Members

Rep. Woody Burton, Chairperson
Rep. Jeffrey Thompson
Rep. David Niezgodski
Rep. Win Moses
Sen. Greg Walker
Sen. Phil Boots
Sen. Lindel Hume
Sen. Karen Tallian
Steve Meno
Kip White
Gary Lewis
James Scheetz

PENSION MANAGEMENT OVERSIGHT COMMISSION

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Authority: IC 2-5-12-1

MEETING MINUTES[1]

Meeting Date:	**August 30, 2012**
Meeting Time:	**10:00 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 404**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**2**

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

Members Absent: **Steve Meno; Gary Lewis.**

Representative Woody Burton, Chairperson, called the meeting to order at 10:00 a.m.

Reporting of Local Pension Plan Data; Consideration of Preliminary Draft (PD) 3097

Ann Kaiser, General Counsel and Policy Director, Office of Management and Budget (OMB), and Paul Joyce, Deputy State Examiner, State Board of Accounts (SBOA), discussed a proposed reporting system for political subdivisions having local pension plans. They suggested transferring the responsibility for collecting local pension plan data from the Indiana Public Retirement System (INPRS) to SBOA and adding a local pension reporting module to the system currently used by political subdivisions to submit annual

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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.

financial reports through the Indiana Transparency Portal (Portal). The local pension plan data would be available to the public through the Portal.

OMB and SBOA believe the reporting system could be developed and administered within their existing resources. Political subdivisions could incur some additional costs to provide data for defined benefit plans, if the political subdivisions do not currently have actuarial reports for those plans.

The Commission considered PD 3097 (Exhibit A), which would establish a reporting system as presented by OMB and SBOA. Based on discussions with OMB and SBOA, Commission staff suggested the following amendments to PD 3097:

> (1) Revise the definition of "political subdivision" to conform to the definition used in IC 5-11.
> (2) Change the due date for a political subdivision's annual report on local pension plans from April 1 to the date each year on which the political subdivision's financial reports are due under IC 5-11-1-4 (currently, 60 days after the close of the political subdivision's fiscal year).
> (3) Add a provision that does not allow the Department of Local Government Finance to approve the budget or a supplemental appropriation for a political subdivision until the political subdivision files each annual report required for its local pension plans.

The Commission adopted the suggested amendments to PD 3097 by consent. The Commission then unanimously recommended the introduction of PD 3097, as amended.

Consideration of PD 3035 and PD 3036, INPRS Legislative Proposals from the Commission's August 14th Meeting

(1) PD 3035 - Public Employees' Defined Contribution (Annuity Savings Account only) Plan (Exhibit B)

PD 3035 proposes two changes to the Public Employees' Defined Contribution (Annuity Savings Account (ASA) only) Plan:

> (1) Amend the definition of "normal retirement age" to mean 62 years of age and 5 years of service.
> (2) Require 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.

The Commission unanimously recommended the introduction of PD 3035.

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

PD 3036 proposes three changes:

> (1) Move to December 31 the date by which the INPRS Board of Trustees selects its officers each year.
> (2) Specify 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 at the time of the member's death.
> (3) Allow the employer of a member of the Indiana State Teachers'

Retirement Fund (TRF) to be reimbursed from the member's TRF account for the 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.

In response to a question from Senator Tallian as to how INPRS will determine the amount of an employer's reimbursement of a loss that results from a member's criminal taking, INPRS stated that a court determines the amount, and INPRS executes the court's order. Senator Tallian expressed concern as to how INPRS will determine the reimbursement amount when a member accepts a plea bargain, and the court does not determine an amount.

Senator Hume questioned whether an employer should seek reimbursement from an employee's retirement account when the employer's loss is a small amount .

With Senator Tallian's commitment to author the bill and work on the reimbursement language, the Commission unanimously recommended the introduction of PD 3036.

Status Report on the Retirement Medical Benefit Account Established by SEA 501 (P.L. 44-2007)

Jon Vanator, Deputy Director, Indiana State Budget Agency, and Greg Strack, Assistant Director, Indiana State Budget Agency, gave the 2012 Annual Update concerning the Retirement Medical Benefits Account (Account)(Exhibit D).

SEA 501 (P.L.44-2007) established a retirement medical benefits account for most state elected officials and employees. The Account has two components: active participants and retirees. Only a retired participant and covered dependents are entitled to receive benefits from the Account.

The active portion of the Account is funded annually by the state on an actuarial basis that assumes 55-60% of current employees will reach eligibility to receive benefits from the Account. The contribution amount is based on the official's or employee's age.

The retiree portion of the Account is fully funded based on actual retirements. Amounts in the Account reimburse retirees for premiums paid for individual or group health, medical, dental, or vision coverage, and long-term care.

A participant who retires after June 30, 2007, and before July 1, 2017, and meets minimum service requirements receives a bonus contribution equal to the participant's years of service multiplied by $1,000.

Conservation officers, excise police, and state police have their own defined benefit retiree health plans, so these groups are not eligible to participate in the Account. The state makes an annual contribution for each member of these plans equal to the average Account contribution.

Information about the Account is provided at State Personnel Department pre-retirements seminars, through mailing an annual statement of contributions and interest earnings to each participant, and on the State Budget Agency's web site.

Through FY2012, there were 4,344 retired participants with an average Account balance of $27,850. In FY2012, 584 participants retired with an average Account balance of $26,947. On June 30, 2011, 27,816 active employees received a contribution that

averaged $1,120. Total claims paid in FY2012 were $12.4 million. There were 24,685 individual claims with an average claim of $502.

