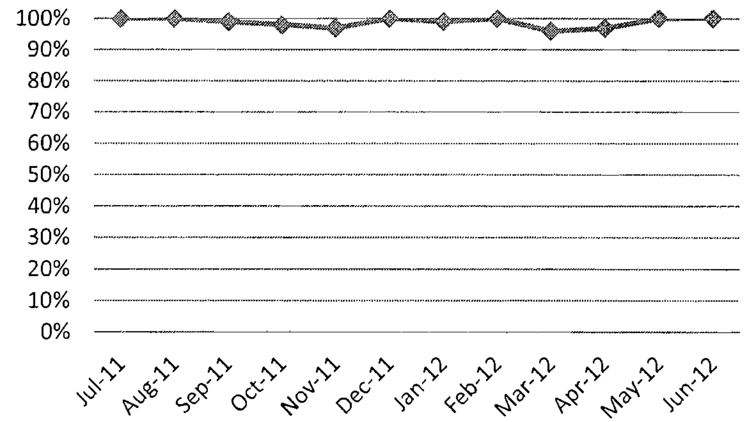
Overview - Operational Performance

Consistently achieving high levels of performance

Member Satisfaction



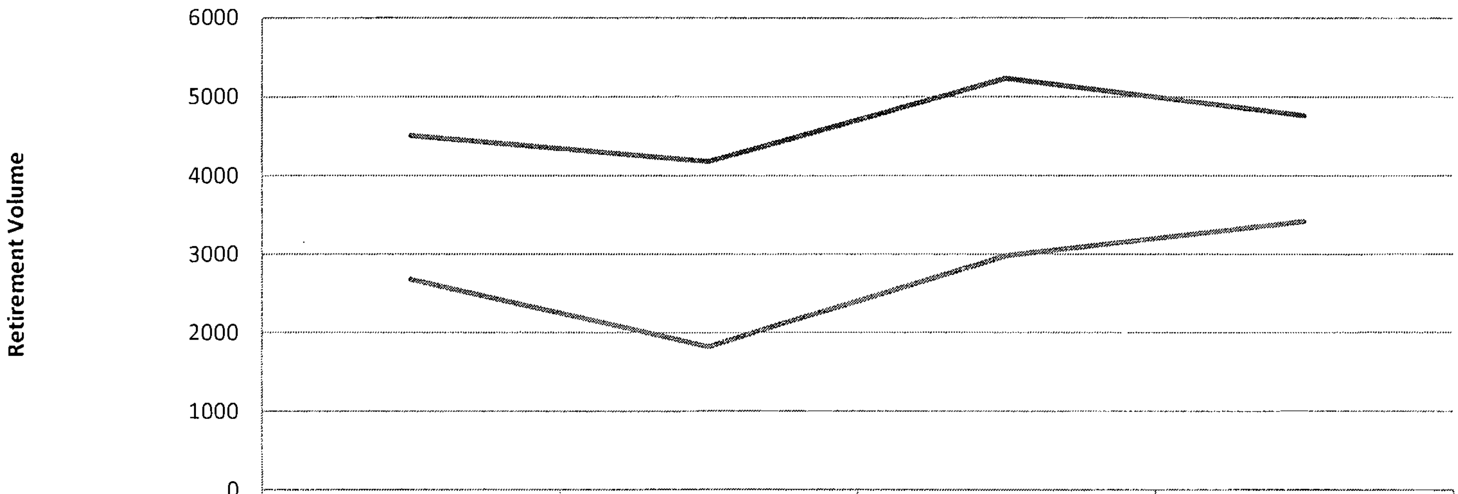
On-Time Benefit Payments



- Recognized leader in customer service by a global pension system benchmarking firm
- Certificates of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA)
- Public Pension Standards Awards for Funding and Administration from the Public Pensions Coordinating Council (PPCC)

Retirement Trends

TRF & PERF Retirement Trending



	FY09	FY10	FY11	FY12
TRF Retirements	2679	1825	2981	3422
PERF Retirements	4510	4176	5233	4761

System Modernization

- Implementation of new financial system – Complete
- Implementation of ASA modernization – Complete
- Implementation of new employer reporting web portal – Go-live 10/1/12
- Implementation of new benefits administration system – Go-live 4/1/13

COLAs

	Ad-Hoc	Auto
PERF	✓	
TRF	✓	
'77 Police & Fire		✓
Judges		✓
Excise, Gaming & Conservation Officers	✓	
Prosecuting Attorneys	✓	
Legislators DB	✓	
Legislators DC	N/A	

How are COLAs Funded?

- COLAs are not free!
- "Thirteenth Checks" aren't free either, but are cheaper than COLAs
- Actuaries factor in ad-hoc COLAs based upon historical experience
- For all but the TRF Pre-96 account, COLAs are funded by the employer as part of their contribution rate
- For the TRF Pre-96 account, COLAs are funded directly from the state general fund

Auto COLA History

1977 Police and Fire (CPI, Max. 3%)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.20%	2.90%	1.80%	3.00%	3.00%	2.40%	3.00%	0.00%	2.40%	2.10%	2.80%

Judges '77 System (Whenever salary of the position changes.)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.00%	0.00%	1.72%-2.20%	1/1-0.50% 7/1-15.0%-22%	2.00%	7/1-4.00% 12/2-1.50%	3.25%	0.00%	0.00%	1.30%	2.20%

Judges '85 System (Ad-Hoc before 2011, same as '77 system after 2010*)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	0.00%	1.30%	2.20%

*Only for members who retired after 12/31/09

COLA & One-time Check Cost Impacts

TRF	
1% COLA	$81.0M
13th Check	$19.6M
Combined	$100.6M

PERF	State	Political Subdivision
1% COLA	$12.7M	$21.1M
13th Check	$9.0M	$14.7M
Combined	$21.7M	$35.8M

C&E	
1% COLA	$442K
13th Check	$61K
Combined	$503K

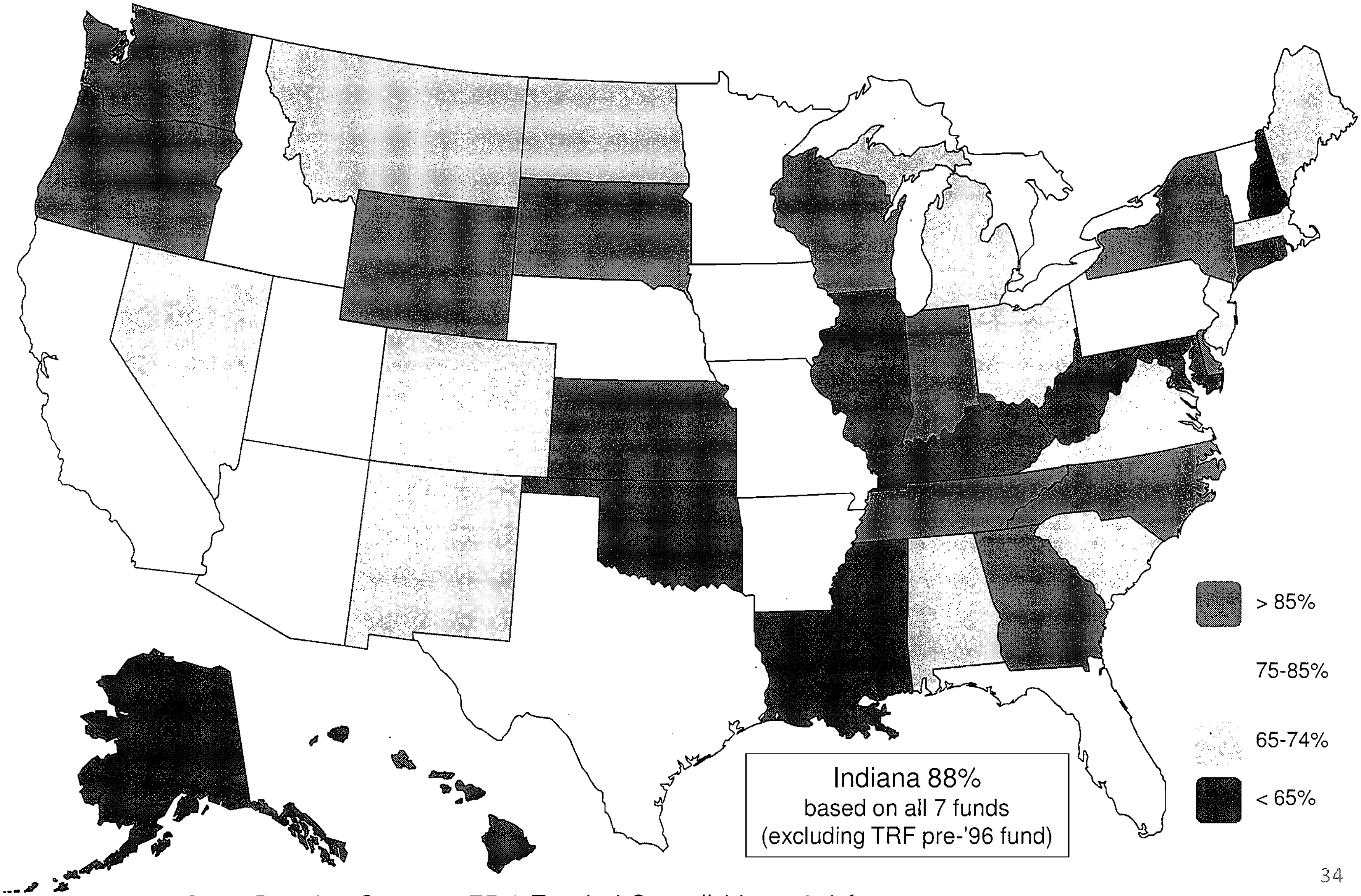
401(h) Accounts Update

- INPRS filed the proper paperwork with the IRS.
- We continue to wait for a response from the IRS.
- Third party administrator has been selected.
- Start-up within one year of IRS approval.

Optional ASA Only Plan Update

- INPRS filed the proper paperwork with the IRS for consideration/approval.
- Waiting on IRS to provide decision.
- Started outlining system and business requirements.
- By statute, plan is to be available 6 months after IRS approval.

