PENSION MANAGEMENT OVERSIGHT COMMISSION

Legislative Services Agency
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MEETING MINUTES[1]

Meeting Date:	**October 17, 2012**
Meeting Time:	**10:30 A.M.**
Meeting Place:	**State House, 200 W. Washington St., Room 431**
Meeting City:	**Indianapolis, Indiana**
Meeting Number:	**3**

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

Members Absent: **Rep. Win Moses; Sen. Lindel Hume; Sen. Karen Tallian.**

Representative Woody Burton, Chairperson, called the meeting to order at 10:35 a.m.

Consideration of Post-Retirement Benefit Adjustments for Members of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF), including Cost of Living Adjustments (COLAs), Thirteenth Checks, and Minimum Monthly Benefits

(1) Joint Recommendation of the Indiana Retired Teachers Association (IRTA) and the Retired Indiana Public Employees Association (RIPEA)(Exhibit A)

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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.

Doug Kinser, Hall, Render, Killian, Heath & Lyman, representing RIPEA, and Nancy Tolson, IRTA Past President, representing IRTA, discussed IRTA and RIPEA's joint recommendation concerning post-retirement benefit adjustments for members of PERF and TRF.

Mr. Kinser stated that a two-pronged attack, consisting of both a COLA and a thirteenth check, is best. It doesn't matter whether these two adjustments are in two separate bills or combined into a single bill. He is looking for fairness for the 100,000 plus members of IRTA and RIPEA. A COLA is more favorable for retirees who are younger or were higher paid employees. A thirteenth check is better for retirees who were lower paid employees. Fairness requires that both be included in any adjustment.

He mentioned that thirteenth checks have been used by the General Assembly since the 1990's, and COLAs have been in use even longer. Historically, COLAs have not been used as frequently as thirteenth checks. He briefly noted that the Social Security COLA for 2013 is 1.7%, which follows a couple of years without a COLA.

Mr. Kinser suggested that any COLA enacted by the General Assembly be graduated to help older, longer retired members recover purchasing power. If there is a COLA, perhaps a minimum benefit is not necessary. IRTA and RIPEA would appreciate the Commission's consideration this year.

Ms. Tolson presented the example of Alice, who retired in 1977 with a final average salary of $13,800. IRTA members are excited about and support this new concept in order to assist retirees like Alice. Ms. Tolson expressed appreciation for the Commission's willingness to study the topic.

<u>(2) Report from Commission Members Senator Walker, Senator Tallian, Representative Thompson, and Representative Niezgodski, including Consideration of Preliminary Draft (PD) 3292 - Public Employee Pension Benefit Adjustments (Exhibit B)</u>

Representative Thompson reported that he and Representative Niezgodski, Senator Walker, and Senator Tallian met two weeks ago and discussed the formula that is outlined in PD 3292. He explained that the formula is a hybrid that includes both years of service and the amount of a retiree's benefit. Historically, thirteenth checks are based on years of service, and COLAs are based on the amount of the benefit. The formula has flexibility with the Step 5 multiplier and the $10 amount in Step 1, both of which are placeholders. The formula is not exactly what should be enacted, because the cost of the adjustment is not yet approved. The numbers in the formula will change depending on the amount approved. He believes this approach over time will correct the problem of low benefit amounts paid to long-serving retirees.

Representative Niezgodski thanked Representative Thompson for his hard work on this topic. Everyone is attempting to find a way to deal with the needs that are out there even if the funds for benefit increases are not what is hoped for. He discussed his research as to who receives a minimum benefit and how that correlates with length of service. He stressed the General Assembly's need to address retirees' loss of purchasing power.

Senator Walker thanked Representative Niezgodski, Representative Thompson, and Senator Tallian, and discussed how they reached consensus on PD 3292. They concluded that the greatest concern is the loss of purchasing power and will work to educate other members of the General Assembly about how this new formula addresses that concern. He encouraged further consideration of PD 3292.

Representative Burton mentioned that Senator Tallian was unable to attend today's meeting. He complimented Representative Thompson, Representative Niezgodski, Senator Walker, and Senator Tallian on their work.

Senator Boots asked whether PD 3292 provides for an automatic COLA every year starting in 2014. Representative Thompson responded that the adjustment could be a COLA, thirteenth check, or a combination. Senator Walker added that although PD 3292 would compute an adjustment every year, changing the number in Step 5 allows the General Assembly to reduce or eliminate the amount.

Senator Boots is concerned that PD 3292 would put the General Assembly in the position of denying a COLA rather than granting one. He argued that, even though the PD 3292 formula could be amended every year to reduce or eliminate a benefit adjustment, PD 3292 would create a different perception from what currently exists. The General Assembly would be perceived as denying a COLA, instead of providing one. This is a divergence from how the General Assembly has handled increases in the past. He applauds the efforts that went into preparing PD 3292, but personally doesn't like the concept.

Representative Niezgodski said that PD 3292 is simply a model for the General Assembly to use that addresses all of the needs that were identified during their discussions. The General Assembly will still have to figure out the amount of the benefit adjustments, and Commission members will continue to work on the issue every year.

Senator Walker suggested that reducing the need for and the cost of preparing several actuarial reports each year is another benefit to creating a template. The template would give the General Assembly the ability to control costs by changing the numbers in the formula.