Because of continuing low interest rates and the timing of investment maturity dates, there were no investment earnings in FY 2012 to distribute to individual accounts after administrative costs totaling $363,114 (about 1% of the annual cost of the Account) were paid. Mr. Vanator suggested that the General Assembly consider eliminating the requirement that interest be distributed to individual participants each year, so that longer term, higher return investments would be possible.

The Budget Agency is releasing an RFP for Account administration soon. The current Account administrator, Key Benefits, is eligible to submit a proposal.

The total cost of the Account to the state in FY2012 was $34.4 million. Before 2011, 5.74% of cigarette tax revenues were deposited directly into the Account's trust fund. An actuarial study confirmed that the Account was 130% funded as of June 2010, so HEA 1001-2011 redirected the cigarette tax revenue to the state general fund for FY2012 and FY2013 to repay FY2008-2011 overpayments. Starting in FY2014, cigarette tax revenue will again be deposited directly into the Account's trust fund. An actuarial study being conducted this fall will determine the Account's current funded status and the amount of future contributions.

Mr. Vanator also reported that INPRS recently learned that the Internal Revenue Service has approved both the optional defined contribution (ASA only) plan and the 401(h) plan as submitted by INPRS.

In response to a question from Senator Hume, Mr. Vanator said that the Budget Agency acted on statutory authority when making cigarette tax deposits to the Account and to the state general fund.

Consideration of PD 3082, PD 3080, and PD 3095, Retiree Cost of Living Adjustment (COLA), Thirteenth Check, and Minimum Monthly Benefit

The Commission reviewed PD 3082 (Exhibit E), which provides for a 1% COLA, payable after December 31, 2013, for certain PERF and TRF members, survivors, and beneficiaries. The preliminary net cost to the state of this COLA is estimated at $93-94 million over 30 years with no increase in employer contributions required.

The Commission also reviewed PD 3080 (Exhibit F), which provides for a thirteenth check, payable not later than October 1, 2013, to certain members of the TRF, PERF, State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Fund, and State Police 1987 Benefits System. The total state and local fiscal impact of this proposal is $55 million.

Senator Hume proposed graduating the COLA depending on the number of years since the member's retirement date using the same total dollars as the 1% COLA.

Senator Tallian asked whether the $500 minimum benefit proposed by PD 3095 (Exhibit G) accomplishes the same results as the COLA and thirteenth check. Senator Hume responded that he doesn't see these proposals as accomplishing the same results. Representative Niezgodski said that each bill should stand on its own.

Senator Boots expressed reluctance to recommend any PD without seeing the actual language and having a fiscal analysis prepared.

Representative Burton expressed interest in providing both a COLA and a thirteenth check, if possible.

Doug Kinser, an attorney at Hall, Render, Killian, Heath, & Lyman, representing the Retired Indiana Public Employees' Association (RIPEA), testified that RIPEA has a wide range of members who are affected differently by these proposals. He provided a brief history of the Commission's involvement with COLA and thirteenth check proposals, pointing out that the Commission has gotten away from recommending these types of bills.

Mr. Kinser suggested the following points for the Commission's consideration:

> (1) COLAs are good for younger retirees who get the benefits of the compounding, but to be effective at keeping up with increasing costs during retirement years, a COLA must be given every year.
> (2) PERF and TRF members have not received a COLA for the last four years. This was contrasted with the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund), which has an automatic COLA under IC 36-8-8-15.
> (3) If a COLA is given, it should be based on the actual cost of living increases that retirees are experiencing rather than an arbitrary number. He distributed a chart comparing the Consumer Price Index for All Urban Consumers (CPI-U) with the post-retirement increases (not including thirteenth checks) provided for the various Indiana public pension plans from 1991 through 2011 (Exhibit H).
> (4) He is not proposing an automatic COLA.
> (5) The minimum monthly PERF benefit is $180. A 1% COLA on this monthly benefit is $1.80 per month, or an annual increase of $21.60. A retiree with a low monthly benefit and many years of service receives a larger annual amount with a thirteenth check.
> (6) It is difficult to be fair to all retirees.

Mr. Kinser favors moving the bills forward, and he will work with the legislators on improving them.

Representative Thompson suggested a COLA consisting of a percentage increase in a retiree's monthly benefit, plus flat dollar amount. Mr. Kinser responded that he has not considered this approach, but thinks that it would address his concerns.

Senator Hume expressed concern for retirees at the lower end of the monthly benefits scale and prefers that those retirees get the largest increases.

Nancy Tolson, past president of the Indiana Retired Teachers Association, described a Vigo County teacher who retired during the 1980's and is receiving a $380 monthly benefit. She is concerned about the General Assembly's failure to provide a COLA for the past few years, and is hoping for both a COLA and a thirteenth check this year. She asked Commission members to think of retired teachers, such as the Vigo County teacher, when making decisions on this issue. Most pension money goes right back into the community to pay for the retiree's living expenses.

Ms. Tolson also testified that fewer than 1,000 TRF retirees receive a minimum monthly benefit that is less than $500. She has never heard of granting only a COLA to some retirees and only a thirteenth check to other retirees in the same year.

The Commission reviewed PD 3095 (Exhibit G), which provides that the pension portion of the monthly benefit, payable after December 31, 2013, to PERF and TRF members who retired before January 1, 1980, and had at least 20 years of creditable service, may not be less than $500.

The fiscal impact of PD 3095 is estimated to be $10.1 million: $7.4 million for the state and $2.7 million for local units, based on 864 PERF and TRF retirees who retired before January 1, 1980, with at least 20 years of service.

Representative Burton suggested that there may not be enough time to consider this proposal. Senator Tallian disagreed and said that she thinks the cost is reasonable and that this approach is simpler than a COLA or thirteenth check.

Senator Boots suggested not acting on any of the PDs today.