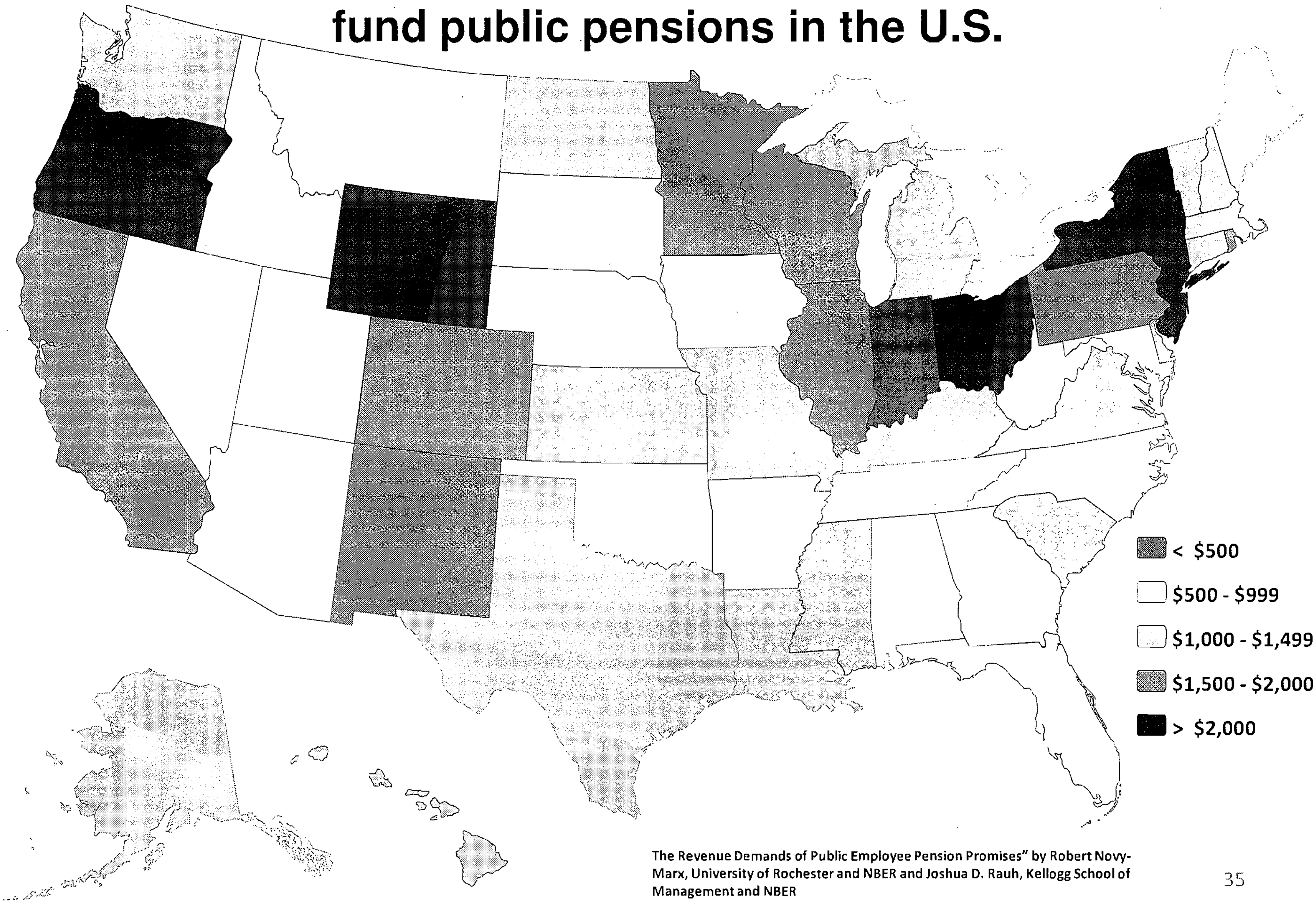
State Pensions % Funded FY2010



State Pension Systems 75% Funded Overall (down 3% from FY2009)

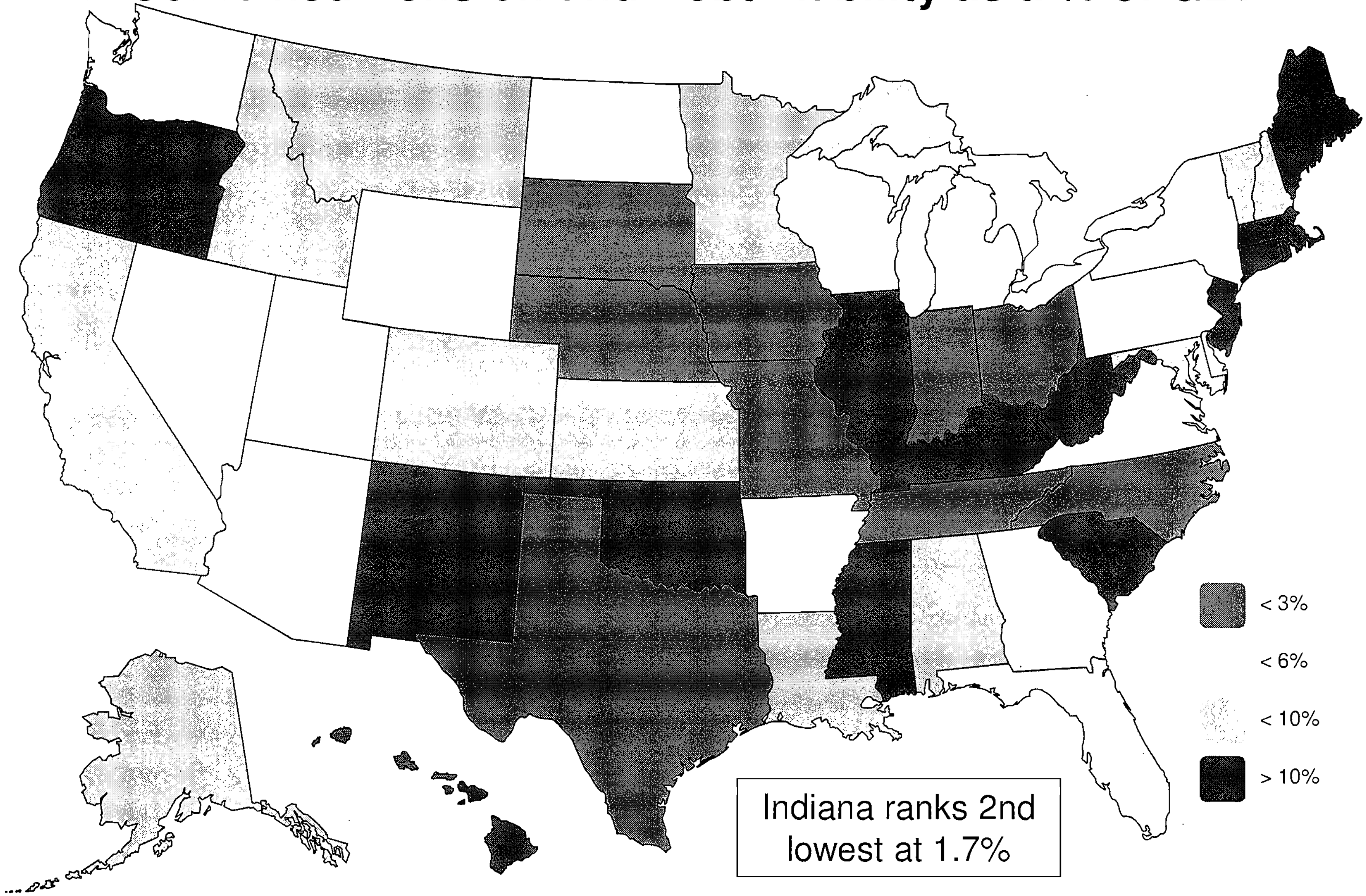
Source: The Pew Center on the States

Indiana has the lowest burden per household to fully fund public pensions in the U.S.



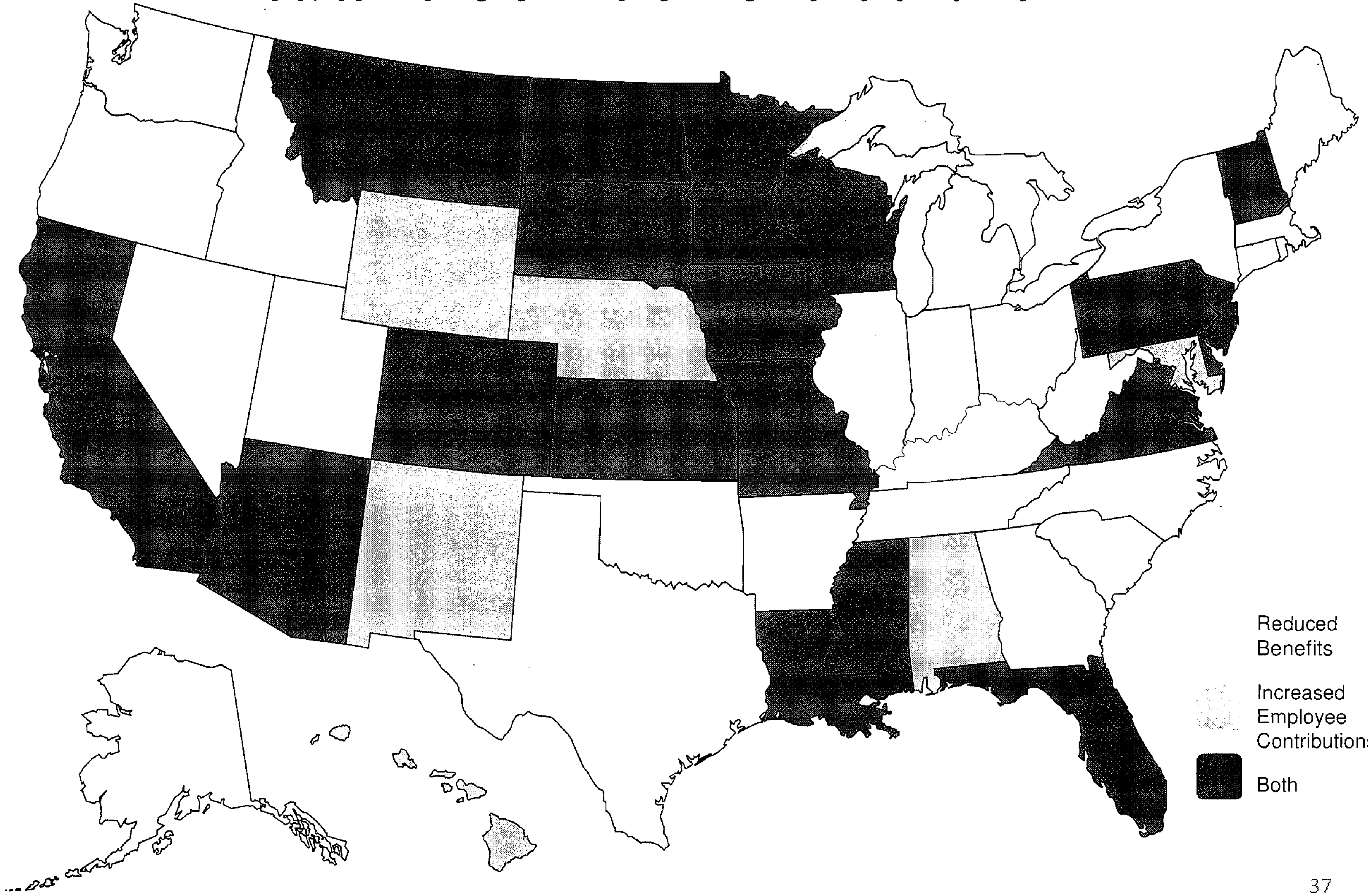
The Revenue Demands of Public Employee Pension Promises" by Robert Novy-Marx, University of Rochester and NBER and Joshua D. Rauh, Kellogg School of Management and NBER

