

# **1977 POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT FUND**

## **MEMBER HANDBOOK**

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## Overview



The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) was established to pay pension, disability, and survivor benefits to eligible public safety officers and their survivors.

### 1.1 Indiana Code Governing the 1977 Fund

The laws and regulations governing the 1977 Fund may be found in the [Indiana Code](#) (IC) 36-8-8, IC 36-8-8.5, and IC 36-8-5 and in the [Indiana Administrative Code](#) (IAC) Title 35 Article 2.

**NOTE:** The content of this member handbook does not constitute legal advice, and nothing herein should be considered a legal opinion. In the event of a discrepancy between information in this member handbook and the laws of the state of Indiana, the applicable law shall apply.

### 1.2 Administration of System and Funds

Effective July 1, 2010, the board of trustees of the Indiana State Teachers' Retirement Fund ("TRF") and the Public Employees' Retirement Fund were required to appoint and compensate a common director for TRF and PERF. Effective July 1, 2011, the Indiana Public Retirement System ("INPRS") was established under Indiana law. INPRS administers and manages the 1977 Fund.

INPRS administers 16 funds of which eight (8) are defined benefit (DB), five (5) are defined contribution (DC), two (2) are other post-employment benefit, and one (1) is custodial. The 1977 Fund is a governmental defined benefit plan. INPRS combined membership totals over 500,000 members representing more than 1,250 participating employers including public universities, school corporations, municipalities, and state agencies.

For a listing of all the funds and additional information about each fund, visit the [Annual Reports](#) page of the INPRS website.

### 1.3 Board of Trustees

INPRS is governed by a nine (9) member Board of Trustees, appointed by the Governor. Board members serve as "fiduciaries" of the Fund, which means they are legally bound to make investment decisions with your best interest in mind. The Executive Director carries out the policies set by the Board and administers the Fund on a daily basis (IC 5-10.5).

### 1.4 INPRS' Vision, Mission, and Values

**Mission:** Engaged members able to realize their retirement dreams.

**Vision:** As fiduciaries, educate stakeholders, collect necessary contributions, and prudently manage member assets to deliver promised DB and DC benefits and services.

**Values:** INPRS believes people are the foundation of our success. It takes people with different backgrounds, ideas, and strengths to be successful. Success is built upon accountability, commitment, constructive conflict, and trust.

### 1.5 Important Terms

- **Beneficiary** – Beneficiaries are set by statute under the 1977 Fund Plan.

- **Interest** – the rate of interest set by the INPRS Board.
- **Defined Benefit (DB)** – a pension benefit funded by your employer. This pension benefit is separate from a mandatory member contribution account.
- **Mandatory Member Contributions** – State law requires that 6% of a 1977 Fund member’s salary be contributed to the 1977 Fund Plan.
- **Service Credit** – refers to the period of time you accumulate through continuous employment in a 1977 Fund covered position. Service credit is important in determining your qualification for benefits.
- **Survivor** – the person or persons who may receive a pension benefit after the death of the member.
- **Vesting/Vested** – the status of having earned services in a 1977 Fund covered position for 20 years.

## 1.6 Contacting INPRS

Information about 1977 Fund can be found on the INPRS website: [www.in.gov/inprs](http://www.in.gov/inprs). Go to Plan Info at the top of the navigation menu, and then select [Police and Firefighters](#). You can review frequently asked questions (FAQs), quick reference guides (QRGs), and more on the INPRS website.

If you need additional information, have questions, or need assistance, feel free to contact the Member Service Center at (844) GO-INPRS (844-464-6777). For TDD call (800) 579-5708. INPRS Member Advocates are available weekdays (excluding weekends and state-designated holidays) from 8 a.m. to 8 p.m. ET. You can also submit inquiries via email to [questions@inprs.in.gov](mailto:questions@inprs.in.gov).

Changes to your 1977 Fund account can be made by logging into your online account at [myINPRSretirement.org](http://myINPRSretirement.org).

Forms to complete and return can be found on the [Member Forms page](#) on the INPRS website. You can send requests and/or completed forms to INPRS at One N. Capitol, Suite 001, Indianapolis, IN, 46204. INPRS lobby hours are 8:30 a.m. to 4:30 p.m. ET Monday through Friday.



## 2.1 Eligibility

Membership in the 1977 Fund is mandatory if:

- You are a full-time, fully paid police officer, or
- You are a full-time, fully paid firefighter (does not include volunteer firefighters),
- Your employer participates in the Fund, and
- You were hired or rehired after April 30, 1977.

However, to become a member of the 1977 Fund, a police officer, school resource officer (SRO), or firefighter **must**:

- Pass the required statewide baseline test (physical examination), and the local board's mental examinations (35 IAC 2-9), and
- Firefighters, school resource officers, and police officers must be less than 40 years of age, or
- Be a veteran with 20 years of armed forces service with a maximum age of 40 years and 6 months.
- Note that there are several exceptions to the age requirement. Contact INPRS for more questions; you can also review IC 36-8-8 for further information.<sup>1</sup>
- are several exceptions to the age requirement. Contact INPRS for more questions; you can also review IC 36-8-8 for further information.

<sup>1</sup> For a veteran, it is the employer's responsibility to ensure the applicant meets the service requirement by checking the DD Form 214 *Certificate of Release or Discharge from Active Duty* (DD214). See IC 36-8-4.7-5.

There are additional exceptions to the maximum age limit, including reappointments under IC 36-8-4-7, transfers and reappointments under 35-IAC 2-5-4, and members of participating new units under IC 36-8-8-3.

As of July 1, 2020, political subdivisions may adopt a resolution specifying members of the volunteer fire department are required to become members of PERF My Choice. Members of a volunteer fire department are not eligible for membership in the 1977 Fund.

- A SRO rehired by a school corporation or charter school that participates in the 1977 Fund, after June 30, 2024, and is a member of the 1977 Fund will remain a member of the fund per IC 36-8-8-3(g).
- A SRO who is a PERF member and employed by a school corporation or charter school that participates in both 1977 Fund and PERF may continue as a member of PERF.

## 2.2 Ineligibility

Membership requirements for the 1977 Fund are very specific and are listed in IC 36-8-8-7. Anyone who does not meet these requirements is not eligible for membership in the 1977 Fund.

## 2.3 Designating Beneficiaries/Survivors

*Beneficiary* refers to the person designated to receive all or part of your benefits upon the member's death. A *survivor* refers to the person designated by statute who may receive a survivor retirement pension benefit upon the member's death.

Beneficiaries for members of the 1977 Fund are set by statute in IC 36-8-8-13.8, IC 36-8-8-13.9 and IC 36-8-8-14.1. However, if a member is not receiving a retirement or disability benefit, the member may designate

one or more beneficiaries to receive, in a lump sum, the fund member's contribution account. (See IC 36-8-8-24) In such an event, you may designate one or more beneficiaries by completing the *Change Your Beneficiary* form on the [Member Forms page](#) on the INPRS website. In the event the member is not receiving a retirement or disability benefit, does not designate any beneficiary, and has no survivor(s) entitled to receive a benefit, the member's contribution account will be paid to the member's estate. The member contribution account will be paid to the member's estate if no eligible survivors and no beneficiary(ies) are designated.





## Contributions & Investment Options



Cities are required to participate in the 1977 Fund according to IC 36-8-8-3. Towns, townships, airport authorities, and fire protection districts may be eligible to join the Fund upon meeting specific criteria. The employer and member must make contributions as specified in IC 36-8-8-18 for prior service credit to be used for the member's 1977 Fund benefit.

### 3.1 Employer Contributions

Employer contributions are dedicated to benefit obligations for the Fund. These contributions do not fund individual member accounts. The INPRS Board of Trustees annually reviews and approves the employer contribution rate.

### 3.2 Member Contributions

You must contribute 6% of your base salary while employed in your covered position. The 6% comes out of your paycheck each pay period. Your employer may choose to "pick up," or pay, all or part of your contribution. Member contributions go to fund the pension benefit you will receive. If you terminate employment prior to being vested in a benefit, you will be eligible to take a distribution of your member contribution account.

Per IC 36-8-8-8(a), you only submit member contributions for the lesser of 32 years or the number of years you are employed.