Senator Walker proposed a blended approach of combining PD 3082 and PD 3080 to provide both a COLA and a thirteenth check.

Representative Niezgodski said that he thinks retirees are looking to the Commission to come forward with a proposal of some kind.

Senator Hume suggested that the Commission's report recommend a COLA and lump sum payment for retirees. After a Commission discussion about the possible wording of such a recommendation, Representative Burton appointed Senator Walker, Senator Tallian, Representative Niezgodski, and Representative Thompson to review suggestions from interested parties and to develop a PD on this topic for the Commission's next meeting working from the three PDs presented during this meeting. He asked interested parties to submit suggestions by September 17, 2012.

Consideration of PD 3101, Alignment of the Provisions of the Prosecuting Attorneys' Retirement Fund (PARF) with the Provisions of the Judges' Retirement System

Brian Burdick, an attorney at Barnes & Thornburg, LLP, representing the Association of Indiana Prosecutors, and Lee Buckingham, Hamilton County Prosecuting Attorney, discussed the alignment of the provisions of the PARF with the provisions of the Judges' Retirement System and presented PD 3101 (Exhibit I), which would accomplish the alignment discussed.

The alignment of the PARF provisions is not a new concept. The Commission unanimously recommended the introduction of similar legislation in 2008 and 2009, but the bill was not enacted. Parity between the prosecutors and the judges is advisable, because both are part of the judicial system and earn the same salary. One-third of prosecutors are new after every election, while judges rarely turn over.

The PARF is a small fund, having 550 participants, 200 of them active. Fund members include prosecutors, chief deputies, and a handful of other state employees, such as lawyers paid for by the state in counties having a Department of Correction facility. The PARF average annual retirement benefit is $21,000. The average annual retirement benefit for judges is $56,000.

Mr. Buckingham described the organization of his office and his duties as a county prosecutor. A prosecutor is the county's chief law enforcement officer and in most counties heads the largest law firm in the county. A prosecutor also provides legal and ethical training for every law enforcement officer in the county.

Mr. Burdick then detailed the 15 differences between PARF and the Judges' Retirement System and showed the proposed PARF changes by section of PD 3101 (Exhibit J). Highlighted differences were in the areas of contributions, retirement age, benefits (including disability and survivor benefits), and cost of living adjustments. Proposed PARF changes included the following:

(1) Judges' retirement benefits are based on state salary, plus any county supplemental salary. Prosecutors' retirement benefits are based only on state salary. (Exhibit J, slide 4)
(2) Judges' contributions are made with pre-tax income as "pickup" contributions. Prosecutors contributions are made with post-tax income. (Exhibit J, slide 5)
(3) Judges' contributions stop after 22 years of service. Prosecutors make contributions for all years of service. (Exhibit J, slide 6)
(4) Judges may receive full retirement benefits after age 55, if the Rule of 85 is met. Prosecutors may not receive full retirement benefits until age 65. (Exhibit J, slide 7)
(5) Judges' retirement benefit computation includes partial years of service. Prosecutors do not have this provision. (Exhibit J, slide 8)
(6) Judges' retirement benefit is reduced 0.1% per month for early retirement. Prosecutors' retirement benefit is reduced 0.25% per month for early retirement. (Exhibit J, slide 9)
(7) Judges may receive a disability benefit at any time after they join the Judges' Retirement System. Prosecutors must serve at least 5 years to receive a disability benefit. (Exhibit J, slide 10)
(8) Judges are paid a disability benefit if disabled and a member of the Judges' Retirement System. Prosecutors are paid a disability benefit only if they become disabled while in active service. (Exhibit J, slide 11)
(9) Judges are paid a disability benefit if a disability is established to the satisfaction of the INPRS Board of Trustees. Prosecutors are paid a disability benefit only if they qualify for Social Security disability benefits. (Exhibit J, slide 12)
(10) Judges' disability benefits are not subject to reduction for early retirement. Prosecutors' disability benefits are subject to reduction for early retirement. (Exhibit J, slide 13)
(11) Judges' disability benefits are computed at 50-60% of salary. Prosecutors' disability benefits are computed at 40-50% of salary. (Exhibit J, slide 14)
(12) Minimum annual benefit payment for judges' survivors is $12,000. Minimum annual benefit payment for prosecutors' survivors is $7,000. (Exhibit J, slide 15)
(13) Judges' survivor benefits are not subject to reduction for early retirement. Prosecutors' survivor benefits are subject to reduction for early retirement. (Exhibit J, slide 16)
(14) Judges' survivor benefits are paid when a judge dies in office. Not clearly stated that prosecutors' survivor benefits are payable when a prosecutor dies in office. (Exhibit J, slide 17)
(15) Judges receive cost of living adjustments to their monthly retirement benefit. Prosecutors do not have a cost of living adjustment. (Exhibit J, slide 18)

In response to a question from Senator Tallian, David Powell, Executive Director, Indiana Prosecuting Attorneys Council, stated that prosecutors receive the same salary increases

as judges. However, no salary increases occur in any year in which state employees do not receive a salary increase.

Mr. Burdick discussed a proposed funding mechanism for the PARF changes. INPRS requires an additional $1.75 million per year to fund the changes. The proposed funding mechanism is a $1 to $5 increase in the fee charged for posting bail bonds. (Exhibit J, slide 19)

Commission Member White said that funding PARF benefit increases by increasing the fee charged for posting bail bonds bothers him, because of the typically low incomes of the people posting bonds.

Senator Boots stated his opposition to increasing the prosecutors' benefits at this time.

Senator Tallian moved to delete the cost of living adjustment (SECTION 10 of PD 3101-Exhibit I, page 8) to reduce the fiscal impact of the proposal. The Commission by consent agreed to delete the cost of living adjustment.

