

Members

Rep. David Niezgodski, Chairperson
Rep. Ed DeLaney
Rep. Woody Burton
Rep. Suzanne Crouch
Sen. Phil Boots
Sen. Greg Walker
Sen. Lindel Hume
Sen. Karen Tallian
Matthew Buczolic
Randy Novak
Kip White
Steve Meno



PENSION MANAGEMENT OVERSIGHT COMMISSION

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 233-0696 Fax: (317) 232-2554

LSA Staff:

James Sperlik, Fiscal Analyst for the Commission
Peggy Piety, Attorney for the Commission
Allen Morford, Attorney for the Commission

Authority: IC 2-5-12-1

MEETING MINUTES¹

Meeting Date: August 17, 2010
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St.,
Supreme Court Chambers
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Rep. David Niezgodski, Chairperson; Rep. Ed DeLaney; Rep. Woody Burton; Rep. Suzanne Crouch; Sen. Phil Boots; Sen. Greg Walker; Sen. Lindel Hume; Sen. Karen Tallian; Matthew Buczolic; Kip White.

Members Absent: Randy Novak; Steve Meno.

The Chair, Representative Niezgodski, called the first meeting of the Pension Management Oversight Commission (PMOC) to order at 10:00 a.m. The Chair then led the PMOC in the Pledge of Allegiance. Representative Niezgodski said that PMOC will hold three meetings during this interim.

Commission members and staff introduced themselves. The Chair then called for a moment of silence for Commission member Randy Novak's father who passed away earlier in the week.

The Commission's operating procedures were reviewed along with the assigned topics and the new electronic notice for committee meetings and minutes.

1. Senate Resolution 74

Senate Resolution (SR) 74 (Exhibit 1) was the only assigned topic to the Commission. Authored by Senator Jean Breaux, SR 74 dealt with whether the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) boards should include a clear summary of

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.

statutory requirements in any handbooks prepared for fund members.

Senator Breaux addressed the Commission on SR 74. She said that Mr. James Campbell, Financial Planner, and his teacher-wife, on whose behalf SR 74 was brought, wanted to reallocate Mrs. Campbell's funds. Her funds were reallocated in mid-December, not realizing the quarterly valuation of such funds. Her account was valued at the end of September. Senator Breaux said that the Campbells incurred a loss over waiting until December. Senator Breaux said that there was nothing in the handbook about quarterly valuations and no reference to the applicable statutes.

Senator Breaux said that she wants to include this type of information in the handbooks of PERF and TRF. She further commented that she is concerned about quarterly versus daily valuations.

Mr. James Campbell addressed the Commission. He said he is concerned about the information in the member handbooks regarding valuations and rollovers. He said that he is not certain that his wife lost money on her reallocation. Mr. Campbell said that Mr. Russo may have solved the problem.

2. Steve Russo, Common Director of PERF and TRF, 2010 PERF and TRF Updates

A. Overview

Exhibit 2, 2010 PERF & TRF UPDATE, contains Mr. Russo's presentation. Mr. Russo said that PERF oversees six funds (PERF, 1977 Police and Fire; Judges' Retirement System; Excise Police, Gaming Agents, Conservation Officers; Legislators Retirement System; and the Prosecuting Attorneys Retirement Fund). There are more than 260,000 members in all the funds. Member/employer contributions paid in FY 2010 totaled \$689 M for all PERF funds. In the same year benefits to retirees and beneficiaries amounted to \$664 M. As of June 30, 2010, net assets for PERF totaled \$14.0 B.

Mr. Russo next discussed TRF. He said that TRF has two accounts, with the benefits the same in both. However, the Pre-1996 Account is funded on a "pay-as-you go" basis, while the 1996 Account is actuarially prefunded. TRF has approximately 164,000 members. The net assets of TRF as of June 30, 2010, amounted to \$8.1 B. In response to a question from Senator Hume, Mr. Russo said that he would check on the issue of school corporations using property taxes for funding of the 1996 Account. Mr. Russo told the Commission that between 15-20% of Indiana households are touched by the PERF/TRF fund. It is the 58th largest pension system in the US, both public and private systems included.

B. Benefit Structure

The benefit structure of PERF/TRF are identical, with the same formula, benefit structure, vesting, and eligibility. Both have annuity savings accounts (ASA) which are funded by a 3% contribution that is picked up by most employers. Vesting and withdrawal rules are the same for both.

C. Funding

The source of funding for PERF/TRF is the 3% ASA contribution made mostly by employers, with the defined benefit portion paid entirely by employer contributions. In responding to a question from Senator Tallian, Mr. Russo said that the contribution rates for employers are determined by an actuarial analysis which is based on the experience of the fund. The Pre-1996 Account is funded by state General Fund allotments. TRF state General Fund allotments

in FY 2010 and FY 2011 are 104% of each prior year allotment. Shortfalls in allotments are covered by withdrawals from the Pension Stabilization Fund, the balance of which was \$2 B as of June 30, 2010.

D. Financial Position

Mr. Russo said that the funding ratio of a pension fund is the value of the assets divided by the liabilities. As of June 30, 2010, the funded ratio for PERF and the 1996 Account was 93.1%. Mr. Russo said that industry standards consider 80% to be a well-funded plan. In response to a question from Representative Burton, Mr. Russo said that funding for the Pre-1996 Account will not be a burden as long as the General Assembly continues the appropriations necessary to pay the benefits.

Senator Walker inquired about forfeitures as a source of funding for pension plans. Mr. Russo said he was not aware of this, but would look into it.

Commenting about the contribution rate for local school corporations, Mr. Russo said that the exact contribution rate depends upon investment returns.

E. Investment Performance

Mr. Russo said that the investment returns exceeded the established benchmarks, with all asset classes positive. PERF was awarded Large Plan of the Year by Institutional Investor News.

F. Operations Update

Mr. Russo told the Commission that PERF/TRF received the Public Standards Award for Funding and Administration from the Public Pensions Coordinating Council (PPCC). In addition, they received clean audits from the State Board of Accounts. Mr. Russo said that TRF was recognized for top service with below-average costs. PERF/TRF just completed year three of a five-year modernization of systems and processes. This included implementation of daily valuations for the ASA, fund choices, and allocation change flexibility. Year four will include modernization of employer wage, contribution, and demographic data reporting. Year five will include modernization of retirement processing. In response to a question from Mr. White, Mr. Russo said that daily valuations will not extend to the defined benefit portion. Annual estimates of the benefit will be issued.

G. HEA 1205 PERF/TRF MERGER

HEA 1205 (2010) required the PERF and TRF boards to jointly appoint a common director and to cooperate to the extent practical and feasible in the investing of fund assets. A common director was appointed on May 10, 2010, and a common executive staff was implemented on June 18, 2010.

Mr. Russo said that investment cooperation is already yielding savings. In all of FY 2010 prior to the merger, the investment teams achieved \$9.3 M in one-time savings and \$6.7 M in annual on-going savings, equating to a net present value (NPV) of \$102 M in "lifetime" savings.

In the first two months of the merger, increased cooperation made possible by the merger has yielded an additional \$8.5 M in annual on-going savings, equating to a NPV of \$117 M.

Mr. Russo said that the lack of a single legal entity will prevent some savings. In responding to a question from Senator Tallian, Mr. Russo said that the savings over time will show up in the

actuarial calculations. Employer contributions should decrease. Senator Tallian requested a breakdown of missed savings.

H. Terror States Divestment Update

HEA1547 (2009) prohibits PERF and TRF from acquiring or owning securities of certain companies that have active business operations in a state that sponsors terror (scrutinized company). Mr. Russo said that PERF and TRF are 100% divested from Sudan. A list of scrutinized companies was compiled by March 30, 2010. Senator Tallian inquired about the administrative costs involved and the effect on the portfolios of PERF and TRF and the cost from limitations on investments for the funds.