### 3.3 Investment Options

There are currently no investment options for members of the 1977 Fund. The credited interest rate for the 1977 Fund member accounts is set annually by the INPRS Board.

### 3.4 Annual Member Statement

You will receive an annual statement about your member contribution account if there is a balance. Your statement will be mailed and posted online.

If you have retired or withdrawn your member contributions and no longer have a balance, you will not receive any member statements.





### 4.1 Member Service Credit

Service credit refers to the period of time you accumulate through employment in a 1977 Fund-covered position as outlined in this section. Service credit is important in determining your qualification for retirement benefits. As a 1977 Fund member you earn one month of service credit for every full month worked and reported to INPRS. Other methods used to obtain service credit, some without cost and some with costs associated, are listed in this chapter.

#### 4.1.1 Service Credit – Partial Months

At the time of retirement, any partial months at the beginning and end of employment may be combined to total an additional full month of service credit. Days of service for partial months are added together, and a full month of service credit is awarded for each 30 days. The maximum years of service credit that you can earn is 32.

### 4.2 Vested Status

You are vested in the 1977 Fund with 20 years of active service.

### 4.3 Types of Service Credit

You may be able to add various types of service credit to enhance your DB pension benefit. You must have 20 years of completed service in the 1977 Fund before any additional service can be used in your retirement benefit.

#### 4.3.1 New Unit Prior Service

If eligible, you or your employer may purchase service at the rate determined by IC 36-8-8-18. You may purchase service if you qualify to join but an error or oversight by the local board or hiring authority delays your enrollment effective date. New unit service credit counts towards vesting. You will not be kept from joining the 1977 Fund if you are age eligible when you apply.

#### 4.3.2 Military Service

You may also be eligible for service credit if the provisions of [Uniformed Services Employment and Reemployment Rights Act of 1994 \(USERRA\)](#) cover your military service. Conditions for USERRA eligibility are that you must **meet all the following criteria**:

- Applied for or currently hold a civilian job.
- Given written or verbal notice to the civilian employer prior to leaving the job for military training or service except when precluded by military necessity.
- Not exceeded the five (5) year limit on periods of service, subject to certain exceptions.
- Been released from service under honorable conditions.
- Reported back to the civilian job in a timely manner or submitted a timely application for re-employment.

All member and employer contributions must be paid upon your return to the 1977 Fund-covered position for leaves if the contributions are picked up by the employer. If the employer does not pick up the contributions, the employee contributions are not required. USERRA service can be used towards the 20 years required for vesting. Ultimately, INPRS relies on the assertions and verifications made by the plan's participating employer. Military service credit guidelines are governed by IC 36-8-5-7 in conjunction with federal USERRA laws.

### 4.3.3 Family and Medical Leave Act (FMLA)

You may also receive credit for up to 12 weeks of leave taken during a 12-month period under [Family and Medical Leave Act \(FMLA\) \(29 USC 2601, et seq.\)](#). This service is used only for vesting and is not included in the DB calculation.

## 4.4 Purchase Service Credit

### 4.4.1 Additional Service Credit

As a member of the 1977 Fund you may purchase, at full actuarial cost, prior service credit in other public retirement funds including PERF Hybrid, TRF Hybrid, EG&C Fund, the State Police Trust, and the Sheriffs' Pension Trust.

To purchase this service in the 1977 Fund, you must have the following:

- At least one (1) year of active employment in the 1977 Fund after June 30, 2010.
- Achieved 20 years of total service credit.
- Vested in no other public retirement fund., and
- Made payment as indicated in 35 IAC 2-1-5.

### 4.4.2 Purchase Military Service

Active members who have earned service credit after June 30, 2009, and who have served in the United States Armed Services may be able to purchase up to two (2) years of military service credit if you **meet all of the following conditions**:

- You have at least one (1) year of service credit in the Fund.
- You served on active duty for at least six (6) months.
- You received an honorable discharge.
- You make payments as required by 35 IAC 2-1-5.
- Your service was not eligible under USERRA or IC 36-8-5-3 leave of absence for military service.

### 4.4.3 Purchase Out-of-State or In-State Service Credit

You may purchase, at full actuarial cost, service earned in another state in a position for which the 1977 Fund would give credit if the service was earned in Indiana. Out-of-state years that qualify you for retirement in another governmental retirement system or in any federal retirement system **may not be granted** by the 1977 Fund. The member's out-of-state employer must certify that prior service on the appropriate INPRS form, Request to Purchase Out of State Service Credit (State Form 53956).

Effective July 1, 2018, you may purchase at full actuarial cost, service earned in the State of Indiana for a previous employer in a comparable position for which you would receive service credit in the 1977 Fund if the service had been performed for an employer that participates in the 1977 Fund. In-state years that qualify you for retirement in another governmental retirement system or in any federal retirement system **may not be granted** by the 1977 Fund.

To purchase Out-of-State **or** In-State service in the 1977 Fund, you must have the following:

- At least one (1) year of active employment in the 1977 Fund.
- Achieved 20 years of total service credit,
- Vested in no other public retirement fund, and
- Made payment as indicated in 35 IAC 2-1-5.

### 4.4.4 Cost to Purchase Service Credit

The cost to purchase service credit is the product of:

- The salary of a first-class patrolman (police officer) or firefighter at the time you make a contribution for the service credit.
- A rate (determined by the actuary) based on your age when the contribution was made and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.
- Any accrued interest (at a rate determined by the actuary) for the period from your initial membership in the Fund to the date you made payment.

Payment for service detailed in this section may be made in a lump sum or annual installments with interest for a period not to exceed five (5) years.

### 4.5 Transfer of Service Credit from 1977 Fund

If you are a non-vested police or fire chief who was a member of the 1977 Fund and you separate from employment, you may transfer 1977 Fund service credit to the PERF Hybrid Fund. You may also elect a refund of your contributions if you are not transferring service credit.

If you are a 1977 Fund member who separates prior to becoming vested and you are employed in a PERF or TRF Hybrid-covered position, you may purchase the 1977 Fund service credit to include them in a PERF or TRF Hybrid pension benefit. The purchase must be made at full actuarial cost and INPRS may transfer funds from the 1977 Fund to PERF or TRF Hybrid to fund the service purchase. The employer may opt to pay for all or part of the cost to purchase the service credit. Service credit is not available for the PERF or TRF My Choice: Retirement Savings Plan.

### 4.6 Reinstatement of Service (Service Buy Back)

If you have previously taken a refund of your 1977 Fund contributions and return to a position covered by the 1977 Fund, you may buy back the previously withdrawn service by paying the Fund the amount of the distribution which was previously received plus interest at a rate determined by INPRS. This amount includes accrued interest and member contributions up to the time in which the distribution was taken. Once the service is restored, the service is used for vesting and retirement benefit calculation.



### 5.1 Distribution Eligibility

If you separate from employment in a 1977 Fund-covered position for a reason other than death or disability prior to completing 20 years of active service, you may apply for a distribution of your contributions plus interest at a rate specified by rule by the INPRS Board. The interest rate is set at least yearly and as an active member you are credited at least yearly based on the prior fiscal year end balance.

You also have the option to leave your contributions invested with the 1977 Fund. They can be withdrawn at any time as long as you are not vested in a pension benefit.

### 5.2 Payment Options

Having met the distribution eligibility requirements, you must choose how to receive distributions. To request a distribution, you can log in to your online member account or contact INPRS.

**NOTE:** Your decision how you receive distributions from member contribution account can have significant tax implications, and you are encouraged to consult with a tax advisor. INPRS cannot offer tax advice.

#### 5.2.1 Payment Directly to You (Indirect Rollover or Cash Withdrawal)

If you receive a distribution of your 6% contribution before age 55 and you do not roll it over, you will have to pay an early distribution tax penalty. The penalty equals 10% of the taxable portion. It is in addition to the regular income tax. Prior to receiving a distribution, INPRS is required to withhold 20% for federal taxes. You may also request that we withhold state and local taxes.

#### 5.2.2 Direct Rollover

A direct rollover is a payment to a Traditional IRA, an eligible employer plan (such as a 403(b)-tax sheltered annuity, a 457 deferred compensation plan), or a 401(a) qualified plan that will accept the rollover.