Senator Tallian then asked about the fiscal impact of the remainder of the PARF changes. Mr. Burdick suggested working on the fiscal impact for presentation during the Commission's next meeting.

Consideration of the Draft Final Report was deferred until the Commission's next meeting.

Next Meeting Date

The Commission selected Wednesday, October 17, 2012, at 10:30 a.m. as its next meeting date.

Adjournment

The Chairperson adjourned the meeting at 1:00 p.m.

PRELIMINARY DRAFT
No. 3097

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10-1.5; IC 5-10.3-11-4; IC 5-11-20.

Synopsis: Pension plan reporting. Provides that various local retirement plans must report annually to the state board of accounts. Specifies information to be included in a retirement plan report. Requires the state examiner to submit a report annually to the general assembly that summarizes the information received by the state board of accounts concerning various local retirement plans. Repeals the chapter providing that the Indiana public retirement system (INPRS) receive reports from various state and local retirement plans.

Effective: July 1, 2013.

EXHIBIT A
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING # 2 – AUGUST 30, 2012

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

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

SECTION 1. IC 5-10-1.5 IS REPEALED [EFFECTIVE JULY 1, 2013]. (Retirement Plan Reporting).

SECTION 2. IC 5-10.3-11-4, AS AMENDED BY P.L.146-2008, SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 4. (a) Monies from the pension relief fund shall be paid annually by the state board under the procedures specified in this section.

(b) Each year, before a date set by the state board, each unit of local government must certify to the state board:

(1) the amount of payments made during the preceding year for benefits under its pension funds covered by this chapter, referred to in this section as "pension payments";

(2) the data determined necessary by the state board to perform an actuarial valuation of the unit's pension funds covered by this chapter;

(3) the names required to prepare the list specified in subsection (c); and

(4) any other information that is necessary for the state board to make distributions to units under this chapter.

A unit is ineligible to receive a distribution under this section if it does not supply the complete information required by this subsection or a substantial amount of the information required if it is accompanied by an affidavit of the chief executive officer of the unit detailing the steps which have been taken to obtain the information and the reasons the complete information has not been obtained. ~~This~~ **The reporting requirement of this** subsection ~~supersedes~~ **is in addition to** the reporting requirement of ~~IC 5-10-1.5 as it applies to pension funds covered by this chapter.~~ **IC 5-11-20.**

(c) Each year, before a date set by the state board, the state board shall prepare a list of all police officers and firefighters, active, retired, and deceased if their beneficiaries are eligible for benefits, who are

members of a police or fire pension fund that was established before May 1, 1977. The list may not include police officers, firefighters, or their beneficiaries for whom no future benefits will be paid. The state board shall then compute the present value of the accrued liability to provide the pension and other benefits to each person on the list.

(d) Each year, before a date set by the state board, the state board shall determine the total pension payments made by all units of local government for the preceding year and shall estimate the total pension payments to be made to all units in the calendar year in which the July 1 occurs and in the following calendar year.

SECTION 3. IC 5-11-20 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]:

Chapter 20. Retirement Plan Reporting

Sec. 1. This chapter applies only to a political subdivision's fiscal year beginning after December 31, 2012.

Sec. 2. As used in this chapter, "political subdivision" has the meaning set forth in IC 36-1-2-13.

Sec. 3. (a) After December 31, 2013, each retirement plan for employees of a political subdivision described in subsection (b) shall, not later than April 1 of each year, make an annual report to the state board of accounts of the information specified in section 4 of this chapter for the political subdivision's immediately preceding fiscal year, in the manner prescribed by the state examiner. However, if a retirement plan described in subsection (b) is sponsored by a political subdivision whose fiscal year does not coincide with a calendar year, the retirement plan is not required to make the retirement plan's initial report under this section until April 1, 2015.

(b) The retirement plans to which this chapter applies are the following:

(1) Each of the retirement funds for utility employees authorized under IC 36-9.

(2) Each county police force pension trust and trust fund authorized under IC 36-8.

(3) Each retirement program adopted by a board of a local health department as authorized under IC 16-1-4-25 (before its repeal) or IC 16-20-1-3.

(4) Each retirement benefit program of a joint city-county health department under IC 16-1-7-16 (before its repeal).

(5) Each pension and retirement plan adopted by the board of trustees or governing body of a county hospital as authorized under IC 16-12.1-3-8 (before its repeal) or IC 16-22-3-11.

(6) Each pension or retirement plan and program for hospital personnel in certain city hospitals as authorized under IC 16-12.2-5 (before its repeal) or IC 16-23-1.

(7) Each retirement program of the health and hospital corporation of a county as authorized under IC 16-12-21-27 (before its repeal) or IC 16-22-8-34.

(8) Each pension plan provided by a city, town, or county housing authority as authorized under IC 36-7.

(9) Each pension and retirement program adopted by a public transportation corporation as authorized under IC 36-9.

(10) Each system of pensions and retirement benefits of a regional transportation authority as authorized or required by IC 36-9.

(11) Each employee pension plan adopted by the board of an airport authority under IC 8-22-3.

(12) Each system of pensions and retirement provided by a unit under IC 36-1-3.

Sec. 4. A report required under section 3 of this chapter concerning a retirement plan must include the following information:

(1) The basic plan parameters, including the following:

(A) The type of plan.

(B) The plan administrator.

(C) The employer sponsoring the plan.

(2) If the plan is a defined benefit plan, the following:

(A) The plan's funding percentage ratio.

(B) The actuarial assumptions for the plan.

(C) The plan's investment returns for the preceding fiscal year.

(3) The total amount of contributions made by the plan sponsor during the preceding fiscal year.

(4) The number of plan participants, including the following:

(A) The number of active participants.