In response to a question by Representative Niezgodski, Mr. Kinser indicated that IRTA and RIPEA are open to considering the formula approach, although they don't fully understand the proposed formula, especially Step 5.

Andrew Thomas, IRTA Executive Director, added that he views the formula approach as a further consolidation of the benefit adjustment process. PERF and TRF used to have separate COLA bills until they were asked to have one bill. The formula will simplify the process and minimize the expense of continuous actuarial studies.

Commission Member Gary Lewis asked whether the formula ought to be based on a retiree's years in retirement instead of years of service. Representative Thompson said that they considered this question and decided that using a retiree's years of service was more fair. Senator Walker suggested that the formula shouldn't be too complicated, and he isn't in favor of adding additional factors.

Steve Buschmann of Thrasher, Buschmann & Voelkel, P.C., representing the Indiana State Police Alliance, expressed the hope that the State Police1987 Plan could be considered for the same kind of formula, because the Plan's benefit amounts are frozen with the exception of a few thirteenth checks and COLAs.

Commission Member Kip White applauded the work behind PD 3292. He thinks the formula is a very simple and brilliant approach, although he is confused by Step 5. He would prefer adding language that requires General Assembly to take action each year in order to remove the concept of an automatic adjustment.

Senator Boots asked whether the formula approach changes the funds' actuarial status. Julia Pogue, Chief Financial Officer of the Indiana Public Retirement System (INPRS), said there is a possibility that the formula approach could change the actuarial funding. New rules issued by the Government Accounting Standards Board (GASB) require that both automatic and ad hoc COLAs be included in the funds' valuations. INPRS would have to work with the State Board of Accounts (SBOA) to determine the impact of the formula approach on the funding and valuation, and that depends on the way the legislation is drafted. PD 3292 says that something will be given every year, either as a COLA or a thirteenth check. If there is a possibility of the General Assembly awarding a COLA each year, the issue is whether that possibility requires funding for an annual COLA, which would have a substantial impact on the valuations. If the adjustment is treated as a thirteenth check, that would have a favorable impact on the valuations. Ms. Pogue was uncertain whether GASB requires INPRS to assume the most costly funding option in this situation.

Representative Thompson suggested changing the PD 3292 language to make it clear the benefit adjustment applies only to one year to eliminate the valuation issues while leaving the model and structure in place. He suggested changing Step 5 of the formula from one to zero after December 31, 2014. The Commission adopted the amendment by consent.

The Commission also adopted by consent an amendment to have the formula apply to monthly benefits payable after June 30, 2013, rather than after June 31, 2014, so that the funding can be included in the next biennial budget.

The Commission voted 8-1 to recommend PD 3292, as amended, for introduction in the 2013 session of the General Assembly.

Consideration of Preliminary Draft (PD) 3150 - Alignment of the Provisions of the Prosecuting Attorneys' Retirement Fund (PARF) with the Provisions of the Judges' Retirement System (Exhibit C)

Dan Paliganoff, Legislative Services Agency, Attorney for the Commission, described a proposed amendment to PD 3150 (Exhibit D) that would remove the following provisions that have the greatest fiscal impact:

(1) The addition of a county supplement to the prosecutors' state salary for purposes of computing a retirement benefit. [SECTION 1 of PD 3150]
(2) Eligibility for retirement at age 55, if the Rule of 85 is met. [SECTIONS 3, 4, and 5]
(3) The use of partial years of service in computing a retirement benefit. [SECTIONS 4 and 6]
(4) The use of a retirement benefit reduction factor of 0.1% per month for early retirement. [SECTION 4] (Currently, the factor is 0.25%.)
(5) The computation of a disability benefit at 50-60% of salary. [SECTION 6] (Currently, 40-50% of salary is used.)
(6) The elimination of the early retirement benefit reduction factor in computing disability and survivor benefits. [SECTION 4]

Representative Burton reported that he understands that Representative McMillin will author the full PARF legislation during the session, so the Commission's recommendation will be limited to the nonfiscal portions of the bill.

Senator Boots agrees that the judges and prosecutors retirement benefits should be on par, but pledges to work to make changes to the Judges' Retirement System. He applauds efforts to align both funds, but thinks there is a better way than this amendment to do that.

The Commission adopted Exhibit D by consent and unanimously recommended PD 3150, as amended, for introduction in the 2013 session of the General Assembly.

Consideration of Proposed Recommendation concerning Post-Retirement Benefit Adjustments for PERF and TRF Retiree Benefits (Exhibit E)

Representative Burton reviewed proposed language for the Commission's final report that would provide to the chairpersons of the Indiana House Ways and Means Committee and the Indiana Senate Appropriations Committee:

(1) a finding that a COLA, thirteenth check, and minimum monthly benefit are all positive and viable methods to adjust PERF and TRF retiree benefits;
(2) a recommendation that the decision as to how to adjust PERF and TRF retiree benefits be left to the General Assembly's discretion at the time of its next regular session; and
(3) copies of PD 3080, PD 3082, and PD 3095.

The Commission unanimously recommended that the proposed language of Exhibit E be included in the Commission's final report.