Combined Pension and Debt Liability as a % of GDP



Source: Moody's January 2011 report

State Pension Reforms 2010 and 2011



Source: The Pew Center on the States and NCSL

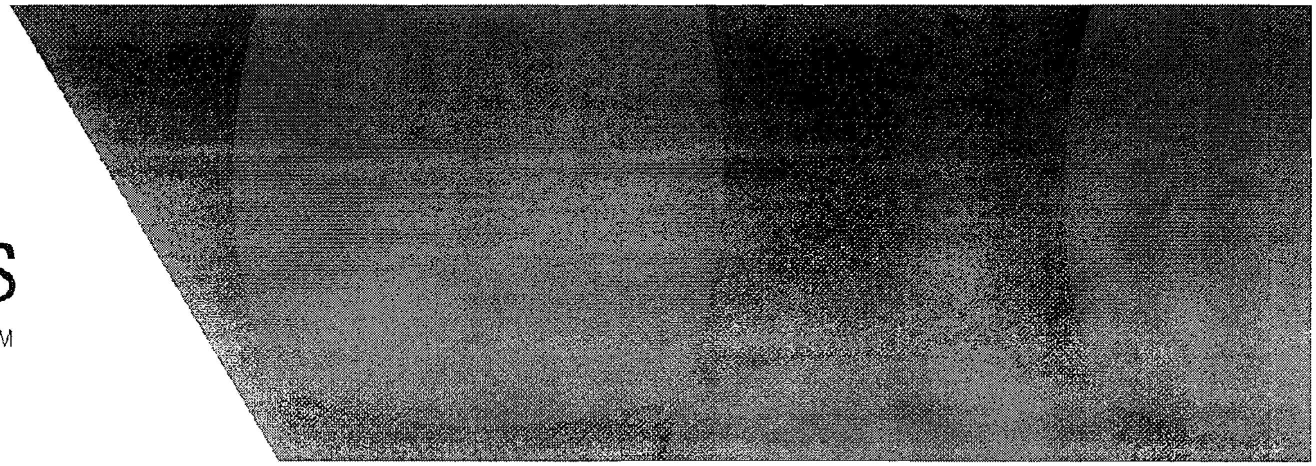
Key Features of Well Funded Plans*

	Indiana
- Pay the ARC	✓
- Employee Contributions	✓
- Funded Benefit Improvements	✓
- Responsible COLAs	✓
- Anti – Spiking Measures	✓
- Reasonable Actuarial Assumptions	✓

* National Institute on Retirement Security Study – June 2011

PRS

INDIANA PUBLIC RETIREMENT SYSTEM



PMOC 2012

INPRS Recommended Changes to Indiana Code

One North Capitol, Suite 001 ▲ Indianapolis, IN 46204 ▲ (888) 526-1687

ASA-Only – Normal Retirement Age

- Normal Retirement Age
  - This change is a conforming amendment to eliminate conflicting language within the law.
  - The current ASA-Only language indicates that "normal retirement age" means 10 years of service + 62 years of age.
  - However, under the ASA-Only vesting schedule, normal retirement means 5 years of service + 62 years of age.
  - We recommend clarifying normal retirement is defined as 5 years of service + 62 years of age.
  - This change means that under the ASA-Only plan, normal retirement for purposes of annuitizing a member's ASA, is 5 years of service + 62 years of age.

ASA-Only – Separation from Service

- ASA-Only 30-day separation from service
  - Currently, to demonstrate a true separation from employment, members of the PERF and TRF Plans must be separated for 30 days to withdraw their ASA balance.
  - This change requires ASA-Only members to wait 30 days from separation of service before withdrawing the balance.
  - This aligns ASA-Only plan with the other funds and complies with IRS guidelines.

Board Officer Selection

- Under current law, new board members are appointed to the INPRS board effective July 1st of each year. The law also provides that selection of board officers must occur by June 30th.
- This proposed new law allows the selection of board officers to occur by December 31st.
- This allows election of board officers <u>after</u> new board appointments have been made.

Alignment - Beneficiaries

- TRF law provides that a beneficiary's and/or survivor's benefit vests with the designated beneficiary on file with the fund at the time of the member's death.
- PERF is silent on beneficiary/survivor vesting at the time of the member's death.
- We are recommending that the General Assembly adopt the same rule for PERF in order to align PERF and TRF beneficiary rules.

Alignment – Criminal Takings

- PERF law provides that an employer can be reimbursed from a member's account for a criminal taking from the employer.
- We are recommending that the General Assembly adopt the same rule for TRF.
- This change provides alignment between PERF and TRF.

APPENDIX

Public Employees Retirement Fund (PERF)
Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Full-time employees of the state and political subdivisions that elect to participate*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDING RATIO (ESTIMATE)**:** *75.7%*

UNFUNDED LIABILITY (ESTIMATE)**:** *$3,877 M*

BENEFITS

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*
Vesting: *DB - 10 years, ASA - Immediate*
Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*
Avg. Overall Annual Retiree Benefit: *$7,669* (ASA Annuitized)

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$599 M	$641 M	$684 M	$731 M

FUNDING SOURCES

Employee Contribution: *3% salary to member ASA*
Employer Contribution (State): *Actuarially Calculated Contribution Rate (FY12 = 8.6%; FY13 = 9.7%)*
Employer Contribution (Subdivisions): *Actuarially Calculated Contribution Rate (FY12 = 8.82%; FY13 = 9.73%)*

Actual	Projected Contributions		
FY12	FY13	FY14	FY15
$159 M	$145 M	$149 M	$154 M
$133 M	$163 M	$192 M	$199 M
$265 M	$327 M	$385 M	$397 M
$557 M	**$635 M**	**$726 M**	**$750 M**

Teachers Retirement Fund (TRF)
TRF Pre-1996 Account Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Teachers of K12 public schools and certain state universities hired prior to July 1, 1995*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDING RATIO *(ESTIMATE)*: *30.0%*

UNFUNDED LIABILITY *(ESTIMATE)*: *$11,587 M*

BENEFITS

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*
Vesting: *DB - 10 years, ASA - Immediate*
Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*
Avg. Annual Overall Retiree Benefit: *$18,729* (ASA Annuitized)

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$929 M	$958 M	$1,002 M	$1,045 M

FUNDING SOURCES

	Actual	Projected Contributions		
	FY12	FY13	FY14	FY15
Employee Contribution: *3% salary to member ASA*	$ 48 M	$ 44 M	$ 40 M	$ 37 M
General Fund Appropriation: *Pre-96 Pay-as-you-go benefit obligation*	$725 M	$747 M	$770 M	$793 M
Pension Stabilization Fund: *Pre-96 Pay-as-you-go benefit obligation*	$ 59 M	$ 73 M	$ 98 M	$120 M
Pension Stabilization Fund: *Lottery (Pre-96)*	$ 30 M	$ 30 M	$ 30 M	$ 30 M
HB 1376: *State Excess Reserves (To PSF)*	-	$220 M	-	-
Other: *Pre-96 Employer Contribution (AOS, FSP, HEP)*	$ 9 M	$ 10 M	$ 10 M	$ 11 M
	$ 871 M	**$1,124 M**	**$ 948 M**	**$ 991 M**

Teachers Retirement Fund (TRF)
TRF 1996 Account Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Teachers of K12 public schools and certain state universities hired after June 30, 1995*

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDING RATIO ***(ESTIMATE)*** **:** *90.2%*

UNFUNDED LIABILITY ***(ESTIMATE)*** **:** *$425 M*

BENEFITS

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*
Vesting: *DB - 10 years, ASA - Immediate*
Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*
Avg. Annual Overall Retiree Benefit: *$18,750* (ASA Annuitized)

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$57 M	$67 M	$83 M	$99 M

FUNDING SOURCES

Employee Contribution: *3% salary to member ASA*
Employer Contribution: *1996 Account Actuarially Calculated Contribution Rate (FY12 & FY13 = 7.5%)*

Actual	Projected Contributions		
FY12	FY13	FY14	FY15
$ 82 M	$ 90 M	$ 97 M	$100 M
$181 M	$205 M	$224 M	$241 M
$263 M	**$295 M**	**$321 M**	**$341 M**

Teachers Retirement Fund (TRF)
Total Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Teachers of K12 public schools and certain state universities*
Consists of two accounts (Pre-1996 and 1996)

TYPE: *Defined Benefit - Hybrid (Defined Benefit + Annuity Savings Account)*

FUNDING RATIO *(ESTIMATE)* **:** *42.5% (Pre 1996 - 30.0%, 1996 - 90.2%)* **UNFUNDED LIABILITY** *(ESTIMATE)* **:** *$12,012 M*

BENEFITS

Benefit Formula: *1.1% x Avg. High 5 Yr. Salary x Yrs. Service (plus ASA)*
Vesting: *DB - 10 years, ASA - Immediate*
Full Retirement Age: *65 w/ 10 years service, 60 w/ 15 years service, 55 - rule of 85*
Avg. Annual Overall Retiree Benefit: *$18,731* (ASA Annuitized)

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$986 M	$1,025 M	$1,085 M	$1,144 M