(B) The number of participants who are retired or separated from service.

(5) Any other information concerning the plan required by the state examiner.

Sec. 5. The state examiner shall, not later than July 1 of each yar, submit a report to the general assembly in an electronic format under IC 5-14-6 that summarizes the retirement plan information received for the immediately preceding fiscal year under section 3 of this chapter.

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 #2 - AUGUST 30, 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

1 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 #2 - AUGUST 30, 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.

Senate Enrolled Act 501
Retirement Medical Benefits Accounts

2012 Annual Update

Jon Vanator
Deputy Director
Indiana State Budget Agency

EXHIBIT D
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING # 2 - AUGUST 30, 2012

SEA 501 – Background

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

SEA 501 – Active Participants

- Active portion is funded on an actuarial basis (55-60% of current employees will reach eligibility)

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

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

SEA 501 – Retired Participants

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

SEA 501 – Retired Participants

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

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

SEA 501 – CEP and ISP

- Conservation Officers, Excise Police, and State Police have established their own defined benefit retiree health plans (per IC 5-10-8-6)
  - Plans heavily subsidize retirees resulting in significant OPEB liability

- These groups removed from 501 eligibility, and Active contributions now directed to their respective plans' trusts to reduce OPEB liability per HEA 1001 (2011)
  - Exception for ISP employees who had previously waived coverage under ISP health plan and those who opt out of ISP health care plan when transferring in from a 501-eligible state agency
  - As a result of the change, transfers have been made of $957k for DNR, $393k for ATC, and $8.9M for ISP into dedicated trust funds

SEA 501 – Communication/Outreach

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

SEA 501 – Statistics

- Through FY12, there were 4,344 retired participants with an average contribution of $27,850
  - Added 584 retirees in FY12
  - Average contribution was $26,947
- 27,816 active employees received a contribution on June 30, 2011, ranging from $500 to $1,400
  - Average contribution of $1,120
- Total claims paid in FY12 were $12.4M ($9.6M in FY11)
  - 24,685 individual claims; average claim = $502
  - Total paid claims to date of $33.7M

SEA 501 – Statistics

- Due to another year of historically low interest rates, and the timing of investment maturity dates, there was no interest remaining to be credited to accounts once administrative fees were paid (in FY11, $36,761 of remaining interest earnings were distributed proportionally to accounts; in FY10, there was no interest remaining to be distributed)

- Administrative costs totaled $363,114 in FY12
  - Approximately 1% of the annual cost of the plan

- RFP for plan administration will be released in the coming days, with responses due on October 3

SEA 501 – Fiscal Impact

- Actual cost in FY12
  - Annual state contributions – 27,816 at an average contribution of $1,120 = $31.2M. Actuarial funding at 60% = **$18.7M**
  - Bonus contributions for retired participants – 584 (FY12 retirements only) at an average credit of $26,947 = **$15.7M**
  - TOTAL COST = **$34.4M**
- Prior to HEA 1001 (2011), 5.74% of cigarette tax revenues deposited directly into the Retiree Health Trust Fund
  - Cigarette tax revenue redirected to general fund for FY12 and FY13 (5.74% in FY12 = $25.6M); repays GF for FY08-11 overpayments
  - Study confirmed plan was 130% actuarially funded as of June 2010; current valuation will estimate necessary future state contributions and confirm current funded status
  - Cigarette tax revenue will again be deposited directly into Retiree Health Trust Fund starting in FY14 per statute

PRELIMINARY DRAFT
No. 3082

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.2-5.

Synopsis: PERF and TRF cost of living adjustment. Provides for a cost of living adjustment for teachers' retirement fund (TRF) and public employees' retirement fund (PERF) members, survivors, and beneficiaries.

Effective: July 1, 2013.

EXHIBIT E
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING # 2 - AUGUST 30, 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 5-10.2-5-44 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 44. (a) The pension portion (plus post-retirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after December 31, 2013, to a member of the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the Indiana state teachers' retirement fund) who retired or was disabled on or before December 1, 2012, shall be increased by one percent (1%).**

(b) The increase specified in this section:

(1) is based on the date of the member's latest retirement or disability;

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

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

SECTION 2. IC 5-10.2-5-45 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 45. (a) The pension portion (plus post-retirement increases to the pension portion) provided by employer contributions of the monthly benefit payable after December 31, 2013, to a member of the public employees' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund) who retired or was disabled on or before December 1, 2012, shall be increased by one percent (1%).**

(b) The increase specified in this section:

(1) is based on the date of the member's latest retirement or disability;

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

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

PRELIMINARY DRAFT
No. 3080

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: None (noncode).

Synopsis: Pension thirteenth checks. Provides for a thirteenth check for certain members of the: (1) Indiana state teachers' retirement fund; (2) public employees' retirement fund; (3) state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement fund; and (4) state police 1987 benefits system.

Effective: July 1, 2013.

EXHIBIT F
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING # 2 - AUGUST 30, 2012

A BILL FOR AN ACT concerning pensions.

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

SECTION 1. [EFFECTIVE JULY 1, 2013] **(a) As used in this SECTION, "fund" refers to the Indiana state teachers' retirement fund established by IC 5-10.4-2-1.**

(b) Not later than October 1, 2013, the fund shall pay the amount determined under subsection (c) to a member of the fund (or to a survivor or beneficiary of a member) who retired or was disabled on or before December 1, 2012, and who is entitled to receive a monthly benefit on July 1, 2013. The amount is not an increase in the pension portion of the monthly benefit.

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

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

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

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

(f) This SECTION expires January 1, 2014.