You can choose a direct rollover for all or a portion of your eligible distribution. You will not be taxed on your direct rollover until you withdraw the funds from the rollover account. There is no income tax withholding on the amount you roll over.

Direct rollover payments are issued as a paper check made payable to the receiving financial institution for your benefit. The **check is mailed to you, and you will need to deposit the check to the rollover institution** within 60 days after the check date. If you do not roll over your contribution in 60 days, the taxable portion will be subject to a 20% federal income tax withholding. The federal tax is mandatory, and a state and/or local tax may also apply. The distribution is taxed in the year you receive it.

### 5.3 Loans

The 1977 Fund Plan does not have any provision for loans.



You are vested in the 1977 Fund with 20 years of active service. If you are vested in the 1977 Fund you are eligible for a defined benefit retirement upon meeting age requirements. The mandatory retirement age is 70.

There are three (3) types of benefits payable in the 1977 Fund, which are all funded by the employer-financed contribution and the employee mandatory contribution: retirement benefits, survivor benefits, and disability benefits.

### 6.1 First-Class Salary

The first-class salary is defined by state law as “salary of a first-class patrolman or first-class firefighter” means the highest non-promoted salary of a patrolman or firefighter plus all longevity increases, if provided by the employer, for:

- Service of not more than 20 years, or
- Service of more than 20 years but not more than 25 years if provided as a result of the meet and confer process under IC 36-8-22.

It does not include remuneration or allowances for fringe benefits, incentive pay, holiday pay, insurance, clothing, automobiles, firearms, education, overtime, or compensatory time off. (IC 36-8-8-6.5, Sections 6.5 and 7 and IC 36-8-1-11)

Upon retirement, benefits are based on the first-class salary effective for your employer in the year employment ends. This first-class salary varies by employer and is certified annually to the 1977 Fund by the Controller, Clerk Treasurer, or Trustee.

### 6.2 Retirement Eligibility

You qualify for retirement benefits if you:

- Have at least 20 years of service credit in the 1977 Fund,
- Are at least age 52 (for unreduced benefits) or 50 (for reduced benefits), and
- Have separated from covered service.

### 6.3 Retirement Effective Date

As a member of the 1977 Fund, you may select any date of the month for retirement provided retirement eligibility requirements are met.

### 6.4 Retirement Options

**Table 1: Retirement Options available**

Option	Age and Service Requirements*	Benefit Calculation
Regular Retirement with a Full (Unreduced) Benefit	You must have at least 20 years of service and be at least age 52.	For retirement date 6/30/2019, or earlier, a retirement benefit equal to 50% of first-class salary + 1% for each 6 months of service over 20 years; total maximum benefits are 74% of first-class salary for retirees with 32 years or more of service.  For retirement date 7/1/2019, or later, the retirement benefit is equal to 52% of the first-class salary + 1% for each 6 months of

Option	Age and Service Requirements*	Benefit Calculation
		service over 20 years; total maximum benefits are 76% of first-class salary for retirees with 32 years or more of service.
Early Retirement with a Reduced Benefit	You must have at least 20 years of service and be at least age 50.	Actuarially reduced benefit for each month prior to age 52.
Deferred Option Plan (DROP)	If you qualify, you may choose to retire under the terms of DROP.	Lump sum or three annual installments = DROP frozen benefit x number of months in DROP + monthly retirement benefit.
Disability Retirement	No age or service requirements.  Disability meets statutory requirements for line-of-duty or not in the line of duty	See the Disability Retirement Benefit section for more details.

\* You will not receive credit for earned and unused sick leave even if you received pay for the leave.

## 6.4.1 Regular Retirement with a Full (Unreduced) Benefit

You may retire with a full retirement at the age of 52 with 20 years of active service. The retirement pension benefit is calculated as a percentage of the annual salary of a first-class patrolman or firefighter in the year you ended active service plus 1% of that salary for each full six (6) months of active service over 20 years to a maximum of 12 additional years. The salary of a first-class patrolman or firefighter is certified annually by each employer in the 1977 Fund.

- For retirements on or before June 30, 2019, pension benefits are calculated differently per IC 36-8-8-11(d).
- For retirements on or after July 1, 2019, a monthly payment will equal at least 52% of the base salary (first-class salary) the year you leave active service. If you earn more than 20 years of service, you will receive another 1% of the base salary for each six months of active service over 20 years. The most you can receive is 12 years (or a maximum 24% of the base salary). The maximum annual benefit you may earn is 76% of the annual salary of a first-class patrolman or firefighter salary at the time of separation from employment.

### Example

Julia retired on September 1, 2019, and met the qualifications described above. Her pension benefit will be 52% of the base salary for the department. If she retired with 30 years of service credit, the pension benefit would be 72% of the base salary (1% for every six [6] months for an additional ten [10] years equals 20%). If she earned 32 years of service credit (the maximum) or more, the benefit at retirement would be 76% of the base salary of the department.

## 6.4.2 Early Retirement with a Reduced Benefit

If you have 20 years of service credit, you may retire at age 50 with a reduced benefit. If you choose early retirement, your pension benefit will be reduced for each month of benefit payments prior to age 52. The reduced percentage rate is actuarially calculated, reviewed, and approved by the INPRS Board of Trustees.

If you choose to take early retirement, your retirement benefits will remain reduced even after you reach age 52.

### 6.4.3 Deferred Retirement Option Plan (DROP)

DROP is an optional benefit that allows 1977 Fund members who are eligible for an unreduced retirement benefit to continue to work and earn a salary while accumulating a DROP benefit payable in a lump sum or three (3) annual installments. In addition, you will receive a monthly retirement benefit equal to your DROP frozen benefit. Be aware, you cannot exit and then re-enter the DROP. **The DROP may only be entered once.**

#### *DROP Enrollment*

If you elect to enter the DROP your election is irrevocable and requires you to retire on your DROP retirement date. To enroll you must be eligible for regular retirement and must submit:

- An election to participate in the DROP specifying the DROP entry date (which must be the first day of your DROP period) and your retirement date (which must be the last day of your DROP period). The Apply for the 1977 Fund Deferred Retirement Option Plan (DROP) is available on the [Member Forms page](#) on the INPRS website.
- Any other forms required by INPRS.

**NOTE:** The percentage used for DROP Retirements is based on the DROP Entry Date.

#### *DROP Period*

If your DROP entry date is **AFTER** June 30, 2024, you must select a DROP retirement date that meets the following criteria:

- Not less than 12 months after your DROP entry date.
- Not more than 60 months after your DROP entry date.
- Only one (1) DROP election is allowed during your lifetime.
- DROP cannot extend past the mandatory retirement age of 70.

If you entered DROP before July 1, 2024, and have not exited the DROP, you may extend your DROP retirement date up to 60 months after your entry date. You must notify your employer within 30 days of making this election, if you make this change.

**NOTE:** You must notify their employer of DROP election within 30 days of election.

You must exit DROP on the earliest of the following:

- DROP retirement date, or
- Either:
  - 36 months after entry date if you elected to enter before July 1, 2024, and choose not to extend, or
  - 60 months if you elected to enter after June 30, 2024, or extended if you entered before July 1, 2024.

#### *DROP Contributions*

You will continue to make required member contributions, and your employer will continue to make any required employer contributions.



### ***DROP Disability***

If you retire on disability at least 12 months after entering the DROP, the retirement is calculated as if the disability date was the DROP retirement date. If you retire because of a disability in less than 12 months of the date you enter the DROP, your benefit is calculated as if you had never entered the DROP.

### ***DROP Retirement Benefit***

If you elected to participate in the DROP, upon retirement you may elect to forego DROP benefits and instead receive monthly retirement benefits calculated as if you never elected to participate in the DROP. These benefits would be based on your accrued service and first-class salary as of the retirement date.

You will not continue to accrue service credit for the years in the DROP. Contributions are made during the DROP period, but you will not continue to accrue service credit for the years in DROP.

If you do not retire on your DROP date, your benefits will be determined under the provisions of the 1977 Fund as if you never entered the DROP, and you will not be able to make a future DROP election.