FUNDING SOURCES

		Actual	Projected Contributions		
		FY12	FY13	FY14	FY15
Employee Contribution:	*3% salary to member ASA*	$130 M	$134 M	$137 M	$137 M
General Fund Appropriation:	*Pre-96 Pay-as-you-go benefit obligation*	$725 M	$747 M	$770 M	$793 M
Pension Stabilization Fund:	*Pre-96 Pay-as-you-go benefit obligation*	$ 59 M	$ 73 M	$ 98 M	$120 M
Pension Stabilization Fund:	*Lottery (Pre-96)*	$ 30 M	$ 30 M	$ 30 M	$ 30 M
HB 1376:	*State Excess Reserves (To PSF)*	-	$220 M	-	-
Employer Contribution:	*1996 Account Actuarially Calculated Contribution Rate (FY12 & FY13 = 7.5%)*	$181 M	$205 M	$224 M	$241 M
Other:	*Pre-96 Employer Contribution (AOS, FSP, HEP)*	$ 9 M	$ 10 M	$ 10 M	$ 11 M
		$1,134 M	**$1,419 M**	**$1,269 M**	**$1,332 M**

1977 Police and Firefighters' Pension and Disability Fund (1977 Fund) Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Local full-time police and firefighters hired after April 30, 1977*

TYPE: *Defined Benefit*

FUNDING RATIO *(ESTIMATE)*: *92.6%*

UNFUNDED LIABILITY *(ESTIMATE)*: *$303 M*

BENEFITS

Benefit Formula: *50% of first class officer salary*
Vesting: *20 years*
Full Retirement Age: *52 with at least 20 years service*
Avg. Annual Overall Retiree Benefit: *$22,987*

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$ 85 M	$ 91 M	$104 M	$118 M

FUNDING SOURCES

Employee Contribution: *6% of first class officer salary (max. 32 years)*
Employer Contribution: *Actuarially Calculated Contribution Rate (FY12 & FY13 = 19.7%)*

Actual	Projected Contributions		
FY12	FY13	FY14	FY15
$ 41 M	$ 41 M	$ 42 M	$ 44 M
$135 M	$135 M	$139 M	$144 M
$176 M	**$176 M**	**$181 M**	**$188 M**

Judges' Retirement System
Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Judges of the Indiana Supreme Court, Indiana Circuit Court. Indiana Tax Court, County and Municipal Courts*

TYPE: *Defined Benefit - Consists of two plans: 1977 System and the 1985 System*

FUNDING RATIO ***(ESTIMATE)*:** *59.2%*

UNFUNDED LIABILITY ***(ESTIMATE)*:** *$180 M*

BENEFITS

Benefit Formula: *Final Salary x percent factor established in IAC (24% - 60%)*
Vesting: *8 years*
Full Retirement Age: *65 with at least 8 years service, 55 - rule of 85*
Avg. Annual Overall Retiree Benefit: *$54,152*

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$16.7 M	$17.5 M	$19.2 M	$20.5 M

FUNDING SOURCES

Employee Contribution: *6% salary (max. 22 years)*
General Fund Appropriation: *Actuarially Calculated*
Other: *Certain docket and court fees*
HB 1376: *State Excess Reserves*

Actual	Projected Contributions		
FY12	FY13	FY14	FY15
$ 2.5 M	$ 2.7 M	$ 2.8 M	$ 2.9 M
$11.8 M	$ 14.1 M	$14.4 M	$14.9 M
$ 7.1 M	$ 7.1 M	$ 7.1 M	$ 7.1 M
-	$ 91.0 M	-	-
$21.4 M	**$114.9 M**	**$24.3 M**	**$24.9 M**

State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *State Excise Police, Gaming Agents, Gaming Control Officers, and Conservation Enforcement Officers*

TYPE: *Defined Benefit*

FUNDING RATIO *(ESTIMATE)*: *68.8%*

UNFUNDED LIABILITY *(ESTIMATE)*: *$35 M*

BENEFITS

Benefit Formula: *(Average high five salary x 25%) + (1.67% x yrs service beyond 10 years)*
Vesting: *10 years*
Full Retirement Age: *60 if hired before age 50, mandatory at 65*
Avg. Annual Overall Retiree Benefit: *$22,604*

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$ 4.7 M	$ 4.8 M	$ 5.1 M	$ 5.5 M

FUNDING SOURCES

Employee Contribution: *Pre '77 hires - 3% of first $8,500, Post '77 hires - 4% of total salary*
Employer Contribution: *Actuarially Calculated Contribution Rate (FY12 & FY13 = 20.75%)*
HB 1376: *State Excess Reserves*

Actual	Projected Contributions		
FY12	FY13	FY14	FY15
$ 1.0 M	$ 1.0 M	$ 1.0 M	$ 1.0 M
$ 5.0 M	$ 5.0 M	$ 5.1 M	$ 5.3 M
-	$12.0 M	-	-
$ 6.0 M	**$18.0 M**	**$ 6.1 M**	**$ 6.3 M**

Prosecuting Attorneys' Retirement Fund (PARF)
Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Prosecutors or a chief deputy prosecutors serving after December 31, 1989*
Executive Director or Dep Executive Director of the Prosecutors Council, or state paid dep. prosecutors hired after June 30, 1995

TYPE: *Defined Benefit*

FUNDING RATIO ***(ESTIMATE)*****:** *47.1%*

UNFUNDED LIABILITY ***(ESTIMATE)*****:** *$31 M*

BENEFITS

Benefit Formula: *High Salary x percent factor established in IAC (24% - 60%)*
Vesting: *8 years*
Full Retirement Age: *65 with at least 8 years service*
Avg. Annual Overall Retiree Benefit: *$21,288*

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$ 1.8 M	$ 2.5 M	$ 2.7 M	$ 3.0 M

FUNDING SOURCES

	Actual	Projected Contributions		
	FY12	FY13	FY14	FY15
Employee Contribution: *6% salary*	$ 1.3 M	$ 1.1 M	$ 1.1 M	$ 1.2 M
General Fund Appropriation: *Actuarially Calculated*	$ 1.8 M	$ 2.1 M	$ 1.4 M	$ 1.4 M
HB 1376: *State Excess Reserves*	-	$19.0 M	-	-
	$ 3.1 M	**$22.2 M**	**$ 2.5 M**	**$ 2.6 M**

Legislators' Retirement System
Fund Overview

As of June 30, 2012 (Estimate)

MEMBERSHIP: *Members of the Indiana General Assembly*

TYPE: *Defined Benefit - Members serving on April 30, 1989 who elected to participate*
Defined Contribution - Members serving on or after April 30, 1989 who elect to participate

FUNDING RATIO *(ESTIMATE)*: *71.7%*

UNFUNDED LIABILITY *(ESTIMATE)*: *$ 1.3 M*

BENEFITS

Benefit Formula: *Lesser of $480 x yrs service before '89 OR high consecutive three year salary*
Vesting: *10 years*
Full Retirement Age: *65 with at least 10 years service, 55 - rule of 85, 60 w/ 15 yrs service*
Avg. Annual Overall Retiree Benefit: *$5,474* (DB Plan Only)

Actual	Projected Benefit Payments		
FY12	FY13	FY14	FY15
$ 0.3 M	$ 0.4 M	$ 0.4 M	$ 0.4 M

FUNDING SOURCES

Employer Contribution: *State rate plus 3% of salary for the DC plan*
General Fund Appropriation: *Actuarially Calculated Contribution for the DB plan*

Actual	Projected Contributions		
FY12	FY13	FY14	FY15
$ 1.3 M	$ 1.5 M	$ 1.6 M	$ 1.5 M
$ 0.1 M	$ 0.2 M	$ 0.2 M	$ 0.2 M
$ 1.4 M	**$ 1.7 M**	**$ 1.8 M**	**$ 1.7 M**

PRELIMINARY DRAFT
No. 3035

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.3-12.

Synopsis: Public employees' defined contribution plan. Changes the definition of "normal retirement age" in the public employees' defined contribution plan (plan) to reduce the minimum number of years required for participation in the plan from ten years to five years. Requires a vested plan member to be separated from employment for at least thirty days before the member may make a withdrawal from the member's account.

Effective: July 1, 2013.

EXHIBIT B
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #1 - AUGUST 14, 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 5-10.3-12-14, AS ADDED BY P.L.22-2011, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 14. As used in this chapter, "normal retirement age" for a member means the member is at least sixty-two (62) years of age with at least ~~ten (10)~~ **five (5)** years of participation in the plan.

SECTION 2. IC 5-10.3-12-26, AS AMENDED BY P.L.6-2012, SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 26. (a) Subject to the provisions of the Internal Revenue Code applicable to qualified plan distributions, a member who:

(1) terminates service in a covered position; **and**

(2) does not perform any service in a position covered by the fund for at least thirty (30) days after the date on which the member terminates service;

is entitled to withdraw amounts in the member's account to the extent the member is vested in the account. A member must make a required withdrawal from the member's account not later than the required beginning date under the Internal Revenue Code.

(b) The member may elect to have withdrawals paid as:

(1) a lump sum;

(2) a direct rollover to another eligible retirement plan; or

(3) if the member has attained normal retirement age, a monthly annuity in accordance with the rules of the board.

(c) The board may establish a minimum account balance or a minimum monthly payment amount in order for a member to select the monthly annuity option. The board shall establish the forms of annuity by rule, in consultation with the board's actuary. The board shall give members information about these forms of payment and any information required by federal law to accompany such distributions.

(d) Unless otherwise required by federal or state law, the requirements and rules that apply to the distribution of the annuity savings account apply to distributions from a member's account.

PRELIMINARY DRAFT
No. 3036

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.2-4-7; IC 5-10.3-8-15; IC 5-10.4-5; IC 5-10.5.

Synopsis: Indiana public retirement system administrative matters. Provides that for a member of the public employees' retirement fund (PERF) who dies after June 30, 2013, the right to receive a death benefit from PERF vests with the designated beneficiary on file with PERF at the time of the member's death, as is the case under current law with the teachers' retirement fund (TRF). Provides that the board of the Indiana public retirement system (INPRS) shall elect officers by December 31 each year, rather than June 30 as specified in current law. Provides that money may be taken from a TRF member's account to compensate an employer for a criminal taking from the employer by the member, as is the case under current law with PERF.

Effective: July 1, 2013.

EXHIBIT C
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #1 - AUGUST 14, 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 5-10.2-4-7, AS AMENDED BY P.L.35-2012, SECTION 44, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: 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.~~ **IC 5-10.4-5-14.5.**

(f) 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 2. IC 5-10.3-8-15, AS ADDED BY P.L.99-2010, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 15. **(a)** The board may adopt rules to allow a member who designates more than one (1) beneficiary to allocate benefit shares in percentage increments.