I. SR 74 Statutory Requirements in Member Handbooks

Mr. Russo said that there are valuation differences between the Guaranteed Fund and all other options. He said that now there are daily valuations. Mr. Russo said that the daily valuations would eliminate the specific issue brought by Mr. Campbell. In addition to existing annual updates for legislative changes, handbooks will also be reviewed annually for overall content. He said that there will be a continuing effort toward making all handbooks on-line documents with links to additional information, such as statutes. The effort is geared toward "at a glance" fact sheets as the primary way of communicating basic plan information in the simplest manner. Mr. Campbell said that he is satisfied with PERF/TRF actions regarding the handbooks.

Representative DeLaney inquired about the effects of the smoothing of investment returns and losses, saying that there could be pressure to increase contribution rates. He said that local government rates go up with increased retirements and layoffs. Mr. Russo said that the membership size affects rates more - up or down. Mr. Russo said that the 1977 Police Officers' and Firefighters' Pension and Disability Fund has a different benefit formula.

Mr. Russo said in response to a Commission question about the effect of low interest rates that the funds are looking at opportunities in other areas - corporate debt, for example. He also said that fixed income Treasury bills have a role in the fund.

In response to a question from Representative DeLaney about PERF/TRF regaining the 22% loss in value of the funds since October 2007, Mr. Russo said that the 22% decline will be taken into consideration in the actuarial valuation eventually, along with a savings in fees, primarily in setting up target date funds. Mr. Russo said that while the fees for alternative investments are higher than others, so is the return. He said that they are not necessarily more risky.

3. PERF/TRF Legislative Proposals - Allison Murphy

Ms. Murphy, Legislative Liaison for PERF/TRF, addressed the Commission, using Exhibit 3, PERF/TRF Proposals for the 2011 Session of the Indiana General Assembly. Exhibit 4, Summaries of the Proposals, was also used. There were 12 proposals in all; however, proposal #9, Eliminate Unfunded Service Credit, was removed from the proposal list.

4. Public Safety Pensions - Tom Hanify

Mr. Hanify, President, Professional Firefighters Union of Indiana, distributed Exhibit 5, a letter from Mr. Tom Miller, General Secretary-Treasurer of the International Association of Firefighters. Mr. Hanify said that the letter was to provide Commission members with a little history of police and fire pensions in Indiana.

Mr. Michael Whited, Vice-President of the Professional Firefighters Union of Indiana, distributed

Exhibit 6, Clarification of the Partial Lump Sum Distribution (PLSD).

Mr. Leo Blackwell, Indiana Fraternal Order of Police, said that it was time for a public safety representative to be on the PERF Board of Trustees. He also mentioned pre-1990 line-of-duty disabilities (LOD) for public safety officers should be reviewed. In response to a question from Senator Tallian, Mr. Blackwell said that he did not know the number of pre-1990 LODs. Representative Crouch inquired about who is on the PERF Board.

5. Commission Member Topics

The Chair called for topics from Commission members. Senator Boots wants to look at a cost-of-living adjustment (COLA) for members of the Conservation Officers Retirement Fund. Senator Tallian wants to look more closely at the issue of civil forfeitures.

Representative Niezgodski told the Commission that he had requested an email update from the Indiana Department of Labor (DOL) on the implementation of guidelines for worker classification, but as yet had not received it. He said the DOL is to report on this issue by October 1, 2010. The Chair also mentioned Representative Tyler's resolution on latent diseases.

The Chair announced the next meeting will be on Wednesday, September 29th, at 10:00 a.m. The location will be announced.

The Chair adjourned the meeting at 12:05 p.m.

Introduced

Second Regular Session 116th General Assembly (2010)

SENATE RESOLUTION

MADAM PRESIDENT:

I offer the following resolution and move its adoption:

A SENATE RESOLUTION urging the Legislative Council to assign to the Pension Management Oversight Commission the topic of whether PERF and TRF boards should include a clear summary of statutory requirements in any handbooks prepared for fund members.

Whereas, It is important that the PERF board and the TRF board include in any handbooks prepared for fund members a clear summary of the statutory requirements related to crediting of members' earnings, transfer of funds among investment options, valuation of members' accounts, and the effective date on which a member's investment selection shall be implemented: Therefore,

*Be it resolved by the Senate of the
General Assembly of the State of Indiana:*

1 SECTION 1. The Legislative Council is urged to assign to the
2 Pension Management Oversight Commission the topic of whether
3 PERF and TRF boards should include a clear summary of statutory
4 requirements in any handbooks prepared for fund members.

5 SECTION 2. The Secretary of the Senate is hereby directed to

2010

DR 3830/DI fq+



- 1 transmit a copy of this Resolution to the Legislative Council through
- 2 the Executive Director of the Legislative Services Agency.



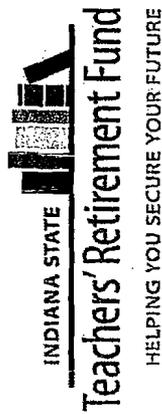
EXHIBIT 2

2010 PERF & TRF UPDATE

Pension Management Oversight Commission

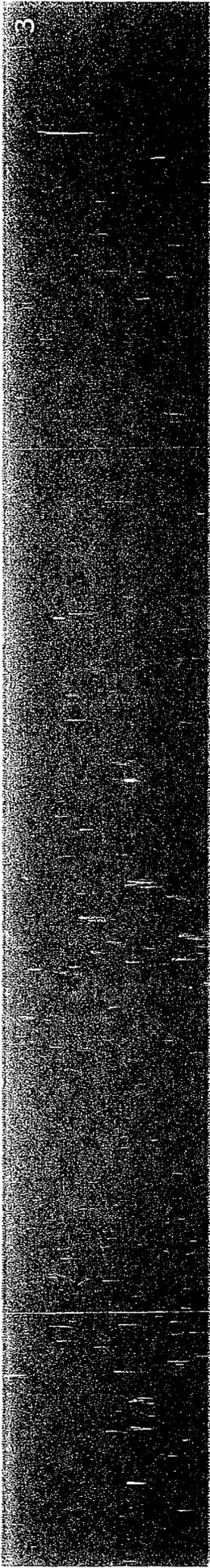
August 17, 2010

Steve Russo
Executive Director



AGENDA

- Plan Overviews
- Funding Sources
- Financial Position
- Operations Update
- PERF / TRF Merge Update
- Terror States Divestment Update
- SR 74 – Statutory Requirements in Member Handbooks



PLAN OVERVIEWS



PERF OVERVIEW

- Six Separate Funds

- PERF - 77 Police and Fire
- Judges - Excise police, Gaming Agents, Conservation Officers
- Legislators - Prosecuting Attorneys

- 260,000+ Members

- 153,856 Active (\$689M Member/Employer Contributions Paid in FY10)
- 65,455 Retirees & Beneficiaries (\$664M Benefits Paid in FY10)

- 1,200+ Employers

- \$14.0B Net Assets as of June 30, 2010

TRF OVERVIEW

- One Fund – Two Accounts
 - Pre '96 Account (Members hired before July 1, 1995)
 - '96 Account (Members hired after June 30, 1995)
- 164,000+ Members
 - 74,343 Active (\$982M Member/Employer Contributions Paid in FY10)
 - 44,492 Retirees & Beneficiaries (\$1,017M Benefits Paid in FY10)
- 360 Employers
- \$8.1B Net Assets as of June 30, 2010

PERF & TRF COMBINED

- Serve 420,000+ Members
- Paid out \$1.7B of Benefits in FY10
- Collected \$1.7B in Contributions in FY10
- Combined net assets of \$22.1B

58th Largest Pension System in the United States

PERF & TRF BENEFIT STRUCTURE

PERF & TRF Retirement Benefits Comes in Two Parts:

- Defined Benefit or "Pension"
 - Lifetime monthly benefit ($1.1\% \times \text{High 5 Salary} \times \text{Years of Service}$)
 - 10-year vesting
 - Funds cannot be "withdrawn" prior to retirement
 - Generally eligible for full retirement Rule of 85 (Age + Yrs. Service)
- Defined Contribution or "Annuity Savings Account (ASA)"
 - Contribution (3%) by member or employer
 - Invested at direction of member
 - Fully vested day one
 - Funds can be "withdrawn" upon termination prior to retirement

PERF & TRF are "Hybrid Plans"

FUNDING SOURCES



FUNDING SOURCES

PERF & TRF 1996

TRF PRE-1996

ASA

3% Employee Contribution
(Most often paid by employer)

3% Employee Contribution
(Most often paid by employer)

Defined Benefit (DB)

Actuarial Based Employer
Contribution Rate
(Currently 7.5% for TRF)
(Average PERF 7.75%)

State General Fund
&
Pension Stabilization Fund

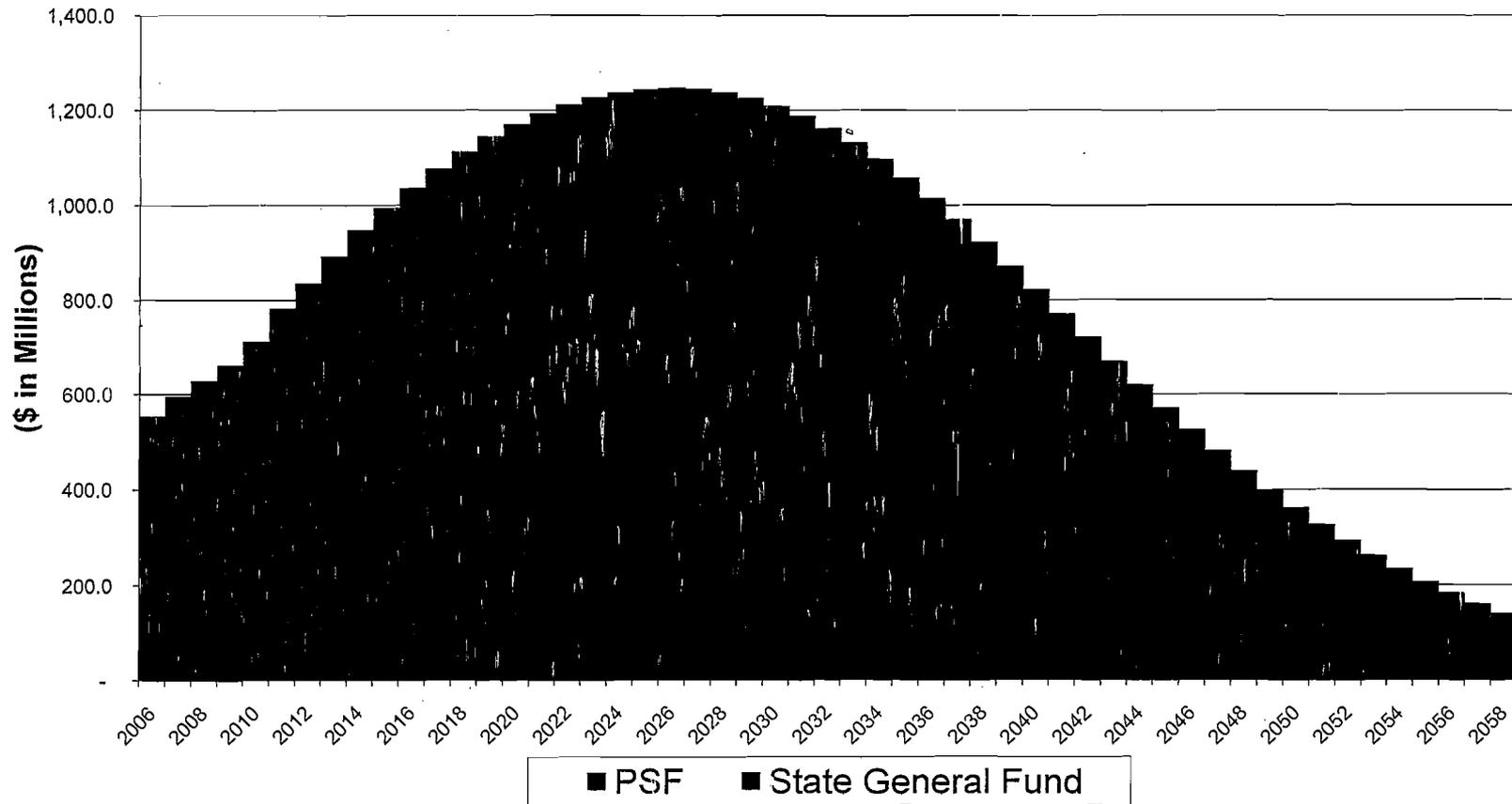
TRF PRE-96 General Fund Allotments

- TRF General Fund Allotments in FY10 and FY11 are 104% of each prior year's allotment

| | Actual <u>FY 07</u> | Actual <u>FY 08</u> | Actual <u>FY 09</u> | Forecast | |
|-------------------------|------------------------|------------------------|------------------------|-----------------|-----------------|
| | | | | <u>FY 10</u> | <u>FY 11</u> |
| <u>Total:</u> | | | | | |
| Benefit Payments | \$ 597,592,438 | \$ 630,288,690 | \$ 661,400,000 | \$ 714,100,000 | \$ 784,000,000 |
| General Fund Allotments | \$ 588,173,187 | \$ 623,463,578 | \$ 662,600,000 | \$ 687,300,000 | \$ 704,300,000 |
| Actual (O)/U Allotments | \$ (9,419,251) | \$ (6,825,112) | \$ 1,200,000 | \$ (26,800,000) | \$ (79,700,000) |
| Amt. withdrawn from PSF | \$ 9,419,251 | \$ 6,825,112 | \$ (1,200,000) | \$ 26,800,000 | \$ 79,700,000 |

TRF PRE-96 DB BENEFIT PAYMENT FORECAST

Pre-96 Account DB Payment Forecast
assumes 4% per yr. state appropriations



FINANCIAL POSITION

MARKET VALUE OF ASSETS

| | <u>Oct 31, 2007</u> | <u>Jun 30, 2009</u> | <u>Jun 30, 2010</u> |
|-------|---------------------|---------------------|---------------------|
| PERF | \$17.8B | \$12.4B | \$14.0B |
| TRF | <u>\$9.2B</u> | <u>\$7.2B</u> | <u>\$8.1B</u> |
| Total | \$27.0B | \$19.6B | \$22.1B |

We need 22% more to get back to where we were in October 2007!

FUNDED STATUS AS OF JUNE 30, 2009

| | FUNDING RATIOS | UNFUNDED LIABILITY |
|----------------------------------|----------------|--------------------|
| PERF | 93.10% | \$937M |
| 77 Police & Fire | 98.00% | \$67M |
| Judges | 72.90% | \$90M |
| E, G & C | 76.30% | \$21M |
| Prosecutors | 59.30% | \$18M |
| Legislators' DB | 93.00% | \$0.4M |
| TRF 1996 | <u>93.10%</u> | <u>\$215M</u> |
| Aggregate Prefunded Plans | 93.40% | \$1,348M |
| TRF Pre-1996 | 31.90% | \$10,918M |

INVESTMENTS PERFORMANCE

| | <u>1 Year</u> | <u>3 Year</u> | <u>5 Year</u> |
|--------------------|---------------|---------------|---------------|
| PERF CRIF | 13.63% | -6.14% | 1.47% |
| Benchmark | 11.60% | | |
| TRF DB | 14.31% | -4.19% | 2.93% |
| Benchmark | 11.23% | | |
| Public Plan Median | 12.92% | | |
| S&P 500 | 14.43% | | |

All figures net of fees as of June 30, 2010

All asset classes were positive in FY10

PERF & TRF exceeded benchmark and public plan median returns

PERF fund awarded Large Plan of the Year by Institutional Investor News



OPERATIONS UPDATE

FY2010 OPERATIONS SUMMARY

- PERF and TRF are consistently achieving high rates of accurate and on-time benefit payments with high levels of member satisfaction.
- Recognized leader in customer service and administrative efficiency by a global pension system benchmarking firm.
- Clean bills of health from the State Board of Accounts (SBOA).
- 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).