### ***DROP Frozen Benefit***

Upon entry into the DROP, a "DROP frozen benefit" is calculated. This is equal to your monthly retirement benefit based on accrued service and first-class salary as of the date you entered the DROP. Upon your DROP retirement, you are eligible to receive a lump sum equal to the amount of your DROP frozen benefit multiplied by the number of months you were in the DROP. You may elect to receive this amount in three (3) annual installments instead of a single lump sum. If electing three (3) annual installments, no interest will be paid. In addition, you will receive a monthly retirement benefit equal to your DROP frozen benefit.

**NOTE:** There is no COLA added to the DROP Frozen Benefit if the first-class officer salary increases during the member's DROP period.

## **6.4.4 Disability Retirement**

Disability retirement benefits are paid to a member who becomes disabled while an active member of the 1977 Fund and are determined by the INPRS Medical Authority to have a covered impairment. This disability benefit can be paid as either a line-of-duty or non-line-of-duty benefit. While on disability the member may be subject to an annual medical review.

Since January 1, 1990, there have been two (2) disability plans for the 1977 Fund, Pre-1990 Disability Plan and 1990 Disability Plan. Disability eligibility is defined by the Pre-1990 Disability Plan and the 1990 Disability Plan (Current Plan) as outlined in this section.

### **Pre-1990 Disability Plan**

You are covered under the Pre-1990 Disability Plan if you were first **hired before** January 1, 1990, and elected not to be covered under the current plan or made no election at all.

If you meet the requirement above, this is the process to apply for disability benefits:

- Your local board will have a hearing to decide if you have a covered impairment. They will also decide if that impairment occurred in the line of duty. A covered impairment is one that permanently or temporarily leaves you unable to perform your duties, considering reasonable accommodations under the Americans with Disabilities Act (ADA). Using the standards of the ADA, the local board will decide if suitable and available work exists within the department.
- The 1977 Fund and INPRS' medical authority will review the local board's findings. If the local board and the 1977 Fund decide that you have a covered impairment, you will be entitled to

receive a disability benefit equal to the benefit you would have received if you had retired at age 52. The 1977 Fund administers the benefit based on the decisions of the local board and INPRS' medical authority.

### 1990 Disability Plan (Current Plan)

You are covered under the 1990 Disability Plan (current plan) if you were **hired for the first time, or after** December 31, 1989, or before January 1, 1990, **and** chose the current plan.

If you have a covered impairment as a 1990 Plan member, the Plan will pay monthly disability benefits based on:

- The class of your impairment,
- Degree of impairment, and
- First-class pay for your department in the year the local board makes the disability determination.

If you are in the 1990 Plan, your local board will conduct a hearing to decide if you have a covered impairment. The hearing must happen before you qualify for a disability benefit.

#### 6.4.4.1 Disability Ineligibility

You are not eligible for disability benefits whether through the Pre-1990 Disability Plan or the 1990 Disability Plan if you fail to meet the criteria above. Benefits may not be provided for a disability resulting from a non-covered impairment (IC 36-8-8-12.3) if:

- You have a deliberate or a self-inflicted injury or you attempted suicide while sane or insane,
- You are committed or attempted a felonious act,
- You have a mental or physical condition that manifested itself before the fund member entered or reentered active service beginning within two (2) years after a fund member's entry or reentry into active service with the department. Notwithstanding this subdivision, a fund member may not be required to satisfy more than one (1) such two (2) year period for the same mental or physical condition. Or,
- You are currently engaging in any use of a controlled substance or unlawful use of a prescription drug that cause, in whole or in part, a disability.

#### 6.4.4.2 Disability Administrative Process

- The application is reviewed for completeness. The 1977 Fund contacts the local board to request more information if required for the application.
- The application file is reviewed by the INPRS Medical Authority.
- The INPRS Medical Authority sends a medical evaluation to INPRS. The evaluation may include a request for additional medical records.
- When INPRS medical authority completes its determination, INPRS issues an initial determination letter regarding eligibility for disability. The initial determination letter is sent to the local board, you, and your employer.
- You, the local board, or your employer may appeal the initial determination issued by INPRS within 15 days of receipt of the determination. The standards of the Indiana Administrative Orders and Procedures Act, IC 4-21.5 should be used to make the determination to appeal.
- If your disability is approved, INPRS will contact the local employer for final pay information. Your disability benefit payments from INPRS begin after all your wages and paid leave have been paid to you.

#### **6.4.4.3 Disability Application Requirements**

The disability retirement benefit application for the 1977 Fund is available on the [Member Forms page](#) of the INPRS website. The application must be signed by you and the chief of your department. It must be completed properly and include the following:

- The local board's determinations of impairment and the minutes of the hearing of the local board, with an authorized signature, and
- The local board's determination of class of impairment for 1977 Fund members hired after December 31, 1989, or who elected to change to disability terms of the 1990 Plan, and
- A copy of birth certificates for both you and your spouse (if not already submitted), and
- For Pre-1990 Plan members, a copy of the local board duty-related disability determination.

#### **6.4.4.4 Disability Application Process**

##### **Pre-1990 Disability Plan**

Steps to apply for Pre-1990 Disability Plan Benefits are as follows:

- You must submit an application to the local department retirement board to request a hearing.
- Your local board must conduct a determination hearing no later than 90 days after you submitted your application.
- The 1977 Fund and the INPRS Medical Authority will review local board findings. The review will decide if a covered impairment exists.
- After the hearing, the local board has 30 days to submit its written determination to both you and the safety board regarding whether you have a covered impairment. The submission states if you have a line of duty or non-line of duty impairment.
- You may need to provide INPRS with additional records and evidence for review before INPRS' initial determination is finalized.
- If you qualify, you receive disability benefits equal to your full regular retirement benefit at age 52.

Once you and the safety board have received the determinations, the following documents must be sent to INPRS:

- Disability application.
- Minutes from the Local Board hearing.
- Local Board determination: A disability recommendation form (duty or non-duty-related).
- A statement from the appointing authority that certifies that there is no suitable and available work in your department for which the member is or may be capable of becoming qualified, considering reasonable accommodations to the extent required by the ADA.
- Medical records from all treating physicians presented at the hearing.
- An explanation of how the disability occurred.

The local board or INPRS may request a yearly medical review while you are receiving disability if:

- You have recovered and you return to active employment with your department, your disability benefit will end.
- As a recovered member who returns to a 1977 Fund-covered position, you will not be treated as a new applicant. You will not be subject to the 1977 Fund membership application process required for new members.

If your previous condition(s) returns within two (2) years (without an intervening event) after you return to active duty from a covered impairment, you may qualify to receive benefits. Your benefit will equal the

disability benefit you were receiving when you returned to work. You may receive any cost-of-living adjustments (COLA) that 1977 Fund members received during your period of re-employment.

If you return to a 1977 Fund-covered position after you recover from a covered impairment, your employer must notify INPRS. If you receive any disability benefits after you return to work, it must be repaid to INPRS.

### 1990 Disability Plan (Current Plan)

Steps to apply for 1990 Disability Plan Benefits are as follows:

- You must submit an application to the local board.
- You must request a hearing with your local board before separating from covered service.
- Your local board must conduct a hearing no later than 90 days after you submitted your application to decide if you have a covered impairment.
- The local board decides the class of your impairment. The local board will consider reasonable accommodations as required by the ADA. The local board will also decide if there is suitable and available work in the department for you.
- The local board allows you to show documentation and present evidence and arguments in support of your case.
- After the hearing, the local board has 30 days to submit its written determination to both you and the safety board regarding whether you have a covered impairment. The submission states if you have a Class 1, 2, or 3 impairment.
- The 1977 Fund and the INPRS Medical Authority will review the findings of the local board to decide if you qualify. They will also decide your class and degree of your disability.
- You will receive disability benefits based on the class of impairment if you qualify.

Your class of impairment determines your base monthly benefit. The degree of your impairment determines your additional monthly benefit.