(b) This subsection applies in the case of a member who dies after June 30, 2013. Notwithstanding a contrary collateral agreement, court order, process, attachment, or levy, the right to receive a death benefit under IC 5-10.2 or this article vests with the designated beneficiary on file with the fund at the time of the member's death. The fund shall distribute the death benefit to the designated beneficiary or the designated beneficiary's estate in accordance with IC 5-10.2 and this article.

SECTION 3. IC 5-10.4-5-14, AS ADDED BY P.L.2-2006, SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 14. (a) The benefits payable from the fund are exempt from seizure or levy on attachment, supplemental process, and all other processes. **However, the member's contributions or benefits, or both, may be transferred by the board to reimburse the member's employer for loss resulting from the member's criminal taking of the member's employer's property if the board receives adequate proof of the loss. The loss resulting from the member's criminal taking of the member's employer's property must be proven by a felony or misdemeanor conviction.**

~~(b) A member's transfer of a benefit payment is void. However, a member may assign benefits for paying:~~

~~(1) premiums on a group, life, hospitalization, surgical, or medical insurance plan maintained in whole or in part by a state agency; and~~

~~(2) dues to any association that proves to the board's satisfaction that the association has as members at least twenty percent (20%) of the number of retired members of the fund.~~

(b) The board may withhold payment of a member's

contributions and interest if the employer of the member notifies the board that felony or misdemeanor charges accusing the member of the criminal taking of the employer's property have been filed.

(c) The board may withhold payment of a member's contributions and interest under subsection (b) until the final resolution of the criminal charges.

SECTION 4. IC 5-10.4-5-14.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 14.5. A member's transfer of a benefit payment is void. However, a member may assign benefits for paying:**

(1) premiums on a group, life, hospitalization, surgical, or medical insurance plan maintained in whole or in part by a state agency; and

(2) dues to any association that proves to the board's satisfaction that the association has as members at least twenty percent (20%) of the number of retired members of the fund.

SECTION 5. IC 5-10.5-3-7, AS ADDED BY P.L.23-2011, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. (a) Not later than ~~June 30~~ **December 31** each year, the board shall elect a chair and vice chair from its members to serve as the officers of the board.

(b) An officer shall serve for one (1) year or until the officer's successor is elected and qualified.

SECTION 6. IC 5-10.5-6-4, AS ADDED BY P.L.23-2011, SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4. (a) 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,~~ **IC 5-10.4-5-14.5,** or IC 36-8-8-17.2.

COMPARISON OF JUDGES' PENSION
WITH PROSECUTORS' PENSION

Judges contribute 6% before income taxes as a "pickup" contribution.	Prosecutors make 6% contribution after paying income taxes.
Judges make no contributions to pension after 22 years of service.	Prosecutors have no such 22 year ceiling on contributions.
Judges receive full retirement benefits either at age 65 or anytime after 55 if the Rule of 85 is met.	Prosecutors do not receive full retirement benefits until age 65.
Judges can retire early at age 62 with a reduction in pension amount of 0.1% per month.	Prosecutors can retire early at age 62 with a reduction in pension amount of 0.25% per month.
Judges retirement benefits based upon salary which includes any county supplemental salary.	Prosecutors retirement benefits based upon state paid salary only.
Judges retirement benefits include benefits based upon partial year of service after 8 years.	Prosecutors have no partial year of service provision.
Judges survivor benefits include benefits to surviving spouse or children if Judge dies while in office.	Prosecutors survivor benefits do not clearly state that benefits payable to surviving spouse or children if Prosecutor dies while in office.
Judges survivor benefits include a minimum annual benefit payment of $12,000.	Prosecutors survivor benefits include a minimum annual benefit payment of $7,000.
Judges survivor benefits are not subject to reduction for "early" retirement.	Prosecutors survivor benefits are subject to reduction for "early" retirement.
Judges disability benefits paid if Judge disabled and has been a participant in pension plan.	Prosecutors disability benefits only paid if Prosecutor becomes disabled while in active service.
Judges paid disability if disability established to satisfaction of Board of Trustees.	Prosecutors disability benefits paid only if Prosecutor qualifies for social security disability payments.
Judges paid disability at any time if disabled and a participant in pension plan.	Prosecutors not paid any disability benefits until served at least 5 years.
Judges disability paid at rates of 50% to 60% of salary.	Prosecutors disability paid at rates of 40% to 50% of salary.
Judges disability payments not subject to reduction for "early" retirement.	Prosecutors disability payments are subject to reduction for "early" retirement.
Judges receive cost of living adjustment.	Prosecutors have no cost of living adjustment.

EXHIBIT D
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #1 – AUGUST 14, 2012

PROPOSED AMENDMENTS TO PROSECUTORS PENSION STATUTES TO PROVIDE PARITY WITH JUDGES RETIREMENT STATUTES

IC 33-39-7-3.1
"Employer"

Sec. 3.1. As used in this chapter, "employer" means the State of Indiana.

IC 33-39-7-7
"Salary"

Sec. 7. As used in this chapter, "salary" means the total salary paid to a participant by the state and by a county or counties, determined without regard to any salary reduction agreement established under Section 125 of the Internal Revenue Code.

IC 33-39-7-12
Contributions

Sec. 12. (a) Except as provided in subsection (b), each participant shall make contributions to the fund as follows:

(1) A participant described in section 8(a)(1) of this chapter shall make contributions of six percent (6%) of each payment of salary received for services after December 31, 1989.

(2) A participant described in section 8(a)(2) or 8(a)(3) of this chapter shall make contributions of six percent (6%) of each payment of salary for services rendered after June 30, 1994.

A participant's contributions shall be deducted from the participant's monthly salary by the auditor of the state and credited to the fund. However, the employer may elect to pay the contribution for the participant as a pickup under Section 414(h) of the Internal Revenue Code.

(b) The participant shall not be required to make any contributions to the fund after the participant has contributed to the fund for twenty-two (22) years.

(c) After December 31, 2011, the auditor of the state shall submit the contributions paid by or on behalf of a participant by electronic funds transfer in accordance with section 12.5 of this chapter.

EXHIBIT E
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #1 - AUGUST 14, 2012

IC 33-39-7-15
Eligibility for retirement benefits

Sec. 15. A participant whose employment in a position described in section 8 of this chapter is terminated is entitled to a retirement benefit computed under section 16 or 18 of this chapter, beginning on the date specified by the participant in a written application, if all of the conditions are met:

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

(A) after the cessation of the participant's service;

(B) on the first day of a month; and

(C) not more than six (6) months before the date the application is received by the board.

However, if the board determines that a participant is incompetent to file for benefits and choose a retirement date, the retirement date may be any date that is the first of the month after the time the participant became incompetent.

(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 and is not entitled to receive any salary for services currently performed, except for services rendered as a senior prosecuting attorney under IC 33-39-1.

IC 33-39-7-16
Computation of retirement benefits

Sec. 16. (a) Except as provided in subsections (c) and (d), a participant who:

(1) applies for a retirement benefit; and

(2) is at least:

(A) sixty-five (65) years of age; or

(B) 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);

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

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

(1) the highest annual salary that was paid to the participant at or before separation from service; multiplied by

(2) the percentage prescribed in the following table:

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 or service.

(c) Except as provided in section 15(2)(B) of this chapter and subsection (a)(2)(B), if a participant who applies for a retirement benefit has not attained sixty-five years of age, the participant is entitled to receive a reduced annual retirement 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.

(d) Benefits payable to a participant under this section are reduced by the pension, if any, that would be payable to the participant from the public employees' retirement fund if the participant has retired from the public employees' retirement fund on the date of the participant's retirement from the prosecuting attorneys retirement fund. Benefits payable to a participant under this section are not reduced by annuity payments made to the participant from the public employees' retirement fund.

(e) If benefits payable from the public employees' retirement fund exceed the benefits payable from the prosecuting attorneys retirement fund, the participant is entitled at retirement to withdraw from the prosecuting attorneys retirement fund the total sum contributed plus interest at a rate specified by rule by the board.

IC 33-39-7-17

Permanent disability of participants; certification; transcripts, reports, records and other materials

Sec. 17. (a) A participant is considered to have a permanent disability if the board has received a written certification by at least two (2) licensed and practicing physicians, appointed by the board, that:

(1) the participant is totally incapacitated, by reason of physical or mental infirmities, from earning a livelihood; and

(2) the condition is likely to be permanent.

(b) The participant shall be reexamined by at least two (2) physicians appointed by the board, at the times the board designates but at intervals not to exceed one (1) year. If, in the opinion of these physicians, the participant has recovered from the participant's disability, then benefits shall cease to be payable as of the date of the examination unless, on that date, the participant is at least:

(1) sixty-five (65) years of age; or

(2) 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).

(c) To the extent required by the Americans with Disabilities Act, the transcripts, reports, records, or other materials generated by the initial and periodic examinations and reviews to determine eligibility for disability benefits under this section shall be:

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

(2) treated as confidential medical records.

IC 33-39-7-18

Permanent disability of participants; amount of benefits

Sec. 18. (a) Except as provided in subsection (b), a participant who becomes permanently disabled is entitled to an annual benefit that equals the product of:

(1) the highest annual salary that was paid to the participant at or before separation from service; multiplied by

(2) the percentage prescribed in the following table:

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 years of service.

(b) Benefits payable to a participant under this section are reduced by the amounts, if any, that are payable to the participant from the public employees' retirement fund.

IC 33-39-7-19

Death of a participant; benefits of surviving spouse or children

Sec. 19. (a) The surviving spouse or child or children, as designated by a 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 in a position described in section 8 of this chapter;

(C) had a permanent disability; or

(D) had completed at least eight (8) years of service in a position described in section 8 of this chapter, was not still in service in a position described in section 8 of this chapter, and was entitled to a future benefit;

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

(b) Except as provided in subsection (d), the surviving spouse or child or children, as designated under subsection (a), are entitled to an annual benefit equal to the greater of:

(1) fifty percent (50%) of the amount of the retirement benefit that the participant was drawing at the time of death, or to which the participant would have been entitled had the participant retired and began receiving retirement benefits on the date of death, with reductions as necessary under section 16(c) of this chapter; or

(2) twelve thousand dollars ($12,000.00).

(c) The benefit payable to a surviving spouse or surviving child or children under subsection (b) is subject to the following:

(1) A surviving spouse is entitled to receive the benefit for life.