BUSINESS SYSTEMS MODERNIZATION

- Just completed Year #3 of a five year modernization of PERF & TRF systems and processes
 - Year #1 - Successful modernization of Benefit Payment Processing
 - Year #2 - Successful implementation of a modern Financial Reporting system
 - Year #3 - Successful implementation of ASA modernization (Daily Valuation, Fund Choices, Allocation Change Flexibility)!
 - Year #4 - Modernization of employer wage, contribution, and demographic data reporting
 - Year #5 - Modernization of retirement processing

HEA 1205 PERF / TRF MERGE UPDATE



PERF / TRF MERGE UPDATE (HEA 1205)

- Requires the PERF & TRF boards to jointly appoint a common director and to cooperate to the extent practical and feasible in the investing of fund assets
 - A common director was appointed on May 10, 2010
 - A common executive staff was implemented on June 18, 2010
 - Investments cooperation is already yielding savings
 - In all of FY10 prior to the merge, the investment teams achieved \$9.3M in one-time savings and \$6.7M in annual ongoing savings equating to a NPV of \$102M in "lifetime" savings.
 - In the first two months of the merge, increased cooperation made possible by the merge has yielded an additional \$8.5M in annual on-going savings equating to a NPV of \$117M.
 - Lack of a single legal entity will prevent some savings

Two months of savings in the merged environment exceed what the teams accomplished in the twelve months of FY10

TERROR STATES DIVESTMENT UPDATE

TERROR STATES DIVESTMENT UPDATE

- 2009 HEA 1547 (Indiana Code 5-10.2-10)
- Prohibits PERF and TRF from acquiring or owning securities of certain companies that have active business operations in a state that sponsors terror (“scrutinized company”).
- Divestment from terror states mirrors divestment legislation previously enacted as to Sudan. PERF and TRF are 100% divested from Sudan.
- PERF and TRF have contracted with a third party service provider to assist with ongoing terror state divestment compliance.

TERROR STATES DIVESTMENT UPDATE

- As required by statute, a list of all scrutinized companies was compiled by March 30, 2010.
 - Nine companies (\$92.8M / 0.4% of assets)
- Notification letters were sent by PERF and TRF to all companies identified on the scrutinized company list.
- To date, we have received two responses questioning the validity of their company's inclusion on the scrutinized list.
- As of June 30, 2010, \$22.8M of the \$92.8M exposure has been divested.

TERROR STATES DIVESTMENT UPDATE

- PERF and TRF must sell, redeem, divest, or withdraw investments in a company that is unresponsive to the requests in accordance with the following schedule:
 - **April 2013**→At least 50% of the securities must be removed from the Fund's assets under management within 3 years after the company appears on the list.
 - **April 2014**→At least 75% of the securities must be removed from the Fund's assets under management within 4 years after the company appears on the list.
 - **April 2015**→100% of the securities must be removed from the Fund's assets under management within 5 years after the company appears on the list.

SR 74

STATUTORY REQUIREMENTS IN MEMBER HANDBOOKS

SR 74 – Member Handbooks

A SENATE RESOLUTION urging the Legislative Council to assign to the Pension Management Oversight Commission the topic of whether PERF and TRF boards should include a clear summary of statutory requirements in any handbooks prepared for fund members.

” Whereas, It is important that the PERF board and the TRF board include in any handbooks prepared for fund members a clear summary of the statutory requirements related to crediting of members' earnings, transfer of funds among investment options, valuation of members' accounts, and the effective date on which a member's investment selection shall be implemented...”

- Driven by a constituent complaint regarding the valuation of their ASA account at the time of retirement.
- This specific issue has been eliminated due to the implementation of ASA Modernization (All funds are valued daily!).

SR 74 – Member Handbooks

- However, PERF & TRF recognize that more can be done to provide information in a more modern and simpler manner.
- Action Steps
 - In addition to existing annual updates for legislative changes, handbooks will also be reviewed annually for overall content.
 - Continue the move toward making all handbooks on-line documents with links to additional information, such as statutes.
 - Create “at a glance” fact sheets as the primary way of communicating *basic* plan information in the *simplest* manner.

APPENDIX



PERF Statement of Changes in Net Assets

Ledge=PL PERF2022(USD) (PL PERF)

| | Public Employees' Retirement Fund | 1977 Police Officers and Firefighters' Pension and Disability | Judges' Retirement System | State Excess Police, Gaming Agent, Gaming Control Officer & Conservation | Prosecuting Attorneys' Retirement Fund | Legislators' Defined Contribution Plan | Legislators' Defined Benefit Plan | State Employees' Death Benefit Fund | Public Safety Officers' Special Death Benefit | Pension Relief Fund | ADJ2-10 Total |
|---|--|---|---------------------------------|--|---|---|--|---|---|---------------------------|-------------------|
| REVENUE (ADDITIONS) | | | | | | | | | | | |
| CONTRIBUTIONS | | | | | | | | | | | |
| MEMBER CONTRIBUTIONS | 158,090 | 39,826 | 2,229 | 1,010 | 1,268 | 1,146 | - | - | - | - | 203,568 |
| EMPLOYER CONTRIBUTIONS | 331,090 | 130,775 | 18,631 | 5,256 | 170 | - | - | - | - | - | 485,921 |
| OTHER CONTRIBUTIONS | - | - | - | - | - | - | - | - | - | - | - |
| CIGARETTE TAX | - | - | - | - | - | - | - | - | - | 25,839 | 25,839 |
| ALCOHOL TAX | - | - | - | - | - | - | - | - | - | 3,152 | 3,152 |
| BAIL BOND AND PRIVATE UNIVERSITY FEES | - | - | - | - | - | - | - | - | 626 | - | 626 |
| PENSION RELIEF STATE APPROPRIATION | - | - | - | - | - | - | - | - | - | 136,000 | 136,000 |
| LOTTERY PROCEEDS | - | - | - | - | - | - | - | - | - | 30,000 | 30,000 |
| TOTAL CONTRIBUTIONS | 489,179 | 170,601 | 20,859 | 6,266 | 1,438 | 1,146 | - | - | 626 | 194,991 | 885,105 |
| INVESTMENT INCOME/LOSS | | | | | | | | | | | |
| INVESTMENT INCOME/LOSS | 1,344,183 | 356,195 | 24,892 | 7,120 | 2,734 | 2,237 | 466 | 529 | 227 | 11,939 | 1,750,524 |
| SECURITIES LENDING INCOME | 9,601 | 2,816 | 195 | 57 | 21 | 9 | 3 | 8 | 4 | - | 12,714 |
| LESS INVESTMENT INCOME | - | - | - | - | - | - | - | - | - | - | - |
| SECURITIES LENDING EXPENSES | (2,899) | (849) | (59) | (17) | (6) | (3) | (1) | (2) | (1) | - | (3,838) |
| OTHER INVESTMENT EXPENSES | (53,342) | (20,395) | (1,406) | (411) | (154) | (1) | (50) | (10) | (5) | (28) | (75,801) |
| NET INVESTMENT INCOME | 1,297,543 | 337,766 | 23,622 | 6,749 | 2,595 | 2,243 | 419 | 525 | 225 | 11,912 | 1,683,600 |
| OTHER ADDITIONS | | | | | | | | | | | |
| INTERGOVERNMENTAL TRANSFERS | 2,339 | 237 | 60 | 9 | - | - | - | - | - | - | 2,644 |
| MISCELLANEOUS INCOME | 61 | 90 | - | - | - | 25 | - | - | - | - | 176 |
| TOTAL OTHER ADDITIONS | 2,401 | 327 | 60 | 9 | - | 25 | - | - | - | - | 2,820 |
| TOTAL ADDITIONS (REVENUE) | 1,789,123 | 508,694 | 44,541 | 13,024 | 4,032 | 3,414 | 419 | 525 | 852 | 206,903 | 2,571,526 |
| EXPENSES (DEDUCTIONS) | | | | | | | | | | | |
| BENEFITS | | | | | | | | | | | |
| PENSION AND DISABILITY BENEFITS | 579,711 | 62,349 | 15,470 | 3,150 | 1,163 | - | 357 | - | - | - | 662,199 |
| DEATH, SURVIVOR, FUNERAL BENEFITS | - | 564 | - | - | - | - | - | - | 450 | 450 | 1,464 |
| DISTRIBUTIONS | | | | | | | | | | | |
| DISTRIBUTIONS OF CONTRIBUTIONS AND INT | 39,632 | 2,304 | - | 31 | 80 | 802 | - | - | - | - | 42,850 |
| INTERGOVERNMENTAL TRANSFERS OTHER R | 5,837 | - | - | - | - | - | - | - | - | - | 5,837 |
| PENSIONS RELIEF DISTRIBUTIONS | - | - | - | - | - | - | - | - | - | 213,035 | 213,035 |
| LOCAL UNIT WITHDRAWALS | - | - | - | - | - | - | - | - | - | 96 | 96 |
| ADMINISTRATIVE EXPENSES | 24,959 | 1,864 | 104 | 72 | 55 | 33 | 36 | - | - | 58 | 27,182 |
| TOTAL DEDUCTIONS | 650,139 | 67,082 | 15,574 | 3,253 | 1,297 | 836 | 393 | - | 450 | 213,639 | 952,664 |
| NET INCREASE (DECREASE) | 1,138,984 | 441,612 | 28,967 | 9,770 | 2,735 | 2,578 | 27 | 524 | 402 | (6,737) | 1,618,862 |
| BEGINNING NET ASSETS HELD IN TRUST FOR | | | | | | | | | | | |
| PENSION BENEFITS | 9,442,336 | 2,591,674 | 179,428 | 51,404 | 19,696 | 19,778 | 3,369 | - | - | - | 12,307,684 |
| FUTURE DEATH BENEFITS | - | - | - | - | - | - | - | 6,566 | 2,842 | - | 9,408 |
| STATE AND LOCAL UNITS | - | - | - | - | - | - | - | - | - | 105,441 | 105,441 |
| ENDING NET ASSETS HELD IN TRUST | 10,581,319 | 3,033,285 | 208,395 | 61,174 | 22,431 | 22,356 | 3,395 | 7,090 | 3,244 | 98,704 | 14,041,395 |