Consideration of PD 3271 - INPRS Administrative Matters (update of PD 3036 recommended by the Commission during its August 30, 2012, meeting) (Exhibit F)

Representative Burton reviewed language added to PD 3036 to address Senator Tallian's concerns about the determination of the amount that may be taken from a PERF or TRF member's account to compensate an employer for the member's criminal taking when the member pleads guilty to an offense. The new language requires that the amount be proven by an order for restitution in favor of the employer issued by the sentencing court.

The Commission unanimously recommended PD 3271 for introduction in the 2013 session of the General Assembly.

Determination of Authors for PDs Recommended by the Commission during its August 30, 2012, Meeting

(1) PD 3097 - Reporting of Local Pension and Retirement Plan Data by Political Subdivisions (Exhibit G)

Senator Walker agreed to be the author of PD 3097.

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

Representative Niezgodski agreed to be the first author, and Representative Burton the second author, for PD 3035.

Consideration of Draft Final Report (Exhibit I)

The Commission unanimously accepted the draft final report with the understanding that actions taken during today's meeting will be included in the Commission's final report.

Adjournment

Representative Burton thanked Commission members and other participants for their work during the interim.

The Chairperson adjourned the meeting at 11:50 a.m..

Joint Recommendation
of
IRTA & RIPEA
to
PMOC

At the request of PMOC, representatives named below of Indiana Retired Teachers Association (IRTA) and Retired Indiana Public Employees Association (RIPEA) met, and agreed to the following joint recommendation for legislative consideration in 2013. If this recommendation is implemented we believe it alleviates the necessity of an increased minimum defined benefit in the 2012-2013 session.

- A COLA based on the loss of purchasing power, as compared to the Consumer Price Index, of TRF and PERF retirees calculated on 5 year intervals from retirement, i.e. 0-5 years, 5-10 years, 10-15 years, and longer. We are open to the number of percentage increases and not necessarily tied to 5 year intervals.* The longer a person has been retired the greater loss of purchasing power and therefore the higher percentage increase in their benefit.
- A reduced 13th check based on years of service at retirement:

5-10 years-	$50.00
10-20 years-	175.00
20-30 years-	275.00
30 + years-	350.00

*The variable COLA concept was implemented originally by Senator Morris Mills and carried on by other legislators (from 1994-2008) and recommended currently by Senator Mills as a RIPEA board member. We are available to meet with or respond to questions.

Submitted by:

Nancy Tolson-IRTA	317-241-8764
Ray Jones-IRTA	317-736-7782
Doug Kinser-RIPEA	317-977-1454
Bill Murphy-RIPEA	317-789-0244

EXHIBIT A
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #3 - OCTOBER 17, 2012

PRELIMINARY DRAFT
No. 3292

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.2-5-44.

Synopsis: Public employee pension benefit adjustments. Establishes a formula for annual postretirement benefit adjustments for members, survivors, and beneficiaries of the public employees' retirement fund (PERF) and the Indiana state teachers' retirement fund (TRF).

Effective: July 1, 2013.

EXHIBIT B
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #3 - OCTOBER 17, 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) This section applies to an individual who receives a monthly benefit payable after June 30, 2014, as:**

(1) a member of the public employees' retirement fund or the Indiana state teachers' retirement fund; and

(2) a survivor or beneficiary of a member described in subdivision (1).

(b) The adjustment in the amount paid by a fund to a member after June 30 each year shall be determined, not later than December 1 of the immediately preceding year, in STEP FIVE of the following formula:

STEP ONE: Multiply ten dollars ($10) by the lesser of:

(A) the number of years of creditable service used to compute the member's retirement benefit under IC 5-10.2-4-4; or

(B) thirty (30) years.

STEP TWO: Multiply the pension portion (plus postretirement increases to the pension portion) of the monthly retirement benefit provided by employer contributions paid to the member on July 1 of the immediately preceding year by twelve (12).

STEP THREE: Multiply the lesser of:

(A) the product determined by STEP TWO; or

(B) thirty thousand dollars ($30,000);

by one percent (1%).

STEP FOUR: Add:

(A) the product determined in STEP ONE; and

(B) the product determined in STEP THREE.

STEP FIVE: Multiply the sum determined in STEP FOUR by one (1).

(c) The adjustment determined under subsection (b) may be paid by either of the following methods as determined by the general assembly each year:

(1) In twelve (12) equal installments as an increase in the pension portion (plus postretirement increases to the pension portion) provided by employer or state contributions of the monthly retirement benefit.

(2) As a one (1) time lump sum amount that is not an increase in the pension portion of the monthly retirement benefit.

(d) If the adjustment determined under subsection (b) is payable as an increase in the pension portion of the monthly retirement benefit, the adjustment:

(1) applies to a monthly benefit payable after June 30;

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

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

(e) If the adjustment determined under subsection (b) is payable as a one (1) time lump sum amount, the fund shall pay the adjustment amount not later than July 1 each year.

(f) If two (2) or more survivors or beneficiaries of a member are entitled to an amount paid under subsection (e), the amount shall be allocated to the survivors or beneficiaries in share using the same 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.

PRELIMINARY DRAFT
No. 3150

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 33-39-7.