- A covered impairment is one that permanently or temporarily makes you unable to perform your duties.
- The appointing authority certifies that there is no suitable and available work in your department for which you are or may be capable of becoming qualified.
- The standards of the ADA are used to decide "reasonable accommodations."
- Certain covered impairments are not included when considering if your impairment was a pre-existing "Class 3 excludable condition" at the time you were hired. You do not qualify for Class 3 benefits if the impairment relates to a condition that was excluded when you became a member of the 1977 Fund.
- If the local board determines that you have a covered impairment, the board will also decide the "class" of your impairment. The INPRS Medical Authority will also review the impairment and its "class". The class of impairment determines your base monthly benefit. The INPRS Medical Authority decides your degree of impairment. Your additional monthly benefit is determined by the degree of your impairment.

Once you and the safety board have received the determinations, the following documents must be sent to INPRS:

- Disability application.
- Minutes from the Local Board hearing.

- Local Board determination: A determination of class impairment (1, 2, or 3).
- A statement from the appointing authority that certifies that there is no suitable and available work in your department for which the member is or may be capable of becoming qualified, considering reasonable accommodations to the extent required by the Americans with Disabilities Act (ADA).
- Medical records from all treating physicians presented at the hearing.
- An explanation of how the disability occurred.

### **6.4.4.5 The Local Board Process**

- You must request a hearing to determine if you have a covered impairment before separating from covered employment.
- You provide medical records to the hiring authority and the local board.
- The hiring authority determines if there is suitable and available work. The standards of the ADA are used to determine "reasonable accommodations."
- The local board holds a hearing to determine whether you have a covered impairment. The statutes are used to define a covered impairment. A transcript of the local board's hearing will be provided to the 1977 Fund.
- If you were hired after December 31, 1989 (or elected coverage under IC 36-8-8-12.4), the local board determines the class of impairment (Class 1, 2, or 3). For Pre-1990 Plan members, the local board determines if the impairment is duty related.
- If the local board decides the impairment is Class 3 and you have a Class 3 non-covered condition, the board will then decide if the impairment resulted from an accidental injury.
- The local board submits the determinations and a copy of all the medical proof used in making that determination to the 1977 Fund.

### **6.4.4.6 Disability Retirement Benefit**

#### **Pre-1990 Fund Disability Benefit**

If the local Board and the INPRS Board determine you have a covered impairment, you are entitled to receive a disability benefit equal to the benefit you would have received if you had retired at age 52. The benefit is payable for your lifetime if the disability was incurred in the line-of-duty.

#### **1990 Fund Disability Benefit**

##### **Class 1 Impairment**

Class 1 impairment is the direct result of one or more of the following:

- A personal injury that occurs while you are on duty.
- A personal injury that occurs while you are off duty, but while responding to an offense or a reported offense in the case of a police officer. Or in the case of a firefighter, an emergency, or a reported emergency for which you are trained.
- An occupational disease (defined in IC 22-3-7-10) as a disease arising out of and in the course of the employment).
- A health condition caused by an "exposure risk disease" set forth in statute in IC 5-10-13-1, under certain circumstances may be a Class 1 impairment.

You will receive a monthly base benefit equal to 45% of the first-class salary, plus an additional amount based on your degree of impairment as determined by the INPRS Medical Authority.

### **Class 2 Impairment**

Class 2 impairment is defined as a duty-related disease, which means a disease arising out of employment. The disease can be determined as arising out of employment if it is apparent to the rational mind, upon consideration of all the circumstances, that:

- There is a connection between your work environment and the disease.
- The disease happened naturally, resulting from your work environment.
- The disease is a result of exposure that happened by the nature of your duties.
- The disease can be traced to your employment as the proximate cause. or
- A health condition caused by an exposure related heart or lung disease, an exposure related cancer, or exposure related Parkinson's disease that results in a presumption of disability incurred in the line of duty under IC 5-10-15.

You will receive 22% of the base pay plus 0.5 of that pay for each year of service, up to a maximum of 30 years. You will also receive an additional amount based on the degree of your impairment. The INPRS Medical Authority determines your degree of impairment.

### **Class 3 Impairment**

A Class 3 impairment is one that is not in Class 1 or Class 2. Benefit periods are limited for certain Class 3 disability benefits. Benefits for a Class 3 impairment are paid for a period equal to your years of service if your total disability benefit is less than 30% of base salary and you have fewer than four (4) years of service. If you are hired with a pre-existing excludable medical condition, you will not be eligible for a Class 3 disability benefit when the impairment relates to the excludable condition. This condition would also prevent you from receiving any Class 3 disability benefit for a period of 4 years after the date of hire or rehire unless the Class 3 impairment is attributed to an accidental injury.

You will receive a monthly benefit equal to your years of service, up to a maximum of 30 years, multiplied by 1% of the base pay (first class salary). You will also receive an additional amount based on the degree of your impairment as determined by the INPRS Medical Authority.

### **Additional Monthly Benefit (Class 1, 2, and 3)**

Your disability benefit equals your base monthly benefit. Your base monthly benefit is based on your class of impairment, plus an additional monthly benefit amount based on the degree of your impairment. The INPRS Medical Authority determines the degree of your impairment. INPRS uses a formula to convert the degree of your impairment into a benefit percentage. The amount represents your additional monthly benefit. The minimum benefit (10% of the certified salary) and maximum benefit (45% of the certified salary) is set by statute.

### **Supplemental Benefit (Class 1 and 2)**

As a member of the 1977 Fund, you may be entitled to an additional monthly benefit if:

- You were hired after December 31, 1989, (or elected coverage under IC 36-8-8-12.4), and
- You receive a disability benefit based on a Class 1 or Class 2 impairment,
- You are entitled to receive the disability benefit for the rest of your life,
- You are receiving a disability benefit at age 52 based on a Class 1 or Class 2 impairment, and Your calculated regular retirement at age 52 exceeds the disability benefit you are receiving at age 52.



### **Medical Conditions that are Excluded Under a Class 3 Disability**

If you are hired with a pre-existing medical condition that is not covered by 1977 Fund, you will not qualify for a Class 3 disability benefit when the impairment is related in any manner to the pre-existing condition. The pre-existing condition will also prevent you from receiving any Class 3 disability benefit for a period of four (4) years after the date of hire or rehire unless the Class 3 impairment is attributed to an accidental injury.

### **Catastrophic Line of Duty Disability**

Effective on or after July 1, 2017, retroactive to July 1, 2008 (IC 36-8-8-13.3), if you suffer a personal physical injury in the line of duty resulting in permanent impairment of 67% (as determined by the INPRS Medical Authority) or greater you may be entitled to special retirement benefits. If you are eligible, you will receive 100% of the certified salary for your department. In addition, your retirement benefit will increase when the certified salary for your department increases.

### ***Mental Illness Disability and the Mental Health Disability Review Panel (MHRP)***

As of July 1, 2020, mental illness disabilities are classified as Class 1 or Class 3 impairments. Class 2 is a possibility if a mental illness disability is combined with some other non-mental illness disability.

The Mental Health Disability Review Panel was created by legislation in 2020. The review panel is responsible for reviewing all mental illness disabilities that were determined by INPRS after January 1, 2013.

The review panel consists of a psychiatrist, a psychologist, and an active or retired police officer or firefighter depending upon the individual being evaluated. All records of the panel are considered confidential.

Members subject to the panel will submit up to a total of two (2) provisional review periods of two (2) years each. The initial review period begins on July 1, 2020, if the individual has a mental illness disability determined by INPRS between January 1, 2013, and June 30, 2020. If the individual was determined by INPRS medical authority to have a mental illness on July 1, 2020, or later, the initial provisional period begins on the date the INPRS determination is made.

During both provisional review periods, the member is responsible for and subject to active participation in a mental health treatment plan as determined by the member's treating physician. The member's employer is required to pay for the member's mental health care and treatment relating to the disability during the provisional review periods.

During each provisional review period, the panel will conduct an evaluation of the member, including reports and records submitted by the member's treating physician and any other mental health care provider seen by the member. The panel may also consult with other medical authorities in conducting the evaluation.

If the panel determines that the member is no longer disabled at the conclusion of the 2<sup>nd</sup> provisional review period, disability payments will immediately stop, and the fund member will return to active duty. INPRS does not make determinations regarding when or how a member will return to active-duty status with an employer. If a member has questions about this aspect of the process, he or she should contact their employer. If the panel determines that the member continues to be impaired, then he or she will be considered to have a permanent impairment.