TRF Statement of Changes in Net Assets

INDIANA STATE TEACHERS' RETIREMENT FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED JUNE 2010
 (\$ rounded to thousands)

Additions:

| | |
|--|----------------------------|
| Contributions: | |
| Member Contributions | \$ 131,676 |
| Employer Contributions | 849,854 |
| Employer Contributions - Pension Stabilization Fund | <u>30,000</u> |
| Total Contributions | \$ 1,011,530 |
| Investment Income: | |
| Net Appreciation/(Depreciation) in Fair Value of Investments | 802,260 |
| Interest and Dividends Income | 204,202 |
| Securities Lending Income | 2,460 |
| Investment Expenses: | |
| Investment Fees | (42,892) |
| Securities Lending Fees | <u>(475)</u> |
| Net Investment Income/(Loss) | 965,555 |
| Other Additions: | |
| Transfer from Public Employees' Retirement Fund | <u>5,510</u> |
| Total Additions | <u>\$ 1,982,595</u> |

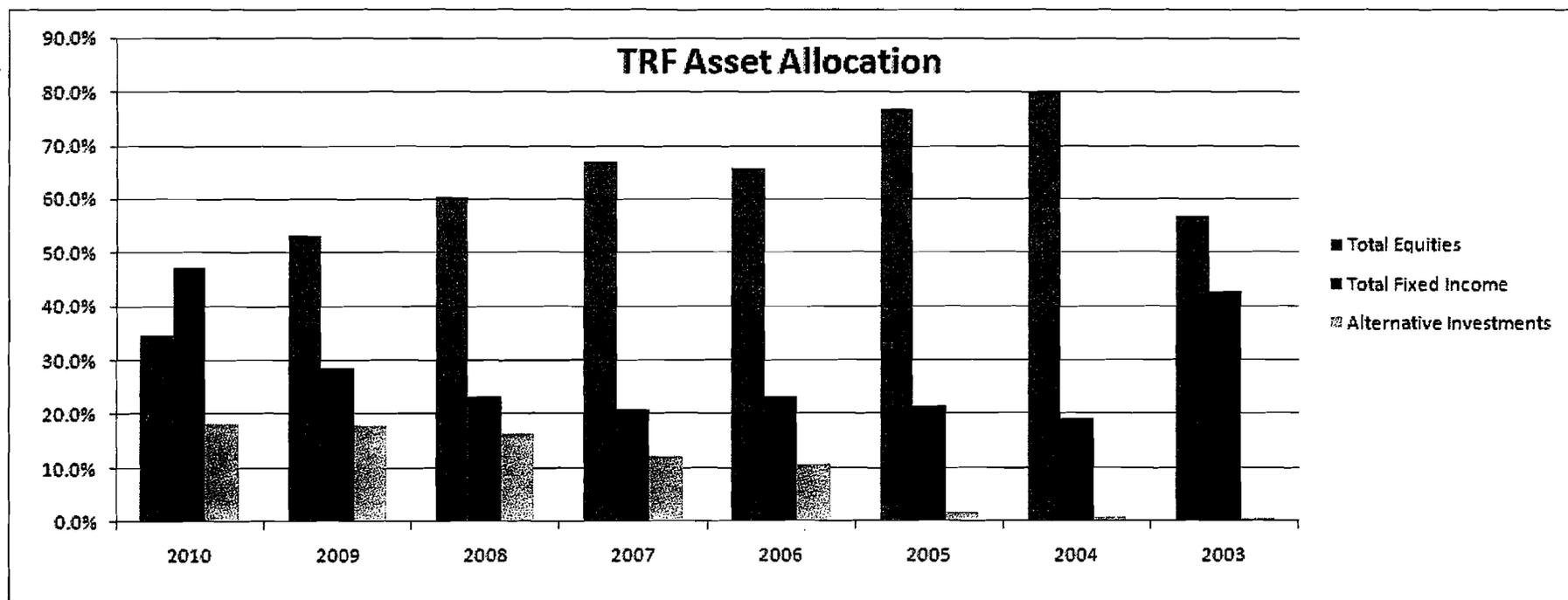
Deductions:

| | |
|---|----------------------------|
| Pension and Disability Benefits | \$ 1,017,104 |
| Distributions of Contributions and Interest | 10,448 |
| Administrative Expenses | 7,862 |
| Project Expenditures | 2,884 |
| Depreciation and Amortization Expense | 330 |
| Transfer to Public Employees' Retirement Fund | <u>2,339</u> |
| Total Deductions | <u>\$ 1,040,967</u> |
| Net Incr/(Decr) in Net Assets Held In Trust for Pension Benefits | <u>\$ 941,628</u> |

| | |
|--------------------------------|--------------|
| Net Assets - Beginning of Year | \$ 7,199,139 |
| Net Assets - End of Period | \$ 8,140,767 |