SECTION 2. [EFFECTIVE JULY 1, 2013] **(a) As used in this SECTION, "fund" refers to the public employees' retirement fund established by IC 5-10.3-2-1.**

(b) Not later than October 1, 2013, the fund shall pay the amount determined under subsection (c) to a member of the fund (or to a survivor or beneficiary of a member) who retired or was disabled on or before December 1, 2012, and who is entitled to receive a monthly benefit on July 1, 2013. The amount is not an increase in the pension portion of the monthly benefit.

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

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

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

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

(f) This SECTION expires January 1, 2014.

SECTION 3. [EFFECTIVE JULY 1, 2013] **(a) As used in this SECTION, "participant" has the meaning set forth in IC 5-10-5.5-1.**

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

(c) Not later than October 1, 2013, the board of trustees of the Indiana public retirement system established by IC 5-10.5-3-1 shall pay the amount determined under subsection (d) to a plan participant (or to a survivor or beneficiary of a plan participant) who retired or was disabled on or before December 1, 2012, and who is entitled to receive a monthly benefit on July 1, 2013. The

amount is not an increase in the annual retirement allowance.

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

If a Plan Participant's Creditable Service Is:	The Amount Is:
At least 5 years, but less than 10 years (only in the case of a member receiving disability retirement benefits)	$125
At least 10 years, but less than 20 years	$235
At least 20 years, but less than 30 years	$325
At least 30 years	$400

(e) The creditable service used to determine the amount paid to a plan participant (or to a survivor or beneficiary of a plan participant) under this SECTION is the creditable service that was used to compute the plan participant's retirement allowance under IC 5-10-5.5-10 and IC 5-10-5.5-12, except that partial years of creditable service may not be used to determine the amount paid under this SECTION.

(f) If two (2) or more survivors of a plan participant are entitled to an amount paid under this SECTION, the amount shall be allocated to the survivors in shares using the same percentages as the percentages determined under IC 5-10-5.5-16 to pay the monthly benefit to the survivors.

(g) This SECTION expires January 1, 2014.

SECTION 4. [EFFECTIVE JULY 1, 2013] (a) As used in this SECTION, "trustee" has the meaning set forth in IC 10-12-1-10.

(b) As used in this SECTION, "trust fund" has the meaning set forth in IC 10-12-1-11.

(c) Not later than October 1, 2013, the trustee shall pay from the trust fund to each employee beneficiary of the state police 1987 benefit system covered by IC 10-12-4 who:

(1) retired or was disabled after June 30, 1987, and before July 2, 2012; and

(2) is entitled to receive a monthly benefit as of September 1, 2013;

an amount equal to one percent (1%) of the maximum basic annual pension amount payable to a retired state police employee in the grade of trooper who has completed twenty-five (25) years of service as of July 1, 2013, as calculated under IC 10-12-4-7.

(d) The amount paid under this SECTION is not an increase in the monthly pension amount of an employee beneficiary.

(e) This SECTION expires January 1, 2014.

PRELIMINARY DRAFT
No. 3095

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.2-5.

Synopsis: PERF and TRF minimum benefit. Provides that the pension portion of the monthly benefit payable after December 31, 2013, to a member of the Indiana state teachers' retirement fund (TRF) or a member of the public employees' retirement fund (PERF) who retired before January 1, 1980, and has at least 20 years of creditable service may not be less than $500.

Effective: July 1, 2013.

EXHIBIT G
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #2 – AUGUST 30, 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 5-10.2-5-46 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 46. (a) In addition to any other cost of living increase provided under this chapter or IC 5-10.4-6, the pension portion (plus postretirement increases to the pension portion) provided by employer or state contributions of the monthly benefit payable after December 31, 2013, to a member of the Indiana state teachers' retirement fund (or to a survivor or beneficiary of a member of the Indiana state teachers' retirement fund) who retired before January 1, 1980, and has at least twenty (20) years of creditable service may not be less than five hundred dollars ($500).**

(b) The increases specified in this section:

(1) are based on the date of the member's latest retirement;

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

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

SECTION 2. IC 5-10.2-5-47 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 47. (a) In addition to any other cost of living increase provided under this chapter or IC 5-10.3-8, the pension portion (plus postretirement increases to the pension portion) provided by employer or state contributions of the monthly benefit payable after December 31, 2013, to a member of the public employees' retirement fund (or to a survivor or beneficiary of a member of the public employees' retirement fund) who retired before January 1, 1980, and has at least twenty (20) years of creditable service may not be less than five hundred dollars ($500).**

(b) The increases specified in this section:

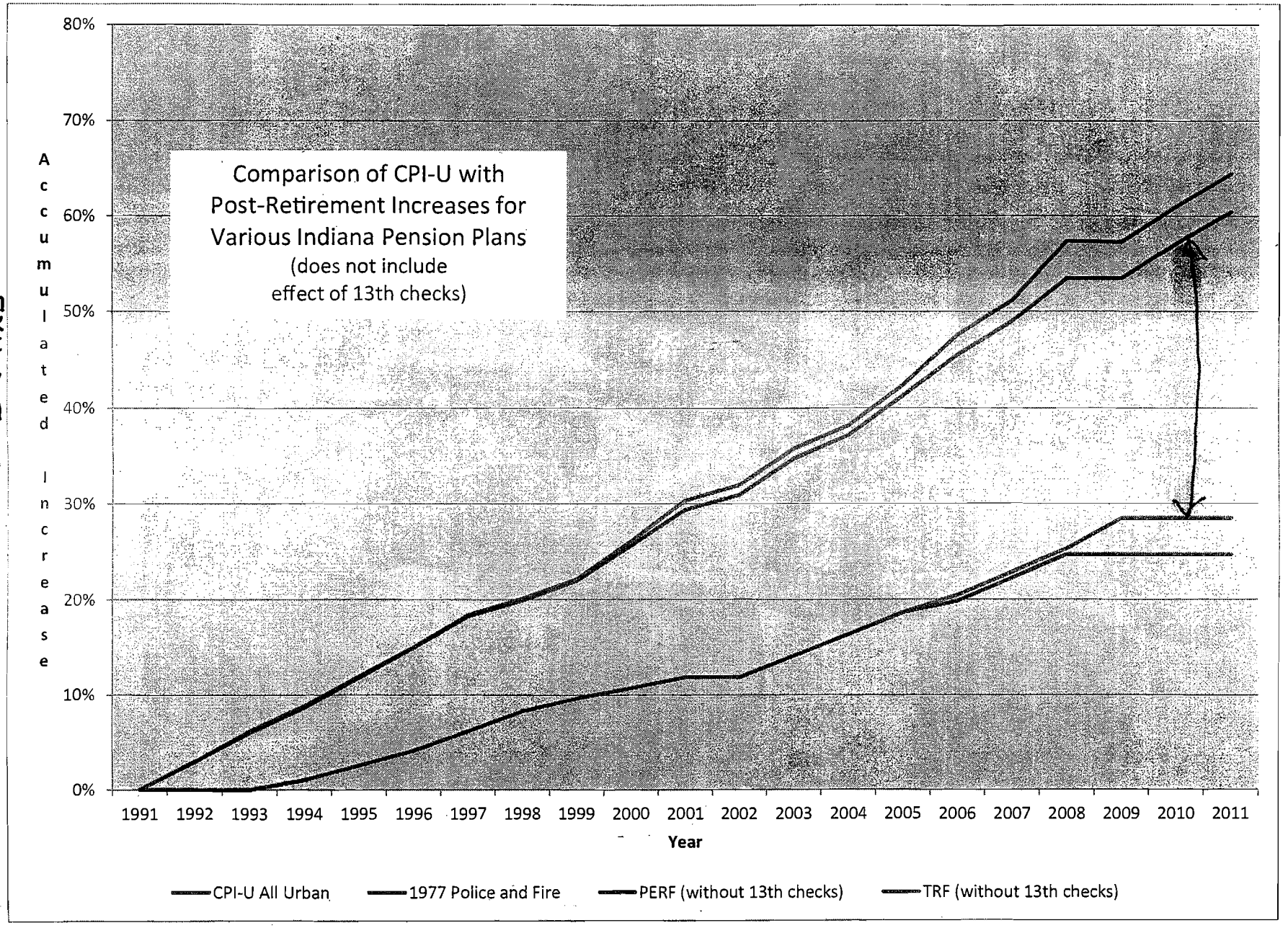
(1) are based on the date of the member's latest retirement;

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

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

Doug Kinser
PMOC 8/30/12

EXHIBIT H
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #2 - AUGUST 30, 2012



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PRELIMINARY DRAFT
No. 3101

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 33-39-7.

Synopsis: Prosecuting attorneys retirement fund. Changes various features of the prosecuting attorneys retirement fund to incorporate the same or similar features found in the 1985 judges' retirement system, including the retirement benefit, the disability benefit, limiting the participant contribution period to 22 years, allowing a participant to designate the participant's children to receive the participant's survivor benefit, and after June 30, 2014, providing for automatic increases to participants' retirement benefits based on increases in prosecutors' salaries.

Effective: July 1, 2013.

EXHIBIT L

PENSION MANAGEMENT OVERSIGHT COMMISSION

MEETING # 2 - AUGUST 30, 2012

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

(2) 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).

(c) To the extent required by the Americans with Disabilities Act, the transcripts, reports, records, and other material generated to prove that an individual is qualified for disability benefits under this section ~~shall~~ **must** be:

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

(2) treated as confidential medical records.

SECTION 6. IC 33-39-7-18 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 18. (a) Except as provided in subsection (b), ~~the amount of the annual benefit payable to~~ a participant who ~~meets the requirements for disability benefits under section 17 of this chapter~~ **becomes permanently disabled, as described in section 17 of this chapter,** is **entitled to an annual benefit** equal to the product of:

(1) the annual salary that was paid to the participant at the time of separation from service; multiplied by

(2) the percentage prescribed in the following table:

Participant's Years of Service	Percentage
~~Less than 5~~	~~0~~
~~5-10~~ **0-12**	~~40%~~ **50%**
~~11~~ **13**	~~41%~~ **51%**
~~12~~ **14**	~~42%~~ **52%**
~~13~~ **15**	~~43%~~ **53%**
~~14~~ **16**	~~44%~~ **54%**
~~15~~ **17**	~~45%~~ **55%**
~~16~~ **18**	~~46%~~ **56%**
~~17~~ **19**	~~47%~~ **57%**
~~18~~ **20**	~~48%~~ **58%**
~~19~~ **21**	~~49%~~ **59%**
~~20~~ **22** or more	~~50%~~ **60%**

If a participant has a partial year of service in addition to at least twelve (12) years of service, an additional percentage is calculated by prorating between the applicable percentages, based on the number of months in the partial year 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.

SECTION 7. IC 33-39-7-19, AS AMENDED BY P.L.33-2006, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 19. (a) **A participant may designate the participant's surviving spouse or one (1) or more of the participant's surviving dependent children to receive the benefit**

provided by this section upon the death of the participant. A participant may designate a trust or a custodian account under IC 30-2-8.5 established for one (1) or more of the participant's surviving dependent children to receive the benefit provided by this section instead of designating one (1) or more of the participant's surviving dependent children to receive the benefit directly.