Members during this process may also be subject to other reviews conducted under 1977 Fund laws. If a member does not comply with requests for information from the review panel, their benefit may be suspended.

## 6.5 Reemployment of Retired Members

### 6.5.1 Returning to a 1977 Fund-Covered Position

If a retired member returns to a 1977 Fund-covered position, the benefits being paid to a retired member are suspended. The member resumes making contributions to the 1977 Fund and earns additional service credit. Upon separation of employment, the member must initiate the retirement process. The new benefit will be calculated using the appropriate salary and all service credit the member has earned. Members who retire from the 1977 Fund may reemploy in a position covered by another fund while continuing to collect benefits and potentially earn a retirement in the other fund.

Your 1977 Fund retirement application is void if you have an agreement, formal or informal, prior to your retirement, with a covered employer to become reemployed in a covered position. However, if your reemployment is beyond the 30-day separation requirement, INPRS may not question the employer about the existence of an agreement.

### 6.5.2 Returning to Employment other than 1977 Fund-Covered Position

If you are a member of the 1977 Fund and are retiring but are staying with the same employer in a position not covered by the 1977 Fund and are **under age 55**, you will need a 30-day separation from service before reemployment.

If you are a member of the 1977 Fund and are retiring, and you are age 55 **or older**, or you are moving to a different employer, you do not need the 30-day separation.

## 6.6 Retirement Application Requirements

You will need to submit your retirement application to INPRS at least **90 days before you plan to retire**. To complete your retirement application, you need to access your account at [myINPRSretirement.org](https://myINPRSretirement.org) and follow the prompts. You will also need to provide the following:

- **Confirm Personal Information** – supply your address and personal information as requested.
- **Choose Your Retirement Date and Plan** – provide your retirement date and retirement type as requested (options will be limited by the Plan and date entered).
- **Survivor Designation** – enter your survivor information as requested.
- **Tax Notices** – enter information and make selections for state, federal, and local, as applicable.
- **DROP** – enter the requested information if applicable.
- **Direct Deposit** – provide the requested information.
- **Required Documents** – upload any additional document as applicable or as required.

## 6.7 Direct Deposit

Direct deposit is the required method to distribute benefit payments. On the same day each month, your payment will be deposited directly into your specified account. You will receive an annual notice of deposits. You can update your direct deposit information online at any time. The Direct Deposit form should be completed and submitted from your online account.

## **6.8 Benefit Overpayment and Underpayment**

INPRS is required by federal and state law to correct any errors in benefit calculations. If you receive an overpayment because of an error, INPRS must recover the overpayment. If you are underpaid, you will receive another payment from INPRS.

## **6.9 Pension Protection Act (PPA)**

As a member of the 1977 Fund, you may request to make changes to your insurance deductions according to the Healthcare Enhancement for Local Public Safety (HELPS) Retiree's provision of the Pension Protection Act (PPA) of 2006. The benefit allows public safety officers to use up to \$3,000 per year from their qualified government retirement plan on a pre-tax basis. You can pay employer-sponsored health or long-term care insurance premiums; however, for you to get the pre-tax benefit, the money must be paid directly from your pension to an employer-sponsored health or long-term care insurance company.



**NOTE:** Marriages are recognized regardless of gender.

### 7.1 Beneficiaries

Your member contributions plus interest are paid to your designated beneficiary if you die without:

- Receiving a retirement benefit, or
- Receiving a disability benefit, or
- A survivor entitled to receive a benefit, or
- INPRS distributing your member contributions.

INPRS will decide the interest rate. If you do not designate a beneficiary, your contributions plus interest will be paid to your estate. INPRS will decide the payment rate to pay to your estate.

### 7.2 Survivor Benefit

Your surviving spouse and/or surviving dependent(s) may be entitled to survivor benefits.

#### 7.2.1 Lump Sum Death Benefit

Your heirs or estate is entitled to receive a one-time death benefit of \$12,000 upon your death **unless** you are an inactive, non-vested member at the time of your death. The \$12,000 benefit is always taxable regardless of whether the death was or was not in the line of duty.

#### 7.2.2 Survivors of Inactive Members (Not Vested)

If you are an inactive member with less than 20 years of active service and you die, there is no survivor benefit payable. Your contributions plus interest are payable to your designated beneficiary(ies) or estate. The \$12,000 death benefit is **not** payable to inactive non-vested members.

#### 7.2.3 Survivors of Active, Vested Inactive, and Retired Members (Non-Line of Duty)

If you die as an active member of the 1977 Fund, or after ending employment with at least 20 years of service credit but you had not started receiving benefits, or if you die on or after July 1, 2019, and were receiving retirement or disability benefits, survivor benefits will be paid as follows:

- If you die on or after July 1, 2019, your surviving spouse is entitled to a lifetime monthly benefit that will equal 70% of your monthly benefit. Your spouse can remarry and not risk losing the benefit.
- Each surviving child is entitled to a monthly benefit that equals 20% of your monthly benefit until:
  - The child turns age 18, or
  - Until age 23 if the child is enrolled in a secondary school and attends on a regular basis, or
  - The child is no longer a full-time student at an accredited college or university.
- If an eligible child has a physical or mental disability as determined by the Social Security Administration (SSA) (regardless of age) and the child is not a ward of the state, the child will receive benefits, if approved by the INPRS Medical Authority. An eligible disabled child is entitled to 30% of the monthly pay of first-class police officer or first-class firefighter or 55% (whichever is greater) of the monthly benefit you were receiving or were entitled to receive on the date of your death. The child will receive the benefit as long as the disability continues.

## Death Benefits

- If you do not have a qualified surviving child or spouse, your surviving parent(s), if qualified, is entitled to 50% of your monthly benefit for life. Your parent(s) must submit proof that they were claimed as dependents on your federal income tax form for the year prior to your date of death.

Your benefit will be calculated as if you were receiving benefits at age 52 with 20 years of service credit. If you have more than 20 years of service credit, your benefit will increase by 1% for each six (6) months of additional service.

### 7.2.4 Survivors of Active Members (Line of Duty)

If you die on or after July 1, 2020, a special one (1) time death benefit of \$225,000 will be paid to your surviving spouse if you die in the line of duty as determined by INPRS. If you are not married at the time of your death, the benefit will be paid to your surviving children. If you do not have a surviving spouse or child, the special death benefit is paid to your parents in equal shares.

If you die in the line of duty while an active member of the 1977 Fund, the following survivor monthly benefits will be paid:

- Your surviving spouse is entitled to a lifetime monthly benefit equal to 100% of your monthly benefit. Your spouse may remarry and not risk losing the benefit.
- Each surviving child is entitled to a monthly benefit equal to 20% of your monthly retirement or disability benefit until:
  - The child turns age 18, or
  - Age 23 if the child is enrolled in a secondary school and attends on a regular basis, or
  - The child is no longer a full-time student at an accredited college or university.
- If an eligible child has a physical or mental disability (regardless of age) and the child is not a ward of the state, the child will receive benefits. An eligible disabled child will receive 30% of the monthly pay of a first-class police officer or first-class firefighter or 55% (whichever is greater) of the monthly benefit you were receiving or were entitled to receive on the date of your death. The child will receive the benefit as long as the disability continues.
- If you do not have a surviving eligible child or spouse, your surviving parent(s), if qualified, is entitled to 50% of your benefit for life. Your parent(s) must prove that they were claimed as dependents on your federal income tax return filed by you the year prior to your death. Your surviving parents will equally receive 50% of your benefit for life.

Your retirement benefit will be calculated as if you were receiving benefits at age 52 with 20 years of service credit. If you have more than 20 years of service credit, your benefit will increase 1% for each six (6) months of additional service.

### 7.2.5 Survivor Benefits During DROP

If you die while in the DROP on July 1, 2020, or later and within less than 12 months after entering the DROP, the death benefits are calculated as if you never entered the DROP. If you die at least 12 months after entering the DROP, the death benefits consist of:

- The DROP frozen benefit:
  - The surviving spouse is eligible for 70% if not in the line of duty. If the member died in the line of duty, the benefit is 100% and nontaxable.
  - Each eligible surviving child is eligible for 20% if not in the line of duty. If the member died in the line of duty, the benefit is 20%.