TRF DB Asset Allocation

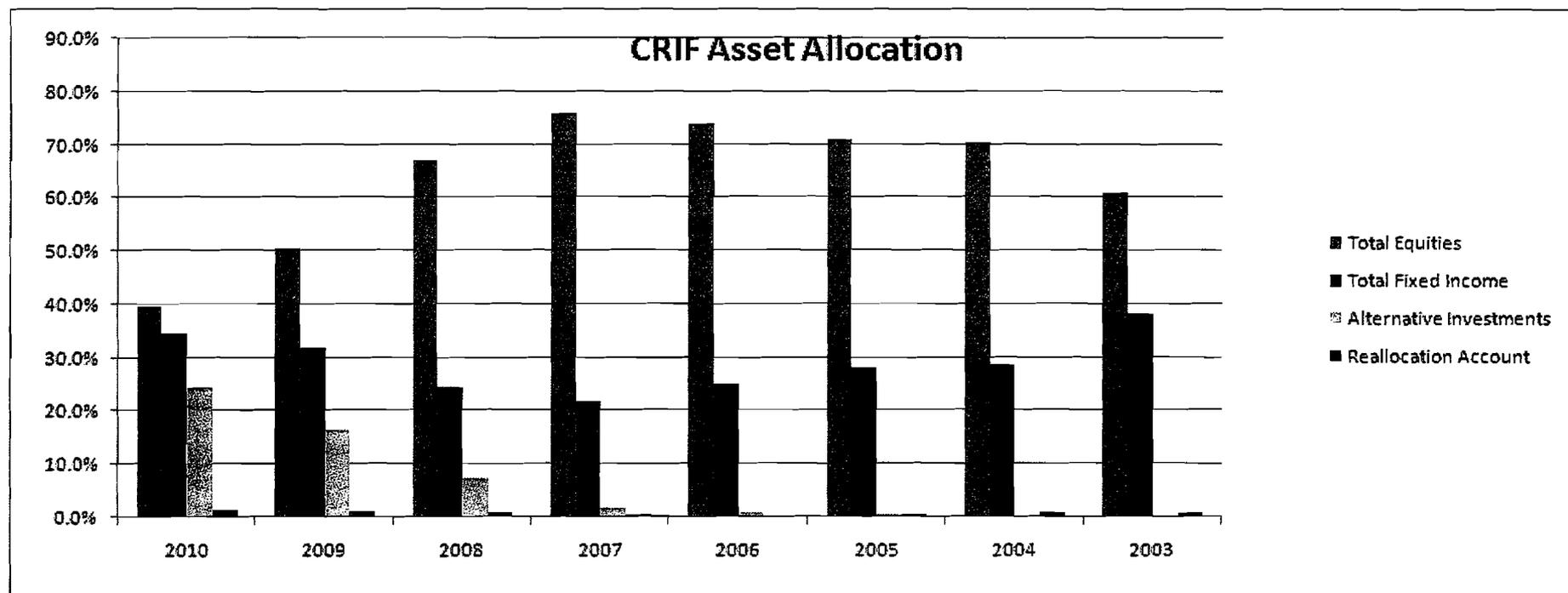
| | 6/30/2010 | 6/30/2009 | 6/30/2008 | 6/30/2007 | 6/30/2006 | 6/30/2005 | 6/30/2004 | 6/30/2003 |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Equities | 34.7% | 53.2% | 60.3% | 66.9% | 65.9% | 76.8% | 79.9% | 56.8% |
| Total Fixed Income | 47.3% | 28.8% | 23.4% | 20.8% | 23.2% | 21.5% | 19.2% | 42.7% |
| Alternative Investments | 18.1% | 18.0% | 16.3% | 12.3% | 10.9% | 1.7% | 0.9% | 0.5% |



PERF CRIF Asset Allocation

| | 6/30/2010 | 6/30/2009 | 6/30/2008 | 6/30/2007 | 6/30/2006 | 6/30/2005 | 6/30/2004 | 6/30/2003 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Equities | 39.7% | 50.5% | 67.3% | 76.2% | 74.0% | 71.2% | 70.5% | 61.1% |
| Total Fixed Income | 34.6% | 31.9% | 24.6% | 21.9% | 25.3% | 28.1% | 28.6% | 38.1% |
| Alternative Investments | 24.5% | 16.5% | 7.3% | 1.6% | 0.6% | 0.3% | 0.1% | 0.0% |
| Reallocation Account¹ | 1.2% | 1.1% | 0.8% | 0.3% | 0.1% | 0.4% | 0.8% | 0.8% |

¹The Reallocation Account consists of residual cash within the Fund



PMOC

PERF / TRF

**Pension Management Oversight Committee
2010 Proposals**

Technical Correction

PMOC

1977 Fund

1977 Fund Technical Correction

2011 Proposed Legislation

Synopsis:

In 1998, the General Assembly changed the age within IC 36-8-8-13.3 used for calculating the pre-1990 disability benefits from age 55 to age 52. A corresponding change was never made to Section 12, which left the age at 55.

Reasons for Change:

- This change is a technical correction to bring the 1977 disability benefit provision in alignment with its other provisions the General Assembly amended.

Objective:

- Amend IC 36-8-8-12 to change reference to "fifty-five (55) years of age" to "fifty-two (52) years of age" in order to provide consistency within the code provision.

Fiscal Impact:

- None

Technical Correction

PMOC

JRS 1985 Fund

JRS Magistrate Service Purchase

2011 Proposed Legislation

Synopsis:

Magistrates who become participants in the 1985 JRS can purchase prior magistrate service covered by PERF. Purchased service will be transferred from PERF to the 1985 JRS. Currently, the law says any service as a full-time magistrate will be waived under PERF. The statute should say any service as a full-time magistrate which was purchased for use in the JRS will be waived in PERF.

Reasons for Change:

- Technical correction.
- Make equitable for members.
- Align with past practice of other service purchase provisions in other plans.

Objective:

- Amend IC 33-38-8-22.5 to provide that the service referenced within the statute refers to **purchased** service.

Fiscal Impact:

- None

Technical Correction

PMOC

JRS 1977 Fund

JRS Technical Correction

2011 Proposed Legislation

Synopsis:

IC 33-38-7-16 contains an outdated reference to the Internal Revenue Code.

Reasons for Change:

- Technical correction.
- The IRS requested that PERF add language to clarify the reference in question.
- To clarify state law as to changes made to the IRS Code.

Objective:

- Clarify IC 33-38-7-16 to read "without regard to Section 415(b)(2)(F) as it existed prior to the year 2001."

Fiscal Impact:

- None

Technical Correction

PMOC

PARF

Prosecuting Attorneys' Retirement Fund (PARF) Non-Code Provision

2011 Proposed Legislation

Synopsis:

Current 2006 non-code provision provides that PARF members who are serving on or after July 1, 2006, have an eight year vesting period, but members serving before July 1, 2006, have a ten year vesting period.

Reasons for Change:

- Technical correction.
- This change is a technical correction to make an important difference more visible.

Objective:

- Codify non-code provision 2006-33-4, so that members serving before July 1, 2006 can easily locate PARF vesting requirements.
- Current language:
2006-33-4
SECTION 4. IC 33-39-7-15, IC 33-39-7-16, and IC 33-39-7-19, all as amended by this act, apply to a participant in the prosecuting attorneys retirement fund who:
 - (1) is serving on July 1, 2006; or
 - (2) begins service after July 1, 2006;in a position described in IC 33-39-7-8.

Fiscal Impact:

- None

Technical Correction

PMOC

PARF

Prosecuting Attorneys' Retirement Fund (PARF) Benefit

2011 Proposed Legislation

Synopsis:

Members are not permitted to earn "double" service credit. Current law does not explicitly state that a PARF member is not entitled to a PARF and PERF benefit for the same years of service credit.

Reasons for Change:

- Technical correction.
- Clarify law to align with all other plan provisions.

Objective:

- Amend IC 33-39-7 to specifically provide that while a PARF member is also in PERF, a PARF member is not entitled to receive a separate and distinct PERF benefit for the same years of service.