(b) ~~The surviving spouse of~~ **If** 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 in a position described in section 8 of this chapter; ~~or~~

(C) ~~met the requirements for~~ **had a permanent** disability ~~benefits under~~ **as described in** section 17 of this chapter; **or**

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

the participant's beneficiary designated under subsection (a) is entitled, regardless of the participant's age, to the benefit prescribed by subsection ~~(b).~~ **(c).**

~~(b)~~ **(c)** The ~~surviving spouse~~ **amount of the annual benefit payable to a beneficiary to whom subsection (b) applies** is ~~entitled to a benefit for life~~ equal to the greater of:

(1) ~~seven~~ **twelve** thousand dollars ~~($7,000);~~ **($12,000);** or

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

(d) A benefit payable under this section is subject to the following:

(1) A surviving spouse designated as the beneficiary under subsection (a) 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 amounts.

(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 the benefit equally. 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 the participant survive 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.

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

SECTION 8. IC 33-39-7-20 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 20. (a) If:

(1) a participant's spouse does not survive the participant; **and**

(2) the **participant did not designate one (1) or more of the participant's surviving** dependent ~~child of a participant is,~~ **children to receive the benefit provided by section 19 of this chapter;**

the participant's surviving dependent children are, upon the death of the participant, entitled to a benefit equal 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, that 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, the dependent children are entitled to share the benefit equally.

(d) Each dependent child is entitled to 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.

(e) Benefits payable to a dependent child are reduced by the amounts, if any, that are payable to the dependent child from the public employees' retirement fund.

SECTION 9. IC 33-39-7-21, AS AMENDED BY P.L.16-2011, SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: 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 by the survivors or the participant's estate, 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 the participant **or the children of the participant, as designated by the participant;**

(2) any ~~dependent or~~ dependents of the participant, if a spouse **or designated child** does not survive; or

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

(b) The amount owed a spouse, ~~dependent or~~ **designated children, other** dependents, or estate under subsection (a) is payable not later than sixty (60) days after the date of receipt of the withdrawal application **or in monthly installments as the recipient elects.**

SECTION 10. IC 33-39-7-26 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: **Sec. 26. (a) This section applies only to state fiscal years beginning after June 30, 2014.**

(b) This section applies only to a participant:

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

(2) who:

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

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

(C) does not earn any service credit in the fund after December 31, 2013.

(c) If a salary increase is provided in a state fiscal year under IC 33-39-6 or any other law for individuals in a position described in section 8 of this chapter, the monthly benefits payable to a participant to whom this section applies must be increased by the same percentage by which the salary for the highest paid position described in section 8 of this chapter held by the participant during the participant's term of service is increased for the state fiscal year. The percentage increase is 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 is effective when the salary increase is effective.

(d) An increase payable under this section may not include any amount based on the percentage by which any salary provided by a county is increased.

Comparison of Judges' Pension with Prosecutors' Pension

1

PRESENTED BY: ASSOCIATION OF PROSECUTING ATTORNEYS PAY/PENSION COMMITTEE

AUGUST 30, 2012

2

15 Differences Outlined

DIFFERENCES BETWEEN JUDGES' AND PROSECUTORS' PENSION BENEFITS

IC 33-39-7

Highlighted Differences

3

- Contributions to Retirement Funds
- Retirement Age
- Benefits Paid
- Survivor Benefits
- Disability Benefits
- Cost of Living Adjustments

EXHIBIT J
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #2 - AUGUST 30, 2012

Benefits Paid

4

- **Judges** retirement benefits based upon salary which **includes** any county supplemental salary.
- **Prosecutors** retirement benefits based upon state paid salary **only**.

Section 1

Contributions to Retirement Funds

5

- **Judges** contribute 6% **before** paying income taxes as a "pickup" contribution.
- **Prosecutors** contribute 6% **after** paying income taxes.

Section 2

Contributions to Retirement Funds

6

- **Judges** make no contributions to pension after 22 years of service.
- **Prosecutors** have no such 22 year ceiling on contributions.

Section 2

Retirement Age

7

- **Judges** receive full retirement benefits either at age **65** or anytime after age **55** if the Rule of 85 is met.
- **Prosecutors** do not receive full retirement benefits until age **65.**

Section 3

Benefits Paid

8

- **Judges** retirement benefits **include** benefits based upon partial year of service after 8 years.
- **Prosecutors** have **no** partial year of service provision.

Section 4

Retirement Age

9

- **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.

Section 4

Disability Benefits

10

- **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.

Section 5

Disability Benefits

11

- **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.

Section 5

Disability Benefits

12

- **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.

Section 5

Disability Benefits

13

- **Judges** disability payments **not subject** to reduction for "early" retirement.
- **Prosecutors** disability payments **are subject** to reduction for "early" retirement.

Section 5

Disability Benefits

14

- **Judges** disability paid at rates of **50%** to **60%** of salary.
- **Prosecutors** disability paid at rates of **40%** to **50%** of salary.

Section 6

Survivor Benefits

15

- **Judges** survivor benefits **include** a minimum annual benefit payment of **$12,000**.
- **Prosecutors** survivor benefits **include** a minimum annual benefit payment of **$7,000.**

Section 7

Survivor Benefits

16

- **Judges** survivor benefits are **not subject** to reduction for "early" retirement.
- **Prosecutors** survivor benefits **are subject** to reduction for "early" retirement.

Section 7

Survivor Benefits

17

- **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.

Section 7-9

Cost of Living Adjustment

18

- **Judges** receive cost of living adjustment.
- **Prosecutors** have **no** cost of living adjustment.

Section 10

Funding

19

- INPRS requires an additional **$1.75 million per year** to fund these changes
- Proposed funding mechanism: **Increase in fee charged for posting bond**
- Fee amount may range from **$1 to $5** depending on outcome of further analysis of number of bonds posted per year