Synopsis: Prosecuting attorneys retirement fund. Changes various provisions of the prosecuting attorneys retirement fund law to incorporate features that are the same as or similar to features found in the 1985 judges' retirement system, including the retirement benefit, the disability benefit, limiting the participant contribution period to 22 years, and allowing a participant to designate the participant's children to receive the participant's survivor benefit.

Effective: July 1, 2013.

EXHIBIT C
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #3 - OCTOBER 17, 2012

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

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

SECTION 1. IC 33-39-7-7 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 7. As used in this chapter, "salary" means the salary paid to a participant by the state **or a county,** determined without regard to any salary reduction agreement established under Section 125 of the Internal Revenue Code. ~~The term does not include an amount paid to a participant by a county or counties.~~

SECTION 2. IC 33-39-7-12, AS AMENDED BY P.L.13-2011, SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 12. (a) Except as **otherwise** provided in ~~subsection (b),~~ **this section,** each participant shall make contributions to the fund as follows:

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

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

A participant's contributions shall be deducted from the participant's monthly salary by the auditor of state and credited to the fund.

(b) The state may pay the contributions for a participant. **The state may elect to pay the contribution for the participant as a pickup under Section 414(h) of the Internal Revenue Code.**

(c) After a participant has contributed to the fund as provided in subsection (a) for twenty-two (22) years, the participant is not required to make additional contributions to the fund.

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

SECTION 3. IC 33-39-7-15, AS AMENDED BY P.L.33-2006,

SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 15. A participant whose employment in a position described in section 8 of this chapter is terminated is entitled to a retirement benefit computed under section 16 or 18 of this chapter, beginning on the date specified by the participant in a written application, if all of the following conditions are met:

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

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

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

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

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

(2) The participant:

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

~~(B) meets the requirements for disability benefits under section 17 of this chapter.~~

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

(C) has become permanently disabled.

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

SECTION 4. IC 33-39-7-16, AS AMENDED BY P.L.16-2011, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 16. (a) ~~This section does not apply to~~ **Except as provided in subsections (c) and (d), if** a participant: ~~who meets the requirements~~

(1) applies for ~~disability benefits under section 17 of this chapter.~~ **a retirement benefit; and**

(2) is:

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

(B) 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);

the participant is entitled to an annual retirement benefit as calculated under subsection (b).

(b) Except as provided in subsections (c) and (d), the amount of the annual retirement benefit ~~to which~~ **of** a participant ~~who applies for a retirement benefit and who is at least sixty-five (65) years of age is~~

~~entitled~~ **described in subsection (a)** equals the product of:

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

(2) the percentage prescribed in the following table:

Participant's Years of Service	Percentage
Less than 8	0
8	24%
9	27%
10	30%
11	33%
12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

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

(c) If a participant who applies for a retirement benefit is not at least sixty-five (65) years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit that would be payable if the participant were sixty-five (65) years of age reduced by ~~one-fourth~~ **one-tenth** percent ~~(0.25%)~~ **(0.1%)** for each month that the participant's age at retirement precedes the participant's sixty-fifth birthday. **This reduction does not apply to:**

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

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

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

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

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

SECTION 5. IC 33-39-7-17 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 17. ~~(a) Except as provided in subsection (b), a participant who becomes disabled while in active service in a position described in section 8 of this chapter may retire for the duration of the disability if:~~

~~(1) the participant has at least five (5) years of creditable service;~~

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

~~(3) at least once each year until the participant becomes sixty-five (65) years of age a representative of the board verifies the continued disability.~~

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

~~(b) Benefits may not be provided under this chapter for any disability that:~~

~~(1) results from an intentionally self-inflicted injury or attempted suicide while sane or insane;~~

~~(2) results from the participant's commission or attempted commission of a felony; or~~

~~(3) begins within two (2) years after a participant's entry or reentry into active service in a position described in section 8 of this chapter and was caused or contributed to by a mental or physical condition that manifested itself before the participant entered or reentered active service.~~

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

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

(2) the condition is likely to be permanent.

(b) A participant found to have a permanent disability under subsection (a) must be reexamined by at least two (2) physicians appointed by the board, at the times the board designates but at intervals not to exceed one (1) year. If, in the opinion of these physicians, the participant has recovered from the participant's disability, benefits cease to be payable as of the date of the

examination, unless on that date the participant is:

(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 under this subsection 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 that is 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) **was in service and** 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.**

PROPOSED COMMISSION AMENDMENT TO PD 3150. Removes: (1) the provision changing the benefit reduction for retirement after 62 years of age and before 65 years of age from 0.25% per month to 0.1% per month; (2) the change to the definition of "salary" that allowed the amount paid to a participant by a county to be included; (3) the rule-of-85 provisions allowing an unreduced "early" retirement benefit; (4) the increased benefit percentages applicable to a participant who is permanently disabled; and (5) the provisions that exclude survivor benefits from reduction because the application for benefits was made before the participant would have been 65 years of age.

Page 1, delete lines 1 through 7.

Page 2, line 20, reset in roman "or".

Page 2, delete lines 23 through 25.

Page 2, line 26, delete "(C)" and insert "**(B)**".

Page 2, delete lines 30 through 46, begin a new paragraph and insert:

"SECTION 3. IC 33-39-7-16, AS AMENDED BY P.L.16-2011, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 16. (a) This section does not apply to a participant who ~~meets the requirements for disability benefits under~~ **becomes permanently disabled, as described in** section 17 of this chapter.