- An additional amount which is the DROP frozen amount benefit multiplied by the number of months in the DROP payable in one lump sum or three (3) equal annual payments.
- If you elected the three (3) annual installment payments upon your DROP retirement and pass away during that period where future installment payments are due, the survivor spouse can elect to:
  - Take the remaining funds as installment payments (same as the member was receiving), or
  - Take the remaining funds as one lump sum and roll it over.

### 7.3 Survivor Benefit Application Requirements

Forms and information can be found on the [Member Forms page](#) of the INPRS website. To process a survivor benefit, the following must be submitted to INPRS:

- Survivor benefit application,
- Copy of your marriage certificate and confirmation that the deceased was married to you at the time of death (for surviving spouse claims),
- Birth certificates of the member (if not on file) and any survivors (for surviving child claims),
- Death certificate of deceased member, and
- Request for direct deposit of benefits.



### 8.1 Tax Withholding

Your retirement distributions are subject to federal income tax withholding. INPRS can withhold federal, state, county, and local taxes from your monthly retirement pension benefit payments. If you did not complete tax withholding forms at the time of your retirement, you may do so at any time.

INPRS is required by law to withhold 20% for federal income taxes for any non-recurring, taxable lump sum distribution that is paid directly to you. You will have to pay federal, state, county, and local income taxes on this taxable portion.

Tax rules are complex. If you would like more information, refer to IRS Publication 575. If you need more help, you should contact your local IRS office or a tax consultant.

### 8.2 Tax Forms

Each year, INPRS mails 1099-R forms to all benefit recipients by January 31. The form lists the total amount of taxable and non-taxable (if any) benefits received during the year. It also shows the taxable and non-taxable amounts.

### 8.3 Taxation of Retirement Benefits

When you retire, you will be taxed on all benefit payments you receive. Your "tax basis" portion will not be taxed. The tax basis is the 6%-member contribution amount that was taxed when it was paid into the plan. "Picked up" contributions, paid on your behalf by your employer, are not included in tax basis because they are not considered income when the contribution is made.

Over a pre-determined number of payments, you may recover your non-taxable amount from each benefit payment. Your recovery amount is based on your age at the time your benefits start. The schedule for repayment is set by IRS regulations. After you have recovered all your non-taxable benefit, 100% of the remaining payments will be considered taxable income.

### 8.4 Survivor Benefits for Line of Duty Death

All survivor benefit payments paid to a spouse for members who die in the line of duty are non-taxable. The \$12,000 benefit is always taxable regardless of whether the death was or was not in the line of duty.

### 8.5 Line of Duty Injuries On or After July 1, 2000

If you are a member of the Pre-1990 Disability Plan and you suffer a job-related injury on or after July 1, 2000, disability benefits may be non-taxable. Benefits calculated on the first 20 years of your service are non-taxable; any benefits paid above 20 years are taxable benefits. The local Board must decide on whether the disability was incurred in the line of duty. This determination is reviewed and approved by the 1977 Fund and the INPRS medical authority. Prior to July 1, 2000, all line of duty disability benefits were fully taxable.

### 8.6 Not in the Line of Duty Injuries

Disability benefits in the 1990 Plan that are not related to an injury suffered while on duty are fully taxable until age 52, when the disability benefit converts to a retirement benefit. At that point, you begin to recover any tax basis from the monthly retirement benefits. The majority of your retirement pension

benefit will remain taxable, but a portion will become non-taxable so that you may recover your post-tax contributions.

## **8.7 1990 Disability Plan**

This section applies if you were hired after December 31, 1989, or elected coverage under the 1990 Plan. This information only applies if you have qualified for disability benefits.

### **8.7.1 Class 1 and Class 2 Benefits**

Class 1 and Class 2 benefits are **not** subject to federal income taxes with limited exceptions for certain Class 2 members. For a Class 2 disability benefit, 0.5% of the first-class salary for each year of service up to 30 years is considered a taxable benefit.

### **8.7.2 Class 3 Benefits**

Class 3 disability benefits are fully taxable until the disability benefit converts to a retirement benefit. The benefit is converted to a regular retirement benefit when you become age 52, using time spent on disability up to 20 years. A portion of your benefit is non-taxable so that you may recover your post-tax contributions.

### **8.7.3 Supplemental Benefit**

If you qualify for a Class 1 or Class 2 disability, you may be eligible for a supplemental benefit at age 52. The calculation of a supplemental benefit for a Class 1 or Class 2 disability benefit is performed in two steps. INPRS first calculates the regular retirement benefit you would have received had you continued in active service with your department until age 52. That amount is then compared with the current disability benefit you are receiving at age 52. If the regular retirement amount is greater, then the amount of the difference will be a taxable supplemental pension benefit. If the regular retirement benefit is lower, no change is made to your benefit.

If you are over age 52 at the time you qualify for Class 1 or Class 2 disability, the supplemental benefit will be calculated at the time your disability benefit payments begin.

### **8.7.4 Charitable Contributions Regulations**

Effective July 1, 2018, pledges, or contributions to charitable or non-profit organizations cannot be deducted from your benefit.





### 9.1 Cost of Living Adjustments (COLA)

A COLA for retired 1977 Fund members is based on the Consumer Price Index (CPI). The CPI used is the United States city average prepared by the United States Department of Labor (IC 36-8-8-15). Monthly retirement benefits to members and survivors are adjusted on each July 1 by the average of the CPI for January, February, and March as compared to the same months in the preceding year. By statute, a 1977 Fund member or survivor's monthly benefit may not be increased until July of the year following the calendar year of the first monthly benefit to the 1977 Fund member or survivor. The increase is rounded to the nearest 0.1% and cannot be greater than 3%. By statute, effective July 1, 2010, a 1977 Fund retired member or survivor's monthly benefit may not be reduced due to a decrease in the CPI.

### 9.2 13th Check Annual Supplemental Payment

The 13th check does not apply to the 1977 Fund.

### 9.3 Required Minimum Distribution (RMD) Information

The Internal Revenue Service (IRS) requires you to take required minimum distribution (RMD) if you have an interest in a pension benefit. Section 401(a)(9) of the Internal Revenue code (IRC) requires INPRS to begin paying distributions of your benefit starting April 1 of the calendar year following the calendar year in which you reach the RMD age specified by the IRS or separate from employment, whichever is later:

RMD Age	Condition(s)	Source
70 1/2	Reach age 70 ½ before 01/01/2020	Pre-Secure Acts
72	Turn 70 ½ on and after 01/01/2020	Secure 1.0
73	Turn 72 on and after 01/01/2023 & reaches 73 before 01/01/2033	Secure Act 2.0
75	Turn 74 on or after 01/01/2033	Secure Act 2.0

- Anyone who turned 72 in 2022 or earlier follows the old rules. Those who turned 72 in 2022 had to take their first RMD no later than April 1, 2023.
- Those who turn 72 in 2023 and any time through 12/31/2032 (born from 1951 to 1959) must take the first RMD by April 1 of the year after they turn age 73.
- Anyone born in 1960 or later must take their first RMD by April 1 of the year after they turn age 75.

If the benefit does not begin in a timely fashion, the IRS will impose a 25% penalty on the member due to a late distribution. The IRS could reduce that penalty to 10% if the member receives a distribution within a correction window.

You must complete the online retirement application through the Retirement Application Center (RAC) from your online account at [myINPRSretirement.org](https://myINPRSretirement.org). If the application is not completed on time, RMD payments will automatically begin if you have separated from employment and have not begun the distribution process.

If INPRS does not receive the application by December 31, and the member meets the RMD requirements described in federal law and above, INPRS will undertake to contact you to set up the RMD for distribution of any retirement and/or DC and/or Rollover-Pre-Tax Contribution funds to which you are entitled.

Furthermore, INPRS is required to adjust the benefit for any IRS imposed penalties. See 35 IAC 14-7-7 for more detailed information regarding INPRS's RMD process.