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

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

(4) A child entitled to a benefit 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.

(5) Upon the cessation of benefits to one (1) designated child, if there are one (1) or more other children then surviving and still entitled to benefits, the remaining children shall share equally the benefit. If the surviving spouse of the participant is surviving upon the cessation of benefits to all designated children, the surviving spouse shall then receive the benefit for the remainder of the spouse's life.

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

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

(B) No child or children designated by the participant is or are entitled to a benefit due to the age of the child or children at the time of death of the participant.

(C) A designation is not made.

(7) A benefit paid 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.

(d) Benefits payable to a surviving spouse or child or children under this section are reduced by the amounts, if any, that are payable to the surviving spouse or child or children from the public employees' retirement fund as a result of the participant's death.

IC 33-39-7-20

Death of participant; benefits of dependent children

Sec. 20. (a) If a participant's spouse does not survive the participant, and there is no child designated and entitled to receive the benefit under section 19 of this chapter, any surviving dependent child of a participant is, upon the death of the participant, entitled to the benefit the participant's spouse would have received under section 19 of this chapter.

(b) If a surviving spouse of a decedent participant dies and a dependent child of the surviving spouse and the decedent participant survives them, the dependent child is entitled to receive a benefit equal to the benefit the spouse was receiving or would have received under section 19 of this chapter.

(c) If there is more than one (1) dependent child, then the dependent children are entitled to share the benefit equally.

(d) A dependent child is entitled to receive the child's share until the child becomes eighteen (18) years or age or during the entire period of the child's physical or mental disability, whichever period is longer.

(e) Benefits payable to a surviving child or children under this section are reduced by the amounts, if any, that are payable to the surviving child or children from the public employees' retirement fund as a result of the participant's death.

IC 33-39-7-21
Death of a participant; payments when no benefits payable to survivors

Sec. 21. (a) If benefits are not payable to the survivors of a participant who dies, and if a withdrawal application is filed with the board, the total of the participant's contributions, plus interest at a rate specified by rule by the board and minus any payments made to the participant, shall be paid to:

(1) the surviving spouse of a participant or a child or children of a participant, as designated by the participant;

(2) any other dependent or dependents of the participant if a spouse or designated child or children does or do not survive; or

(3) the participant's estate, if a spouse, designated child or children, or other dependent or dependents does or do not survive.

(b) The amount owed a spouse, designated child or children, or other dependent or dependents, or estate under subsection (a) is payable within sixty (60) days from the date of receipt of the withdrawal application or in the monthly installments as the recipient elects.

IC 33-39-7-26
Cost of living adjustments for certain participants

Sec. 26. (a) This section applies:

(1) only to a participant:

(A) who applies to receive retirement benefits from the fund before January 1, 2014; or

(B) who:

(i) before January 1, 2014, separates from service;

(ii) is entitled to receive a retirement benefit from the fund but does not apply before January 1, 2014 to receive a retirement benefit; and

(iii) does not earn any service credit in the fund after December 31, 2013; and

(2) only in state fiscal years beginning after June 30, 2014.

(b) If a salary increase is provided to a participant in service in a position described in section 8 of this chapter, pursuant to IC 33-39-6-5, IC 33-38-5-6, IC 33-38-5-8.1, or any other provision enacted by the general assembly, the monthly benefits payable under this chapter to a participant described in subsection (a) shall be increased by the same percentage by which salaries are increased in that state fiscal year. The percentage increase shall be applied to the monthly benefit received by the participant as of June 30 of the immediately preceding state fiscal year. The percentage increase to the monthly benefit takes effect at the same time that the salary increase, under any provision enacted by the general assembly, takes effect.

(c) Any increase under this section may not include any amount based on the percentage by which any salary provided by a county or counties is increased.

To: Members of the Pension Management Oversight Commission

From: Indiana Prosecuting Attorneys Council
Association of Indiana Prosecuting Attorneys, Inc.

Re: PARF Pension Benefits
Comparison to Judges Retirement System (JRS)

Date: August 14. 2012

The purpose of this memo is to provide information to the members of the Pension Management Oversight Commission regarding the Prosecuting Attorneys Retirement Fund (PARF) and the differences between PARF and the Judges Retirement System (JRS).

ELIGIBILITY

The following individuals are designated as participants in the Prosecuting Attorneys Retirement Fund (PARF):

1. A prosecuting attorney or chief deputy prosecuting attorney serving after January 1, 1990;

2. A deputy prosecuting attorney who is appointed pursuant to IC 33-39-6-2 after June 30, 1995 and who is paid by the State of Indiana from the state general fund. This would include the following deputy prosecutors:

    a. A Department of Correction deputy prosecuting attorney appointed pursuant to IC 33-39-6-2(b) or IC 33-39-6-2(c);

    b. A mental health institution prosecuting attorney appointed pursuant to IC 33-39-6-2(d);

    c. A deputy prosecuting attorney in Cass County appointed pursuant to IC 33-39-6-2(e);

    d. The executive director and the assistant executive director of the Indiana Prosecuting Attorneys Council, who serves in such position after June 30, 1995.

Please note that the individuals described above will also, during their terms of service, be participants in the Public Employees Retirement Fund (PERF).

EXHIBIT F
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #1 - AUGUST 14, 2012

For purposes of this memo, the individuals designated as participants in PARF will be referred to simply as prosecutors.

The participants in the Judges Retirement System include judges and, as of 2010, full-time magistrates. For purposes of this memo, the individuals designated as participants in JRS will be referred to simply as judges.

CONTRIBUTIONS TO RETIREMENT FUNDS

The prosecutors participating in PARF contribute six percent (6%) of their state salary to the fund. No contributions to the Prosecuting Attorneys Retirement Fund are made by prosecutors from any supplemental county pay that the prosecutors may receive. The contributions to the fund made by prosecutors are deducted from the state paycheck and transferred by the State Auditor to the fund. See, IC 33-39-7-12.

The judges participating in the Judges Retirement System also essentially pay six percent (6%) of their salary to the fund. However, there are some significant differences between the two retirement plans, with respect to contributions, as set forth below.

1. Pickup Contributions

IC 33-38-8-11(a) states, in part, that the State of Indiana may elect to pay the judges' six percent (6%) contribution to their fund as a "pickup" under Section 414(h) of the Internal Revenue Code. In fact, this election has been made by the State. The Judges Retirement System Handbook states:

> "Effective October 1, 1989, the state of Indiana elected to pay the 6 percent contribution for judges who began their service after August 31, 1985. According to Section 414(h) of the Internal Revenue Code Service, the judges salaries were reduced by 6 percent to fund the 6 percent contributions pad by the state to the 1985 JRS."

There is an income tax consequence to these two different forms of 6% contribution. Currently, the 6% that prosecutors pay to their fund is subject to federal, state and local income taxes at the time that it is earned and paid to prosecutors. However, when prosecutors receive benefits from PARF upon retirement, their 6% contributions are not, at that time, subject to federal, state or local income taxes.

On the other hand, the judges' contribution method is just the opposite. Because it is designated as an employer contribution to a retirement fund, the contribution is NOT subject to federal, state and local income taxes at the time that the 6% contribution is made to the judges' fund. Instead, when the judges receive benefits from the JRS fund, that 6% contribution is subject, at that time, to federal, state and local income taxes.

This is a fairly substantial advantage for the judges over the system employed by the prosecutors. First, there is always an advantage to delaying the payment of taxes. Like justice, taxes delayed are taxes denied. This advantage is even more pronounced when one considers the fact that the delay in paying the taxes on these funds is often a delay of several decades.

In addition, the judges will pay the income taxes on the 6% contributions to their retirement fund during their retirement years. This is probably going to result in an additional advantage for federal income taxes because presumably, the judges at retirement will be in a lower tax bracket.

2. Maximum Contributions

IC 33-38-8-11(b)(1) provides that participants in the Judges Retirement System cease making their 6% contributions to their retirement fund after the participants have made such contributions for twenty-two (22) years.

The statute governing contributions to the Prosecuting Attorneys Retirement Fund has not such ceiling on contributions by the participants. See, IC 33-39-7-12.

RETIREMENT AGE

The Judges Retirement System and the Prosecuting Attorneys Retirement Fund differ regarding retirement age and regarding the benefits associated with retirement prior to age sixty-five (65).

1. Age for Full Retirement

Under the Judges Retirement System, a judge may retire will full benefits if the judge has either reached the age of 65 OR if the judge has reached the age of at least 55 and has met the rule of 85 (age plus years of service added together equals at least 85). See, IC 33-38-8-13 and IC 33-38-8-14.

Under the Prosecuting Attorneys Retirement Fund, a prosecutor is not entitled to full retirement benefits under the prosecutor reaches the age of 65. See, IC 33-39-7-16.

NOTE: Disability eligibility will be discussed later in this memo.

2. Early Retirement Reduction of Benefits

Under both the JRS and PARF, a participant in the retirement plan may retire "early" at age 62 (assuming, of course, that the judge has not yet met the rule of 85). For both retirement plans, there is a reduction in the benefits that a participant will receive for such "early" retirement.

For judges, if a participant of the retirement plan wishes to retire "early" and draw retirement benefits, the retirement benefit payments are reduced by 0.1% for each month that the participant's age at retirement precedes the participants 65^{th} birthday. See, IC 33-38-8-14(d).

For prosecutors, if a participant of the retirement plan wishes to retire "early" and draw retirement benefits, the retirement benefits are reduced by 0.25% for each month that the participant's age at retirement precedes the participant's 65^{th} birthday. See, IC 33-39-7-16(c).

BENEFITS PAID

Both the Judges Retirement System and the Prosecuting Attorneys Retirement Fund base the payment of retirement benefits on years of service with the following chart:

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%

However, beyond using an identical chart, the retirement benefits paid to prosecutors and judges under the two retirement systems have some significant differences.

1. Salary

"Salary" is defined in the Judges Retirement System as the total salary paid to a participant by the state AND by a county or counties. See, IC 33-38-8-8. On the other hand, "salary" is defined in the Prosecuting Attorneys Retirement Fund as the salary paid to a prosecutor by the State of Indiana. The statute defining salary for prosecutors also specifically states that the term "salary" does not include any amount paid to a participant by a county or counties.

Since the judges can include a county supplement in their total salary for purposes of the chart above, the judges who receive such a county supplement will receive a greater pension payment upon retirement.