(b) Except as provided in subsections (c) and (d), the amount of the annual retirement benefit to which a participant who applies for a retirement benefit and who is at least sixty-five (65) years of age is entitled equals the product of:

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

(2) the percentage prescribed in the following table:

Participant's Years of Service	Percentage
Less than 8	0
8	24%
9	27%
10	30%
11	33%
12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%

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22 or more	60%

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

(c) If a participant who applies for a retirement benefit is not at least sixty-five (65) years of age, the participant is entitled to receive a reduced annual retirement benefit that equals the benefit that would be payable if the participant were sixty-five (65) years of age reduced by one-fourth percent (0.25%) for each month that the participant's age at retirement precedes the participant's sixty-fifth birthday.

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

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

Delete page 3.

Page 4, delete lines 1 through 7.

Page 5, line 1, delete "is:" and insert "**is at least sixty-five (65) years of age.**".

Page 5, delete lines 2 through 5.

Page 5, delete lines 12 through 43, begin a new paragraph and insert:

"SECTION 5. 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	40%
11	41%
12	42%
13	43%
14	44%

15	45%
16	46%
17	47%
18	48%
19	49%
20 or more	50%

If a participant has a partial year of service in addition to at least ten (10) years of service, an additional percentage is calculated under this subsection 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.".

Renumber all SECTIONS consecutively.

(Reference is to PD 3150-2013.)

Proposed Recommendation concerning Post-Retirement Adjustments to PERF and TRF Retiree Benefits

Proposed language for the Pension Management Oversight Commission's final report for the 2012 Interim:

The Commission studied various methods by which post-retirement adjustments to benefits of members of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF) might be made. The Commission reviewed three Preliminary Drafts (PD): PD 3082 (cost-of-living adjustment (COLA); PD 3080 (thirteenth check); and PD PD 3095 (minimum monthly benefit). After studying this topic and reviewing the Preliminary Drafts, the Commission finds all three of the methods studied are positive and viable, and recommends that the decision as to how to adjust PERF and TRF retiree benefits be left to the General Assembly's discretion at the time of its next regular session. The Commission directs its staff to provide to the chairperson of the House Ways and Means Committee and the chairperson of the Senate Appropriations Committee copies of the Commission's finding and recommendation as well as the Preliminary Drafts reviewed by the Commission.

DRAFT revised September 26, 2012, by
Peggy Piety, Staff Attorney to the Commission

EXHIBIT E
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #3 - OCTOBER 17, 2012

PRELIMINARY DRAFT
No. 3271

PREPARED BY
LEGISLATIVE SERVICES AGENCY
2013 GENERAL ASSEMBLY

DIGEST

Citations Affected: IC 5-10.2-4-7; IC 5-10.3-8; 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. Requires that an order for restitution be issued by the sentencing court before money may be taken from a PERF member's account to compensate an employer for a criminal taking by the member, and provides that money may be taken from a TRF member's account in the same manner as with PERF.

Effective: July 1, 2013.

EXHIBIT F
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #3 - OCTOBER 17, 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 5-10.3-8-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2013]: Sec. 9. (a) All benefits, refunds of contributions, and money in the fund are exempt from levy, sale, garnishment, attachment, or other legal process. However, the member's contributions or benefits, or both, may be transferred to reimburse ~~his~~ **the member's** employer for loss resulting from the member's criminal taking of ~~his~~ **the** employer's property by the board if it receives adequate proof of the loss. The loss resulting from the member's criminal taking of ~~his~~ **the member's** employer's property must be proven by **an order for restitution in favor of the employer issued by the sentencing court following** a felony or misdemeanor conviction.

(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 3. 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 4. 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 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 an order for restitution in favor of the employer issued by the sentencing court following 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 5. 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 6. 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 7. 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.

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 G
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING #3 - OCTOBER 17, 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.

PROPOSED COMMISSION AMENDMENT TO PD 3097 (AM309701). Changes the definition of political subdivision. Provides that a political subdivision's annual report on an employee retirement plan maintained by the political subdivision is due when the political subdivision's annual financial report is due. (Current law provides that a political subdivision's annual financial report is due 60 days after the close of the political subdivision's fiscal year.) Provides that the department of local government finance may not approve a political subdivision's budget until the political subdivision files the required annual reports for the employee retirement plans maintained by the political subdivision.

Page 2, delete lines 17 through 29, begin a new paragraph and insert:

"Sec. 2. As used in this chapter, "political subdivision" means a municipality or a local government unit, entity, or instrumentality to which IC 5-11-1-4 applies. The term does not include the state or an instrumentality of the state.

Sec. 3. (a) After December 31, 2013, a political subdivision having an employee retirement plan described in subsection (b) shall, not later than the date each year on which the political subdivision's financial reports are due under IC 5-11-1-4, make an annual report for each of the political subdivision's employee retirement plans described in subsection (b) 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.".

Page 3, between lines 14 and 15, begin a new paragraph and insert:

"(c) The department of local government finance may not approve the budget of a political subdivision or a supplemental appropriation for a political subdivision until the political subdivision files each annual report required by subsection (a).".

(Reference is to PD 3097-2013.)