Fiscal Impact:

- None

Technical Correction

PMOC

TRF

Employer Accounts

2011 Proposed Legislation

Synopsis:

Section 6 of SEA 30 made a technical correction to IC 5-10.4-2-6. This same correction needed to be made to IC 5-10.2-2-6.

Reasons for Change:

- Technical correction due to an SBOA finding.

Objective:

- Clarify IC 5-10.2-2-6 to provide that TRF does not maintain separate accounts for each employer.

Fiscal Impact:

- None

Technical Correction

PMOC

1977 Fund; C&E Fund; 1985 JRS Fund

Small Fund ER Contribution Time Period

2011 Proposed Legislation

Synopsis:

Two years ago, the law was changed mandating employers submit contributions on a payroll basis, electronically. Current law provides that the 1977 Fund, the C&E Fund, and the 1985 JRS Plan receive employer contributions on a quarterly basis. This will align all the plans, so the employers will not have multiple different contribution reporting criteria.

Reasons for Change:

- Technical correction.
- Align with change made to PERF two years ago.

Objective:

- Amend IC 36-8-8-6 to provide that local units who are members of the 1977 Fund must pay PERF contributions on a payroll basis.
- Amend IC 33-39-7-12 to provide that C&E Fund members' contributions are paid on payroll basis.
- Amend IC 33-38-8-11 to provide that the 1985 Judges' Fund members' contributions are paid on a payroll basis.

Fiscal Impact:

- None

Synopsis:

Current law provides that a member who is age and service eligible for a normal or early retirement cannot withdraw their ASA without taking a retirement.

Reasons for Change:

- To allow members who are eligible for an early retirement to withdraw their ASA without taking their retirement benefit.

Objective:

- Amend IC 5-10.2-3-6.5 to provide that members who are age and service eligible for an early retirement may withdraw their ASA without taking their pension benefit.

Fiscal Impact:

- None

Synopsis:

Current law provides that PERF is required to grant state employee members creditable service credit for up to 4.5 years of service while on long term disability leave. This applies only to the calculation of benefits.

Reasons for Change:

- PERF is giving credit for years not funded.
- PERF expends great time and resources on tracking a state employee member on long-term disability leave and manually must override the system to apply 4.5 years of service credit.
- This benefit only applies to state employees and not employees of political subdivisions causing a disparity in the overall plan.
- Option is to provide up to 4.5 years of eligibility service for purposes of vesting.

Objective:

- Amend IC 5-10.2-3-1(f) to provide that PERF does not award members on disability leave any unfunded PERF service credit, but members may receive eligibility credit.

Fiscal Impact:

- May result in a positive fiscal impact

Synopsis:

Current law mandates that a final order in a 1977 Fund disability appeal be issued within one hundred eighty days (180) after the date of receipt of the local board's determination.

Reasons for Change:

- The current required time period in which to issue a final order is not feasible in all cases, especially in disability cases where written discovery of medical information is necessary, or when there has been a delay by the local board.
- Potential settlement is hindered.
- Administrative Law Judge Uhl requested we lengthen time period to allow ample time to collect and review all pertinent information specific to the case.

Objective:

- Amend IC 36-8-8-13.1 to expand the 180 day time period to 360 days.

Fiscal Impact:

- None

Synopsis:

Interest rates for the small PERF funds are set by statute. This does not allow the Board to make changes in the interest rate(s) credited to the member, based on actuarial determinations and/or economic climate.

Reasons for Change:

- Provides the Board with flexibility to change interest rates by board rule.
- Allows the Board to be more responsive to the current economic climate.

Objective:

- Amend IC 36-8-8-8(b), IC 5-10-5.5-1(i), IC 33-38-7-13(b), IC 33-38-7-14(b), IC 33-38-8-12(b), IC 33-38-8-19(b), and IC 33-39-7-13(a)(2) to provide that all interest rates are set by rule by the PERF Board using parameters defined by the General Assembly.

Fiscal Impact:

- None

Synopsis:

Current law explicitly allows PERF members a Second Retirement.

Reasons for Change:

- To align PERF with the current law governing TRF.

Objective:

- Repeal IC 5-10.2-4-9 and IC 5-10.2-4-10.
- Amend IC 5-10.2-4-8 to eliminate Second Retirements for PERF members.
- Language will mirror current law, within IC 5-10.2-4-8, which eliminates Second Retirements for TRF.

Fiscal Impact:

- None; May result in a small administrative savings

Exhibit 4

| PMOC Proposals 2010 PERF/TRF | | | | | | | |
|------------------------------|--|------|-----|-----------------------------------|----------------------|-----|--|
| Pg | Proposed Change | PERF | TRF | Fiscal Impact | Technical Correction | IRS | Brief Summary |
| 1 | 1977 Fund Technical Correction | X | | none | X | | To bring the 1977 disability benefit provision (IC 36-8-8-12) in alignment with other provisions amended by the General Assembly |
| 2 | JRS Magistrate Service Purchase | X | | none | X | | Amend IC 33-38-8-22.5 to provide that the service referenced within the statute refers to purchased service |
| 3 | JRS Technical Correction | X | | none | X | X | To clarify IC 33-38-7-16 as to changes made to the IRS Code |
| 4 | PARF Non-Code Provision | X | | none | X | | Codify non-code provision 2006-33-4, so that members serving before July 1, 2006 can easily locate PARF vesting requirements |
| 5 | PARF Benefit | X | | none | X | | Amend IC 33-39-7 to specifically provide that while a PARF member is also in PERF, a PARF member is not entitled to receive a separate and distinct PERF benefit for the same years of service |
| 6 | Employer Accounts | | X | none | X | | Clarify IC 5-10.2-2-6 to provide that TRF does not maintain separate accounts for each employer |
| 7 | Small Fund ER Contribution Time Period | X | | none | X | | In order to bring all three funds into alignment with PERF and to implement ERM, amend the IC to provide that employers must submit contributions on a payroll basis |
| 8 | ASA Withdrawal | X | X | none | | | Amend IC 5-10.2-3-6.5 to allow members eligible for early retirement to withdraw their ASA without taking their pension benefit |
| 9 | Eliminate Unfunded Service Credit | X | | may result in positive impact | | | Amend IC 5-10.2-3-1(f) to provide that PERF does not award members on disability leave any unfunded PERF service credit, but members may receive eligibility credit |
| 10 | Final Order Time Period | X | | none | | | Amend IC 36-8-8-13.1 to expand the 180 day time period for 1977 Fund disability appeals to 360 days |
| 11 | Small Fund Interest Rates | X | | none | | | Amend IC to provide that all small fund interest rates are set by rule by the PERF Board using parameters defined by the General Assembly |
| 12 | Second Retirements | X | | none; may result in admin savings | | | Remove Second Retirement option for PERF members: eliminate administrative problems; align PERF with current law governing TRF |



THOMAS H. MILLER

GENERAL SECRETARY TREASURER

INTERNATIONAL ASSOCIATION OF FIREFIGHTERS

Mr. Chairman and PMOC Committee Members,

Tom Hanify, President of the PFFUI, has asked me to give you a little history of the Police/Fire Pensions in the state of Indiana.

The original fire pension act was established in 1905, funded by a mill tax. A Police pension was established in 1925. In 1937, "Pension reform" came about and a new system for firefighters was established. The funding was removed and the "fund" was put on a pay as you go method. In 1953 the Indianapolis Police pension system was established. In the mid to late sixties, the Indiana Chamber of Commerce, IACT and others urged the Indiana General Assembly to "run the numbers" on the liability of the "old" police and fire pension acts. What they found absolutely astounded them. The liability was in the billions of dollars. For the next several years, there was a huge fight between the Public Safety employee organizations, the Chamber, IACT and the legislature. I was appointed to the Indianapolis Fire Department in May 1968. As you might expect, this was the main topic of conversation at every fire house and police station in Indiana. Senator Joseph Harrison (R-Attica) was the champion of reforming the pensions. As we all know, even today any elected official that advocates reform is subject to a lot of criticism. But he persevered. His leadership led to passage in May 1977 of a new pension act for anyone hired after May 1st. With that came a cigarette tax (4.5 cents/pack), 4% on alcohol, and later, \$30 million of lottery funds. These monies were collected by the state and distributed back to local governments on a per-capita basis for help with the liability of the "old" pension acts.