2. Partial Years of Service

With respect to both the JRS and PARF, a participant must have at least 8 years of service before such prosecutor is eligible to receive any pension benefits under the respective retirement plans.

However, the Judges Retirement System allows for a calculation of a partial year of service (above the floor of 8 years) to determine the amount of the retirement benefit payment. See, IC 33-38-8-14(c). The Prosecuting Attorneys Retirement Fund has no such provision for partial years of service.

SURVIVOR BENEFITS

Both the Judges Retirement System and the Prosecuting Attorneys Retirement Fund provide for benefits payable to a surviving spouse or dependent children. However, the two retirement plans have some significant differences with respect to the payment of retirement benefits to a surviving spouse or dependent children, as set forth below.

1. Basic Eligibility

The basic eligibility for a surviving spouse or dependent children of a judge to receive retirement benefits under the Judges Retirement System is controlled by IC 33-38-8-17. That statute states that a designated surviving spouse or dependent children are eligible to receive survivor retirement benefits if the judge dies and on the date of death:

1. Was already receiving retirement benefits;
2. Was still serving as a judge and had completed at least 8 years of service;
3. Had a permanent disability; or
4. Was not in service as a judge, but had completed at least 8 years of service and, therefore, was entitled to a future retirement benefit.

NOTE: Disability benefits will be discussed later in this memo. This section of the memo will focus on survivor benefits allowed for a judge or prosecutor who dies.

The basic eligibility for a surviving spouse or dependent children of a prosecutor to receive retirement benefits under the Prosecuting Attorneys Retirement Fund is controlled by IC 33-39-7-19. That statute states that the surviving spouse or dependent children of a prosecutor are eligible to receive survivor retirement benefits if the prosecutor dies and on the date of death:

1. Was already receiving retirement benefits;
2. Had completed at least 8 years or service; or
3. Met the requirements for disability.

Based upon these two statutes, there is some question as to whether a prosecutor who dies while in active service would be eligible at all to have the prosecutor's surviving spouse or dependent children paid a survivorship benefit.

2. Payments to Surviving Spouse or Dependent Children

The benefits payable to a surviving spouse or dependent children under the Judges Retirement System is controlled by IC 33-38-8-17. That statute states that the surviving spouse or dependent children are entitled to a survivorship benefit equal to the greater of:

1. 50% of the amount that the judge was actually receiving at the time of death;
2. 50% of the amount that the judge would have been entitled to receive had the judge retired on the date of death and began receiving retirement benefits (subject to the stated reductions under IC 33-38-8-14(d)); or
3. $12,000.00 per year.

The benefits payable to a surviving spouse or dependent children under the Prosecuting Attorneys Retirement Fund is controlled by IC 33-39-7-19. That statute states that the surviving spouse or dependent children are entitled to survivorship benefits equal to the greater of:

1. 50% of the amount that the prosecutor was actually receiving at the time of death;
2. 50% of the amount that the prosecutor would have been entitled to receive had the prosecutor retired on the date of death and began receiving

retirement benefits (subject to the stated reductions under IC 33-39-17-16(c));

3. $7,000.00 per year.

3. Reduction in Benefits

One of the interesting aspects of the survivorship benefits provisions of the Judges Retirement System and the Prosecuting Attorneys Retirement Fund is the provisions relating to the reduction of retirement benefits under IC 33-38-8-14(d) and IC 33-39-7-16(c).

What is interesting is that IC 33-38-8-14(d), which provides for a reduction of benefits for "early" retirement of judges provides for three specific exclusion of the reduction formula. Those three specific exclusions are:

1. Participants who are separated from service because of permanent disability;
2. Survivors of participants who die while in service after August 1. 1992; and
3. Survivors of participants who die while not in service but while entitled to a future benefit.

IC 33-39-7-16(c) does NOT include these exclusions of the reduction formula for prosecutors. Therefore, it appears that the survivorship benefits for a surviving spouse or dependent children of a judge will not be subject to the reduction formula of IC 33-38-8-14(d), while the survivorship benefits for a surviving spouse or dependent children of a prosecutor will be subject to the reduction formula of IC 33-39-7-16(c).

4. Other Differences

One of the problems with comparing the survivorship benefits under the Judges Retirement System and the Prosecuting Attorneys Retirement Fund is that the statutory provisions were written quite differently.

While the statutes, in many ways, *appear* to provide similar benefits (other than those stated above), the language is different enough that such language differences in the two statutes could be subject to different interpretations. Providing identical language in the two retirement statutes would guarantee parity.

DISABILITY BENEFITS

The disability benefits available to judges under the Judges Retirement System are significantly different from the disability benefits available to prosecutors under the

Prosecuting Attorney Retirement Fund. Some (but not all) of the differences are set forth below.

1. Eligibility for Disability Benefits

A judge who is a participant in the Judges Retirement System is eligible to receive disability benefits if the judge becomes disabled at any time. See, IC 33-38-8-15. On the other hand, a prosecutor who is a participant in the Prosecuting Attorneys Retirement Fund is eligible to receive disability benefits only if the prosecutor becomes disabled while in active service. See, IC 33-39-7-17.

In addition to the above, prosecutors have several limitations for eligibility for disability benefits which are not included in the Judges Retirement System, including the following:

1. A prosecutor must have at least five (5) years of creditable service;
2. A prosecutor must have qualified for Social Security disability benefits and must furnish proof of that qualification;
3. A prosecutor's disability must not have resulted from an intentionally self-inflicted injury or attempted suicide while sane or insane;
4. A prosecutor's disability must not have resulted from the prosecutor's commission or attempted commission of a felony; and
5. A prosecutor's disability must not begin within two (2) years after a prosecutor's entry or reentry into active service and was caused or contributed to by a mental or physical condition that manifested itself before the prosecutor entered or reentered active service.

2. Definition of Disability

Under the Judges Retirement System, disability is established when the Board of Trustees of the Indiana Public Retirement System receives written certification by at least two (2) practicing physicians that a judge is "totally incapacitated" from earning a livelihood and that condition is likely to be permanent. See, IC 33-38-8-15(a). For prosecutors participating in the Prosecuting Attorneys Retirement Fund, disability is defined as having qualified for Social Security disability benefits. See, IC 33-39-7-17(a).

While the basic eligibility provisions of the two pension plans are similar, the most significant provision is the requirement that prosecutors must become qualified for Social Security disability benefits. Becoming qualified for Social Security disability benefits is a long, difficult process that may take months or even years.

3. Amount of Disability Benefits

For the judges participating in the Judges Retirement System, the amount of the disability benefits is controlled by IC 33-38-8-16. That statute states that if a judge becomes permanently disabled, that judge is entitled to an annual benefit that equals the product of the salary that was paid to the judge at the time of separation of service multiplied by the applicable percentage set forth below:

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%

For prosecutors participating in the Prosecuting Attorneys Retirement Fund, the amount of the disability benefits is controlled by IC 33-39-7-18. That statute states that if a prosecutor becomes permanently disabled, that prosecutor is entitled to an annual benefit that equals the product of the salary that was paid to the prosecutor at the time of separation from service multiplied by the applicable percentage in the chart set forth below:

YEARS OF SERVICE	PERCENTAGE
0-5	0%
5-10	40%
11	41%
12	42%
13	43%
14	44%
15	45%
16	46%
17	47%
18	48%
19	49%
20 or more	50%

4. Reduction in Benefits

The reduction in benefits provisions for early retirement of the Judges Retirement System provides for an exception of the reduction provision if the participant was separated from service because of permanent disability. See, IC 33-38-8-14(d). The reduction in benefits provisions for early retirement of the Prosecuting Attorneys Retirement Fund does NOT contain such an exclusion. See, IC 33-39-7-16(c). Therefore, a prosecutor who has not yet reached retirement age, but is permanently disabled will be subject to the reduction provisions of IC 33-39-7-16(c).

5. Other Differences

One of the difficulties with comparing the disability provisions of the Judges Retirement System to the disability provisions of the Prosecuting Attorney Retirement Fund is that the provisions are written so differently. Identical statutory language in the two pension plans would guarantee parity.

COST OF LIVING ADJUSTMENTS

The Judges Retirement System contains two statutes that deal with cost of living adjustments payable to beneficiaries of the fund. The Prosecuting Attorneys Retirement Fund has no cost of living adjustment provisions.

In 2007, the Indiana General Assembly enacted IC 33-38-2-24. That statute provided that individuals receiving benefits under the Judges Retirement System would receive a two percent (2%) increase in such benefits for all benefits paid after December 31, 2007 and would receive another two percent (2%) increase in such benefits for all benefits paid after December 31, 2008.

In 2008, the Indiana General Assembly enacted IC 33-38-8-25. That statute provided that certain individuals receiving benefits under the Judges Retirement System would, essentially, receive automatic increases in benefits if the Indiana General Assembly increased the state salary paid to the judges.

SUMMARY OF RECOMMENDATIONS

The following is a summary of recommendations for equalization of the prosecutors' retirement benefits with those received by the judges:

1. IC 33-39-7-12 should be amended to provide the State of Indiana with the ability to pay the 6% contributions of prosecutors to the Prosecuting

Attorneys Retirement Fund as a "pickup" under Section 414(h) of the Internal Revenue Code.

2. IC 33-39-7-12 should be amended so that prosecutors should not be required to make contributions to PARF after 22 years of service.

3. IC 33-39-7-15 and IC 33-39-7-16 should be amended to allow for prosecutors to receive full retirement benefits not only at age 65, but also after age 55, if the Rule of 85 has been met.

4. IC 33-39-7-16 should be amended to provide for early retirement, after age 62 (assuming the Rule of 85 has not been met), with a reduction of benefits equal to 0.1% for each month that the prosecutor's age precedes the prosecutor's 65th birthday.

5. IC 33-39-7-16 should be amended to exclude the early retirement reduction for participants who:

   a. Are separated from service because of permanent disability;
   b. Are survivors of participants who die while in service after August 1, 1992;
   c. Are survivors of participants who die while not in service but while entitled to a future benefit.

6. IC 33-39-7-16 should be amended to provide for increases in the retirement benefits for partial years of service (as set forth in IC 33-38-8-14(d)).

7. IC 33-39-7-7, defining the terms "salary," should be amended to include amounts paid to prosecutors by a county or counties.

8. IC 33-39-7-19 should be amended to clarify that the surviving spouse or dependent children will receive PARF benefits if a prosecutor dies while serving as a prosecutor;

9. IC 33-39-7-19(b)(1) should be amended to provide an annual benefit floor of $12,000 to a surviving spouse or dependent children of a prosecutor who dies.