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 H
PENSION MANAGEMENT OVERSIGHT COMMISSION
MEETING # 3 - OCTOBER 17, 2012

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

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

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

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

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

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

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

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

(1) a lump sum;

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

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

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

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

Pension Management Oversight Commission

Membership Roster

Representatives | **Senators**

PAM LANDWER WILL INSERT THESE NAMES

Legislative Services Agency Staff

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November 1, 2012

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

EXHIBIT I

PENSION MANAGEMENT OVERSIGHT COMMISSION

MEETING # 3 - OCTOBER 17, 2012

FINAL REPORT

Pension Management Oversight Commission

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation (IC 2-5-12) directing the Pension Management Oversight Commission (Commission) to do the following:

(1) Study the investment and management practices of the boards of the public retirement funds.
(2) Determine what constitutes adequate wage replacement levels at retirement (including benefits from public retirement funds and Social Security) for public employees.
(3) Study the impact of federal law and proposals concerning pensions, annuities, and retirement benefits.
(4) Study the retirement funds established in IC 36-8.
(5) Study methods and levels of funding for public retirement funds.
(6) Study other topics as assigned by the Legislative Council.
(7) Study other topics as directed by the Commission's chair.

The Commission consists of 12 members: four Representatives, four Senators, and four lay members who must be experts in the areas of finance, investments, or pension fund management. The chair of the Legislative Council appoints the chair of the Commission.

The Legislative Council assigned the Commission the additional responsibility of studying:

(1) A system (System) under which a retirement plan of the state or a political subdivision shall periodically report its operating and financial condition to the state and the General Assembly.
(2) The information to be included in the System.
(3) The entity or entities to receive and analyze the information submitted under the System.
(4) The anticipated costs of administering the System, including a funding mechanism to pay the System's administrative costs.

II. INTRODUCTION AND REASONS FOR STUDY

This year the Commission reviewed the following:

(1) The development of a system for political subdivisions with local pension and retirement plans to report to the state and the General Assembly on the operating and financial condition of those plans.
(2) A request by the Indiana Public Retirement System (INPRS) to make changes to the Public Employees' Defined Contribution (Annuity Savings Account (ASA) only) Plan by:

(A) amending the definition of "normal retirement age"; and
(B) requiring a 30 day separation from employment before a vested plan member may make a withdrawal from the member's account.

(3) A request by INPRS to make changes in:

(A) the date by which the INPRS board of trustees selects its officers each year;
(B) the Public Employees' Retirement Fund (PERF) by vesting the right to receive a death benefit with a designated beneficiary on file with PERF at the time of the member's death; and
(C) the Indiana State Teachers' Retirement Fund (TRF) by allowing a member's employer to be reimbursed from the member's TRF account for a member's criminal taking that results in a loss to the member's employer, if the loss is proven by a felony or misdemeanor conviction.

(4) Whether certain public pension retirees, survivors, and beneficiaries should receive cost-of-living-adjustments (COLAs) to their benefits or thirteenth pension checks.
(5) Whether to repeal the Sudan divestment law (IC 5-10.2-9), because Sudan is already incorporated into the states that sponsor terror law (IC 5-10.2-10) and having a single divestment statute would decrease INPRS' administrative costs.
(6) A request by the Indiana Prosecuting Attorneys Council to align the provisions of the Prosecuting Attorneys' Retirement Fund (PARF) with the provisions of the Judges' Retirement System (JRS).
(7) A request by the Indiana Retired Teachers Association to increase the minimum monthly TRF benefit amount to $500.

III. SUMMARY OF WORK PROGRAM

The Commission met on the following dates:

August 14, 2012
August 30, 2012
October 17, 2012

All three meetings were held in the State House in Indianapolis.

IV. SUMMARY OF TESTIMONY

A more detailed summary of the testimony may be found in the meeting minutes, which can be accessed from the General Assembly homepage at http://www.in.gov/legislative/.

A. INPRS Annual Report

Overview and National Trends

Steve Russo, INPRS Executive Director, provided an overview of the seven retirement plans and three non-retirement funds administered by INPRS. INPRS serves more than 480,000 members and 1,300 employers.

Indiana has the lowest burden per United States' household to fully fund public pensions: less than $500 per household. In January 2011, Moody's reported Indiana's combined pension and debt liability as 1.7% of GDP, the second lowest percentage in the country.

Investment Performance

Julia Pogue, INPRS Chief Financial Officer, reported that INPRS experienced a lot of market volatility this year, and was able to achieve just under 1% return. The actuarially assumed investment rate for the year was 7%. Net assets remained basically the same from June 30, 2011, to June 30, 2012.

HB 1376 Implementation

HB 1376 (P.L.160-2012) specified that, if state reserves are $50 million or more, 50% of the excess reserves are transferred to certain pension funds and 50% are used to provide taxpayer refunds. The JRS, the State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Fund (EG&C Fund), PARF, and State Police (not administered by INPRS) received appropriations sufficient to achieve an 80% funded status based on their actuarial valuation as of June 30, 2012. The Pension Stabilization Fund, established for the pre-1996 TRF account, received the remaining funds, which improved the account's funded status by 0.2%.