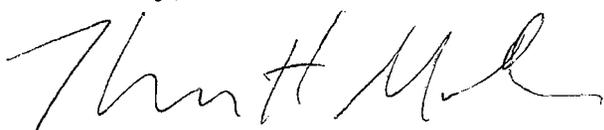
Today, with defined benefit plans under attack all across America, Indiana stands tall with the 77 Plan at or around 100% funding. Along the way,

Senator Harrison and others created the Pension Management Oversight Commission (PMOC), which has been so instrumental in looking at all public pensions in Indiana. Senator Harrison, Rep. Kromkowski and, as luck would have it, their successors Senator Boots and Representative Niezgodski, and for a few years Senator Kruse have made PMOC what it is today. Also, I would be remiss if I didn't mention the creation of the 1977 Police officers and Firefighters Pension Advisory Committee. This committee, comprised of two police officers, two firefighters, two Mayors and two city councilors, has solved many issues over the years that the 77 Fund has faced.

One of the challenges the advisory committee faced was changing the disability system in 1990. This changed how the police and fire pension viewed and addressed both line of duty and non-line of duty disability pensions. Everybody involved wanted to improve the benefits for those who truly sacrificed for their communities without allowing potential abuses of the system. Another change that the advisory committee made was establishing statewide physical and mental exams, which was even enhanced last year through SB 30 which came out of this committee. These are just two of many examples of the great work this committee has done.

A tremendous amount of hard work over the last 33 years has made the 1977 Fund one that we can all be very proud of. I want to personally thank all of the current PMOC members for your continued hard work and commitment to good government. Pensions aren't sexy, but they mean everything to those who work very hard for the citizens of Indiana. Keep up the great work. It has been my great honor and pleasure to work with the Indiana General Assembly for the past 32 years.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas H. Miller". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thomas H. Miller
General Secretary Treasurer
International Association of Firefighters
Washington, DC

Exhibit 6

Pension Management Oversight Commission

Thomas Hanify (PFFUI), Mike Whited, (PFFUI) and Leo Blackwell (FOP)

8/17/2010, 10:00 am

1. **Clarification of the Partial Lump Sum Distribution (PLSD)-**

In the 2010 session of the General Assembly, Senate Bill 30, which was initiated by this commission, was passed. One section of the bill amended IC 36-8-8.5. This served two purposes. First, it gives Police and Fire PERF 77 Fund members another option at retirement and second, it assists local units of government in "right sizing" their police and fire departments in these economic times. The PLSD can be utilized by the member immediately, whereas the DROP requires 1-3 years before implementation.

SB30 now allows Police and Fire 77 Fund members two options: Deferred Retirement Option Plan (DROP) and Partial Lump Sum Distribution (PLSD) We agree, a member cannot be in both DROP and PLSD at the same time as they are two distinct retirement programs. PERF's opinion is that "members who elected the DROP are not eligible for the PLSD." (See IC 36-8-8-2.4a: *This section does not apply to a fund member who elects to enter the DROP (as defined in IC36-8-8.5-4) under IC36-8-8.5*)

In the 2002 General Assembly Senate Bill 60 added new language to IC 36-8-8.5 Deferred Retirement Option Plan (DROP):

Section 36-8-8.5-10

*A member who elects to enter the DROP shall agree to the following:
...(5) The member may make an election to enter the DROP only once in the members lifetime*

Section 36-8-8.5-12e

...the retirement benefits for a member who exits the DROP for any reason other than retirement [or disability] on the members DROP retirement date are calculated under the provisions of the applicable fund as if the member had never entered the DROP.

Summary

We conclude that the DROP and PLSD are two stand alone options. It is clear in the statute that you can only enter the DROP once in your lifetime and if you exit the DROP for any reason other than retirement or disability then you are treated as if you never entered the DROP. PERF's interpretation of the statute takes away the ability for units of government to right-size their departments.

In Gary, Indiana, the city has laid off 5 firefighters in 2010 and expects to lay off 12 additional firefighters in 2011. There are several firefighters in Gary that have exited the DROP and would like to enter into the PLSD. With the option of the PLSD, these firefighters could retire without delay and possibly prevent future layoffs by allowing the city to right-size the department.

2. The need for Public Safety to have a voice and a vote on the PERF Board of Trustees (2010 GA HB1026)

Fire and Police have their own statutorily created public pension plan. This plan, the 1977 Fund, is overseen by the PERF Board of Trustees (the Board) and administered by employees of the Public Employees Retirement Fund (PERF). Several public employee groups have representatives appointed by the Governor, some more than one, on the Board. Public Safety has none.

There is a continuing need for the employees of the 1977 fund to have a voice and vote of on all matters dealing with PERF, especially those of the 1977 Fund. For instance, the Board has the statutory authority to determine and set the annual amount of employer contribution to the 1977 Fund while the General Assembly sets the amount of employee contribution. Since inception of the 1977 Fund employers contributed 22% of salary. Without notice to or input from the employee groups representing members of that fund the Board reduced employer contribution by 1.5%. This was possible due to the relative stability and financial health of that fund. That is due to good investment strategy, effective management, legislative constraint AND the efforts of the employee groups and their representatives. There have been no better stewards of the 1977 Fund than the IAPFF and the FOP.

Recent consolidation of Boards to form a combined Board of Trustees is yet another example of a failure to recognize the needs of employees to representation on the Board.

3. Pre-1990 Line of Duty Disabilities, Favorable Tax Treatment-

Prior to 1990 all 1977 Fund members who suffered a disabling injury, weather job related or not, received a disability pension of the same type, class and percentage. Recognizing the potential for abuse and the potential for

unnecessary waste of 1977 Fund resources, PERF, Cities and Towns, IAPFF and the FOP worked with the General Assembly to revise the governing statutes dealing with the 1977 Fund. This was no easy task, one which required the cooperation of all interested parties. The IAPFF and the FOP led the way because it was the right thing to do.

Today, there are degrees or classes of disability benefits available to members of the 1977 Fund that are determined by the facts leading to the disabling condition. A disability incurred in the line of duty by a fire fighter or police officer receives the highest level of benefit while a purely non-line of duty disability receives the lowest. The Police and Fire 77 Pension Advisory Committee has the statutory duty to review all member requests for line of duty disability and make a determination, based upon the facts, if each such request is truly a line of duty qualifying injury or illness.

The IRS has since determined that, like many other line of duty disabilities from public pension plans for fire fighters and police officers around the country, the post 1990 '77 Fund line of duty determined disability benefits are eligible for the favorable tax free treatment.

The Professional Firefighters Union of Indiana (PFFUI) and the Fraternal Order of Police (FOP) propose to seek legislative change that would allow pre-1990 true line of duty members on disability to apply to PERF for review, to be screened by the PERF Advisory Committee and, if approved as qualifying, receive the same IRS favorable tax treatment. This of course would dependent upon an IRS ruling approving of the process and granting those qualifying the same favorable federal tax treatment as those receiving post 1990 line of duty disability benefits.

Tom Hanify
Professional Fire Fighters
Union of Indiana
317-450-1381
Hanify@indy.rr.com

Leo Blackwell
Fraternal Order of Police
(317) 402-8070
ltb@rucklaw.com

Mike Whited
Professional Fire Fighters Union of Indiana
765-744-5853
mwtattoo@hotmail.com