10. The survivorship benefits section of the Indiana Prosecuting Attorneys Fund should be rewritten to make it substantially the same as the survivorship benefits section of the Judges Retirement System.

11. IC 33-39-7-17 should be amended to remove the exclusions from receiving disability benefits, which exclusions are not a part of the Judges Retirement System;

12. IC 33-39-7-17 should be amended to provide a definition of disability equivalent to the definition of disability contained in the Judges Retirement System.

13. IC 33-39-7-18 should be amended to provide the same disability benefits as those provided under the Judges Retirement System.

14. The disability benefits section of the Indiana Prosecuting Attorneys Fund should be rewritten to make it substantially the same as the disability benefits section of the Judges Retirement System.

15. A cost of living adjustment statute should be added to IC 33-39-7 that is similar to IC 33-38-8-25, which provides some cost of living adjustments to participants in the Judges Retirement System.

PROPOSED AMENDMENTS TO THE PROSECUTING ATTORNEYS RETIREMENT FUND

The recommendations for the amendments to the Prosecuting Attorneys Retirement Fund statutes are set forth below. The proposed statutes have been put in final form and the bold and strike out method has not been used to allow easier reading.

IC 33-39-7-3.1
"Employer"

Sec. 3.1. As used in this chapter, "employer" means the State of Indiana.

IC 33-39-7-7
"Salary"

Sec. 7. As used in this chapter, "salary" means the total salary paid to a participant by the state and by a county or counties, determined without regard to any salary reduction agreement established under Section 125 of the Internal Revenue Code.

IC 33-39-7-12
Contributions

Sec. 12. (a) Except as provided in subsection (b), each participant shall make contributions to the fund as follows:

(1) A participant described in section 8(a)(1) of this chapter shall make contributions of six percent (6%) of each payment of salary received for services after December 31, 1989.

(2) A participant described in section 8(a)(2) or 8(a)(3) of this chapter shall make contributions of six percent (6%) of each payment of salary for services rendered after June 30, 1994.

A participant's contributions shall be deducted from the participant's monthly salary by the auditor of the state and credited to the fund. However, the employer may elect to pay the contribution for the participant as a pickup under Section 414(h) of the Internal Revenue Code.

(b) The participant shall not be required to make any contributions to the fund after the participant has contributed to the fund for twenty-two (22) years.

(c) After December 31, 2011, the auditor of the state shall submit the contributions paid by or on behalf of a participant by electronic funds transfer in accordance with section 12.5 of this chapter.

IC 33-39-7-15
Eligibility for retirement benefits

Sec. 15. A participant whose employment in a position described in section 8 of this chapter is terminated is entitled to a retirement benefit computed under section 16 or 18 of this chapter, beginning on the date specified by the participant in a written application, if all of the conditions are met:

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

(A) after the cessation of the participant's service;

(B) on the first day of a month; and

(C) not more than six (6) months before the date the application is received by the board.

However, if the board determines that a participant is incompetent to file for benefits and choose a retirement date, the retirement date may be any date that is the first of the month after the time the participant became incompetent.

(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 and is not entitled to receive any salary for services currently performed, except for services rendered as a senior prosecuting attorney under IC 33-39-1.

IC 33-39-7-16
Computation of retirement benefits

Sec. 16. (a) Except as provided in subsections (c) and (d), a participant who:

(1) applies for a retirement benefit; and

(2) is at least:

(A) sixty-five (65) years of age; or

(B) 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);

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

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

(1) the highest annual salary that was paid to the participant at or before separation from service; multiplied by

(2) the percentage prescribed in the following table:

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 or service.

(c) Except as provided in section 15(2)(B) of this chapter and subsection (a)(2)(B), if a participant who applies for a retirement benefit has not attained sixty-five years of age, the participant is entitled to receive a reduced annual retirement 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.

(d) Benefits payable to a participant under this section are reduced by the pension, if any, that would be payable to the participant from the public employees' retirement fund if the participant has retired from the public employees' retirement fund on the date of the participant's retirement from the prosecuting attorneys retirement fund. Benefits payable to a participant under this section are not reduced by annuity payments made to the participant from the public employees' retirement fund.

(e) If benefits payable from the public employees' retirement fund exceed the benefits payable from the prosecuting attorneys retirement fund, the participant is entitled at retirement to withdraw from the prosecuting attorneys retirement fund the total sum contributed plus interest at a rate specified by rule by the board.

IC 33-39-7-17

Permanent disability of participants; certification; transcripts, reports, records and other materials

Sec. 17. (a) A participant is considered to have a permanent disability if the board has received a written certification by at least two (2) licensed and practicing physicians, appointed by the board, that:

(1) the participant is totally incapacitated, by reason of physical or mental infirmities, from earning a livelihood; and

(2) the condition is likely to be permanent.

(b) The participant shall be reexamined by at least two (2) physicians appointed by the board, at the times the board designates but at intervals not to exceed one (1) year. If, in the opinion of these physicians, the participant has recovered from the participant's disability, then benefits shall cease to be payable as of the date of the examination unless, on that date, the participant is at least:

(1) sixty-five (65) years of age; or

(2) 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).

(c) To the extent required by the Americans with Disabilities Act, the transcripts, reports, records, or other materials generated by the initial and periodic examinations and reviews to determine eligibility for disability benefits under this section shall be:

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

(2) treated as confidential medical records.

IC 33-39-7-18

Permanent disability of participants; amount of benefits

Sec. 18. (a) Except as provided in subsection (b), a participant who becomes permanently disabled is entitled to an annual benefit that equals the product of:

(1) the highest annual salary that was paid to the participant at or before separation from service; multiplied by

(2) the percentage prescribed in the following table:

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 years of service.

(b) Benefits payable to a participant under this section are reduced by the amounts, if any, that are payable to the participant from the public employees' retirement fund.

IC 33-39-7-19

Death of a participant; benefits of surviving spouse or children

Sec. 19. (a) The surviving spouse or child or children, as designated by a 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 in a position described in section 8 of this chapter;

(C) had a permanent disability; or

(D) had completed at least eight (8) years of service in a position described in section 8 of this chapter, was not still in service in a position described in section 8 of this chapter, and was entitled to a future benefit;

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

(b) Except as provided in subsection (d), the surviving spouse or child or children, as designated under subsection (a), are entitled to an annual benefit equal to the greater of:

(1) fifty percent (50%) of the amount of the retirement benefit that the participant was drawing at the time of death, or to which the participant would have been entitled had the participant retired and began receiving retirement benefits on the date of death, with reductions as necessary under section 16(c) of this chapter; or

(2) twelve thousand dollars ($12,000.00).

(c) The benefit payable to a surviving spouse or surviving child or children under subsection (b) is subject to the following:

(1) A surviving spouse is entitled to receive the benefit for life.

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

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

(4) A child entitled to a benefit 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.

(5) Upon the cessation of benefits to one (1) designated child, if there are one (1) or more other children then surviving and still entitled to benefits, the remaining children shall share equally the benefit. If the surviving spouse of the participant is surviving upon the cessation of benefits to all designated children, the surviving spouse shall then receive the benefit for the remainder of the spouse's life.

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

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

(B) No child or children designated by the participant is or are entitled to a benefit due to the age of the child or children at the time of death of the participant.

(C) A designation is not made.

(7) A benefit paid 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.

(d) Benefits payable to a surviving spouse or child or children under this section are reduced by the amounts, if any, that are payable to the surviving spouse or child or children from the public employees' retirement fund as a result of the participant's death.

IC 33-39-7-20
Death of participant; benefits of dependent children

Sec. 20. (a) If a participant's spouse does not survive the participant, and there is no child designated and entitled to receive the benefit under section 19 of this chapter, any surviving dependent child of a participant is, upon the death of the participant, entitled to the benefit the participant's spouse would have received under section 19 of this chapter.

(b) If a surviving spouse of a decedent participant dies and a dependent child of the surviving spouse and the decedent participant survives them, the dependent child is entitled to receive a benefit equal to the benefit the spouse was receiving or would have received under section 19 of this chapter.

(c) If there is more than one (1) dependent child, then the dependent children are entitled to share the benefit equally.

(d) A dependent child is entitled to receive the child's share until the child becomes eighteen (18) years or age or during the entire period of the child's physical or mental disability, whichever period is longer.

(e) Benefits payable to a surviving child or children under this section are reduced by the amounts, if any, that are payable to the surviving child or children from the public employees' retirement fund as a result of the participant's death.

IC 33-39-7-21
Death of a participant; payments when no benefits payable to survivors

Sec. 21. (a) If benefits are not payable to the survivors of a participant who dies, and if a withdrawal application is filed with the board, the total of the participant's contributions, plus interest at a rate specified by rule by the board and minus any payments made to the participant, shall be paid to:

(1) the surviving spouse of a participant or a child or children of a participant, as designated by the participant;

(2) any other dependent or dependents of the participant if a spouse or designated child or children does or do not survive; or

(3) the participant's estate, if a spouse, designated child or children, or other dependent or dependents does or do not survive.

(b) The amount owed a spouse, designated child or children, or other dependent or dependents, or estate under subsection (a) is payable within sixty (60) days from the date of receipt of the withdrawal application or in the monthly installments as the recipient elects.

IC 33-39-7-26
Cost of living adjustments for certain participants

Sec. 26. (a) This section applies:

(1) only to a participant:

(A) who applies to receive retirement benefits from the fund before January 1, 2014; or

(B) who:

(i) before January 1, 2014, separates from service;

(ii) is entitled to receive a retirement benefit from the fund but does not apply before January 1, 2014 to receive a retirement benefit; and

(iii) does not earn any service credit in the fund after December 31, 2013; and

(2) only in state fiscal years beginning after June 30, 2014.

(b) If a salary increase is provided to a participant in service in a position described in section 8 of this chapter, pursuant to IC 33-39-6-5, IC 33-38-5-6, IC 33-38-5-8.1, or any other provision enacted by the general assembly, the monthly benefits payable under this chapter to a participant described in subsection (a) shall be increased by the same percentage by which salaries are increased in that state fiscal year. The percentage increase shall be applied to the monthly benefit received by the participant as of June 30 of the immediately preceding state fiscal year. The percentage increase to the monthly benefit takes effect at the same time that the salary increase, under any provision enacted by the general assembly, takes effect.

(c) Any increase under this section may not include any amount based on the percentage by which any salary provided by a county or counties is increased.