Asset Allocation

David Cooper, INPRS Chief Investment Officer, discussed the new target asset allocation strategy adopted in October 2011. After the assets of PERF and TRF were combined under a single board, a new common strategy was needed to diversify the portfolio and reduce stock exposure. The new target allocation strategy decreases the percentage of assets held in public equity, private equity, fixed income (both inflation-

linked and not inflation-linked), and cash; and increases the percentage of assets held in commodities, real estate, absolute return, and risk parity.

Operational Performance

Steve Barley, INPRS Chief Operations Officer, reported that INPRS is consistently achieving high levels of performance in member satisfaction and on-time benefit payments. The goal is to have members receive their first pension check without a gap after their paychecks stop. INPRS has received national recognition in customer service, financial reporting, and funding and administration.

Mr. Barley also reported that the implementation of a new financial system is complete, as is the implementation of daily valuations and the hiring of a third party administrator for the annuity savings accounts (ASA). Future improvements include a new employer reporting web portal and a new benefits administration system.

Governmental Accounting Standards Board (GASB) Rule Changes

The GASB has issued new rules related to the method for calculating and reporting net pension liability and pension expense. INPRS is working with the Auditor of State, local units, and actuaries to determine the impact of these changes, but doesn't think there will be a significant impact. The biggest change will be the reporting of pension liabilities on the financial statements of the state and local units of government.

Actuarial Status and Assumptions

The actual actuarial funded status on June 30, 2011, for all INPRS' defined benefit retirement plans, excluding the TRF pre-1996 account, was 84.9%. The actuarial funded status for the TRF pre-1996 account, which is a pay-as-you-go plan, was 32.0%. The aggregate actuarial funded status for all INPRS plans was 63.0%. INPRS expects the actuarial funded status to decrease this year because the FY2012 investment return was 0.6% (versus the actuarial assumed rate of 7.0%), and the actuarial assumed investment/interest rate was reduced from 7.0% to 6.75%.

INPRS funding projections for the TRF pre-1996 account show that the peak appropriation from the state general fund will equal approximately $1.2 billion and occur in about 2025. Appropriations are expected to decline after that until 2038, when the Pension Stabilization Fund should provide enough revenue to pay benefits without a general fund appropriation.

Cost of Living Adjustments (COLAs) and Thirteenth Checks

Mr. Barley provided information about the funding, history, and costs of COLAs and thirteenth checks.

B. Status Report on the Retirement Medical Benefits Account (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). SEA 501 (P.L.44-2007) established a retirement medical benefits account for most state elected officials and employees. 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 Account has two components: active participants and retirees. Only a retired participant and covered dependents are entitled to receive benefits from the Account. Amounts in the Account reimburse retirees and covered dependents 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.

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.

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.

C. Update on Internal Revenue Code (IRC) Section 401(h) Account Within PERF

INPRS recently learned that the Internal Revenue Service (IRS) has approved INPRS' submission for this account. The account will be used by retiring state employees to convert unused excess accrued vacation leave to a monetary contribution to fund (on a pretax basis) benefits for medical expenses incurred after the employee's retirement. INPRS has selected a third party administrator and will implement the account within one year now that IRS approval has been received.

D. Update on Optional Defined Contribution (ASA only) Plan

INPRS also recently learned that the IRS has approved its submission to implement the optional defined contribution (ASA only) plan for state employees as an account within PERF, and has started outlining the system and business requirements for the plan. INPRS expects this option to be available in about six months.

E. Divestment from States That Sponsor Terrorism and Sudan

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

Mr. Russo suggested that the Commission might consider repealing the Sudan divestment law because Sudan is incorporated into the states that sponsor terror divestment law and slight differences between the two divestment statutes double INPRS' administrative costs, which are currently approximately $60,000 per year.

F. INPRS Legislative Agenda

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

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

The second change requires a vested Plan member to be separated from employment for at least 30 days before the member may make a withdrawal from the member's account. This change conforms the Plan with PERF and TRF, and complies with IRS guidelines.

PD 3036 and PD 3271 - INPRS Administrative Matters

INPRS proposed three administrative changes. The first change moves from June 30 to December 31 the date by which the INPRS board of trustees selects its officers each year. This change would allow the selection of board officers after the term of new board members begins on July 1.

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

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

After the Commission recommended the introduction of PD 3036, Senator Tallian presented PD 3271, which was identical to PD 3036, except for the addition of language specifying that the amount of a reimbursement for a loss resulting from a PERF or TRF member's criminal taking must be proven by an order of restitution in favor of the employer issued by the sentencing court.

[INSERT SUMMARY OF ADDITIONAL DISCUSSION]

G. Development of a System for Political Subdivisions to Report on the Operating and Financial Condition of Local Pension and Retirement Plans

Dan Paliganoff, Attorney for the Commission, reported on the Commission staff's investigation and discussions with Paul Joyce, Dawn Anderson, and Jennifer Carmack of the State Board of Accounts (SBOA), Eric Bussis of the Department of Local Government Finance (DLGF), and Ann Kaiser of the Office of Management and Budget (OMB), concerning the Commission's assigned study topic: the development of a system for political subdivisions to report to the General Assembly on the operating and financial condition of local pension and retirement plans.