## 9.4 Administrative Review

**NOTE:** This information is only a guide and neither a substitute for, nor intended as legal advice.

If you believe you have been aggrieved or adversely affected by the INPRS staff action or determination, you may request an administrative review under the Administrative Orders and Procedures Act (IC 4-21.5).

### Initial Determination

You must petition INPRS in the form of a letter to request a review of the action or final determination with which you disagree. This letter should specifically state the basis of your disagreement and include sufficient facts so that INPRS can evaluate your request for review. You should include copies of any supporting documents. For a sample format of this member petition, see form [Step 1: Member Petition for Administrative Review of Staff Action/Determination](#) available on the INPRS website. You will need to complete the form and submit it to INPRS, Attn: Administrative Review, One North Capitol, Suite #001, Indianapolis, IN 46204, or by emailing the form to [AdministrativeReviews@INPRS.in.gov](mailto:AdministrativeReviews@INPRS.in.gov).

Once an evaluation has been completed, you will be notified with an initial or amended determination letter, sent by certified mail. The letter will indicate INPRS' initial or amended determination and provide supporting justification. In addition, INPRS will provide explicit instructions should you want to appeal. Indiana law sets forth specific timelines to appeal a decision. Should your appeal be received after the appeal deadline, under Indiana law, the initial or amended determination will become final, and you will forfeit any future claims specific to that particular outcome. As noted, many processes and procedures followed by INPRS are statutory, meaning INPRS does not have the discretion to act outside of the law in granting a benefit that federal and/or state law does not permit.

### Administrative Law Judge

If you disagree with the initial or amended determination explained in the section above and want to further challenge, you may request to bring the matter before an Administrative Law Judge (ALJ). To initiate this process, you must file a petition for review with the INPRS Executive Director and you must file a petition using the form available from the [Your Right to Administrative Review page](#) on the INPRS website.

These are the available forms and instructions:

- [Complete Member Petition for Administrative Review of Staff Action or Determination](#) (Step One).
- [Petition for Review by ALJ](#) (Step Two, after Step One is completed).

Complete and return the form (Step 1 or Step 2) to INPRS at [AdministrativeReviews@INPRS.in.gov](mailto:AdministrativeReviews@INPRS.in.gov) or the address provided on the form. It is recommended that you retain copies of the submitted documents for your records.

The petition for review:

- Must meet the statutory requirements set forth in IC 4-21.5-3-7(a); **and**
- Must be filed within 15 days after you have received the written notice of the INPRS initial determination letter (IC 4-21.5-3-7(a)).

If your petition for review meets the statutory requirements, INPRS will arrange for an administrative hearing of your case, which is similar to a trial in a lawsuit, but is conducted in a less formal manner (IC 4-21.5-3-25(b)). You may be represented by counsel, but there is no requirement that you obtain representation. INPRS is not responsible for costs associated with your representation. The ALJ who

conducts the review will consider the evidence concerning the administrative action/decision. For a detailed outline of the ALJ review process, see the General Outline for Administrative Law Judge (ALJ) Review available on the INPRS website.

At the conclusion of the administrative hearing process, the ALJ will issue a Finding of Facts and Conclusions of Law and written order concerning the action or decision that you are challenging (IC 4-21.5-3-27). The ALJ's order is then subject to review by the INPRS Executive Director. On behalf of the Board of Trustees, the Executive Director will issue a final order that affirms, modifies, or dissolves the ALJ's order (IC 4-21.5-3-29(b)).

## **Judicial Review**

If you are still in disagreement at the conclusion of the administrative review, you may seek judicial review within 30 days of receipt of the final order (IC 4-21.5-5). A reviewing court will examine only those disputed issues of fact that appear in the agency record of the appeal. The trial court may not retry the appeal or substitute its judgment for that of the agency (IC 4-21.5-5-11).

See the Indiana Administrative Code available on [the Indiana Administrative Rules and Policies](#) (IAR) website for a list of all relevant IAC references.

### **9.4.1 Administrative Review for Disability**

The disability procedures for the local Board, you as the member, and the 1977 Fund to follow are detailed in 35 IAC 2-5-5.

If you or the local Board want to appeal the decision made by the INPRS Board, the appeal will be held in compliance with the Indiana Administrative Orders and Procedures Act (35 IAC 2-5-9). Appeals may require you to submit to a medical examination. The hearing allows for additional evidence to be presented by all parties. The hearing officer submits findings and recommendations to the INPRS Board for a final determination. All parties are advised of the final determination.

## **9.5 Power of Attorney**

INPRS honors requests and directions from a lawful holder of a Power of Attorney document for you. This individual is known as the attorney-in-fact. The Power of Attorney must grant the attorney-in-fact the authority to transact business of the type requested. For instance, if the Power of Attorney document grants the attorney-in-fact broad discretion to handle all banking and financial transactions, INPRS will accept directions regarding benefit payments. If, on the other hand, you grant what is known as a Health Care Power of Attorney, the attorney-in-fact does not have the authority to direct INPRS on any matter, even something as simple as an address change.

If you want to name a Power of Attorney for fund business only, without incurring the expense of legal counsel, INPRS can provide a [Limited Power of Attorney for Members and Recipients form](#). However, this Power of Attorney applies only to fund business and is not valid for general use. To receive a copy of this form to be completed and returned to the address on the form, contact INPRS.

If an attorney-in-fact attempts to act on your behalf, INPRS will require a copy of the Power of Attorney. If a copy of the Power of Attorney is not in your file, the requested transaction will be denied. The denial will then be returned to the attorney-in-fact, requesting proof of legal authority to act on your behalf.

**NOTE:** Indiana law has very specific requirements for a Power of Attorney to be valid. Your signature must be witnessed and attested to by a Notary Public. Further, the Notary Public must sign the document along with the attorney's printed name and notarial seal.

### 9.6 Guardian

INPRS honors requests and directions from a legally appointed guardian of your estate. Before INPRS can recognize acts of a guardian, INPRS must receive copies of the Letters of Guardianship and/or other official court documents appointing the guardian. A guardian is appointed only when you are declared incompetent by a court of law while you are under an active guardianship and unable to act on your own behalf. INPRS will not recognize your acts until provided proof that your right to act on your own behalf has been restored.

### 9.7 Garnishments

Indiana law prevents assigning 1977 Fund benefits. Accordingly, INPRS cannot honor any divorce decree requiring INPRS to pay anyone other than the member or the member's designated beneficiary. To be consistent with the laws governing 1977 Fund, and to satisfy Indiana's domestic relations laws, divorce decrees should order you (or the legal beneficiary) to make payments to an ex-spouse rather than ordering INPRS to make such payments. In addition, Indiana law prohibits INPRS from garnishing a pension benefit for child support payments. However, INPRS must honor any IRS tax levy or Court Order for restitution.

#### 9.7.1 Qualified Domestic Relations Order (QDRO)

INPRS cannot honor any QDRO. 1977 Fund is a governmental plan exempt from the QDRO requirements. If you purchase an annuity or roll over funds to another plan outside of INPRS, this may not apply. See IC 36-8-8-17 for more information.

### 9.8 Access to Records

#### Member Records & Confidentiality

Your records are confidential by law. INPRS will only release your name, fund, and years of service. Member records are not public records.

INPRS can provide information from your records to you, or to one of the following:

- A guardian,
- A representative of your estate,
- An attorney-in-fact (aka Power of Attorney or POA),
- Someone to whom you have given express written permission, or
- Someone named by a court order.

Indiana law, 35 IAC 1.2-1-5 and IC 5-10.5-6-4, outlines INPRS confidentiality rules and allows INPRS, at its discretion, to provide member information to:

- Members of the Indiana General Assembly,
- State agencies,
- Quasi-governmental agencies,
- Any person with the member's written permission, including a Power of Attorney,

- An active member's employer,
- A deceased member's personal representative with Letters Testamentary or a beneficiary, according to a small estate affidavit,
- Follow state or federal law, a subpoena, legal discovery under the Indiana trial rules, Orders and Procedures Act, or other court order.

## **Public Records**

INPRS is committed to making public records available upon request. To get information about submitting a request, you can call (844) GO-INPRS (844-464-6777). All requests for public records must be made through the online portal at: <https://in.accessgov.com/inprs-apra>.