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

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

Ms. Kaiser and Mr. Joyce discussed transferring the responsibility for collecting local pension plan data from INPRS to SBOA and adding a local pension reporting module to the system currently used by political subdivisions to submit annual 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, which would establish a reporting system as presented by OMB and SBOA with three amendments:

(1) Revising the definition of "political subdivision" to conform to the definition used in IC 5-11.
(2) Changing 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) Adding 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.

H. COLAs, Thirteenth Checks, and Minimum Monthly Benefits

Andrew Thomas, Executive Director, Indiana Retired Teachers Association (IRTA), requested that the Commission consider recommending legislation to establish a minimum monthly benefit of $500 for TRF members. He reported there are about 1,000 retired teachers receiving a benefit that is less than $500 per month, and that he believes the total fiscal impact of this change would be about $1 million.

The Commission reviewed PD 3082, which provided 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 was estimated at $93-94 million over 30 years with no increase in employer contributions required.

The Commission also reviewed PD 3080, which provided 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 was estimated to be $55 million.

Finally, the Commission considered PD 3095, which proposed a minimum of $500 for the pension portion of the monthly benefit, payable after December 31, 2013, to PERF and TRF members who retired before January 1, 1980, with at least 20 years of creditable service. The fiscal impact of PD 3095 was estimated to be $10.1 million: $7.4 million for the state and $2.7 million for local units.

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, and suggested the following 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.
(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.

Nancy Tolson, past president of the IRTA, expressed concern about the General Assembly's failure to provide a COLA for the past few years, and stated a hope for both a COLA and a thirteenth check this year. She asked Commission members to think of retired teachers with low monthly benefit amounts when making decisions on this issue. Most pension money goes right back into the community to pay for the retirees' living expenses.

After a lengthy discussion among Commission members, 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 working from PD 3082, PD 3080, and PD 3095.

[INSERT SUMMARY OF ADDITIONAL DISCUSSION]

<u>I. Alignment of Prosecuting Attorneys' Retirement Fund (PARF) with Judges' Retirement System (JRS)</u>

David Powell, Executive Director, and Lawrence Brodeur, Staff Attorney, representing the Indiana Prosecuting Attorneys Council, requested that the provisions of the PARF be aligned with the provisions of the JRS.

Brian Burdick, an attorney at Barnes & Thornburg, LLP, representing the Association of Indiana Prosecutors, and Lee Buckingham, Hamilton County Prosecuting Attorney, discussed the duties of county prosecutors and the 15 specific changes needed to accomplish the alignment, including changes in the areas of contributions, retirement age, benefits (including disability and survivor benefits), and cost of living adjustments.

Mr. Burdick also discussed a proposed funding mechanism for the $1.75 million per year INPRS has determined is required to fund the changes. The proposed funding mechanism was a $1 to $5 increase in the fee charged for posting bail bonds.

[INSERT SUMMARY OF ADDITIONAL DISCUSSION]

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission made the following recommendations:

The Commission unanimously recommended the following for introduction in the 2013 session of the General Assembly:

(1) PD 3035, which makes changes to the Public Employees' Defined Contribution (ASA only) Plan by:
(A) amending the definition of "normal retirement age"; and
(B) requiring a vested Plan member to be separated from employment for at least 30 days before the member may make a withdrawal from the members' account.

(2) PD 3036, which makes the following INPRS administrative changes:
(A) Moves to December 31 the date by which the INPRS Board of Trustees selects its officers each year.
(B) Specifies that, for a PERF member who dies after June 30, 2013, the right to receive a death benefit from PERF vests with the designated beneficiary at the time of the member's death.
(C) Allows the employer of a TRF member 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.

(3) PD 3097, as amended, which establishes a reporting system for political subdivisions having local pension plans by adding a local pension reporting module to the system currently used by political subdivisions to submit annual financial reports through the Indiana Transparency Portal.

[INSERT ADDITIONAL RECOMMENDATIONS]

WITNESS LIST
[TO BE UPDATED]

Steve Barley, Chief Operations Officer, Indiana Public Retirement System
Lawrence Brodeur, Staff Attorney, Indiana Prosecuting Attorneys Council
Lee Buckingham, Hamilton County Prosecuting Attorney
Brian Burdick, Barnes & Thornburg, LLP, representing the Association of Indiana Prosecutors
David Cooper, Chief Investment Officer, Indiana Public Retirement System
Allison Karns, Legislative Director, Indiana Public Retirement System
Ann Kaiser, General Counsel and Policy Director, Office of Management and Budget
Doug Kinser, Hall, Render, Killian, Heath & Lyman, representing the Retired Indiana Public Employees' Association
Paul Joyce, Deputy State Examiner, State Board of Accounts
Dan Paliganoff, Legislative Services Agency, Attorney for the Commission
Julia Pogue, Chief Financial Officer, Indiana Public Retirement System
David Powell, Executive Director, Indiana Prosecuting Attorneys Council
Steve Russo, Executive Director, Indiana Public Retirement System
Greg Strack, Assistant Director, Indiana State Budget Agency
Andrew Thomas, Executive Director, Indiana Retired Teachers' Association
Nancy Tolson, Past President, Indiana Retired Teachers' Association
Andrea Unzicker, Chief Legal and Compliance Officer, Indiana Public Retirement System
Jon Vanator, Deputy Director, Indiana State Budget Agency