

SENATE BILL No. 283

DIGEST OF INTRODUCED BILL

Citations Affected: IC 2-3.5-4-9; IC 5-10.2-2-9; IC 5-10.4; IC 5-10.5-4-2; IC 36-8-8.

Synopsis: Amortization of unfunded pension liabilities. Provides that the board of the Indiana public retirement system (INPRS) may determine a term that does not exceed 30 years over which to amortize various unfunded accrued liabilities associated with the funds administered by INPRS. (The introduced version of this bill was prepared by the interim study committee on pension management oversight.)

Effective: July 1, 2015.

Walker

January 7, 2015, read first time and referred to Committee on Pensions & Labor.



First Regular Session 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

SENATE BILL No. 283



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

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

- 1 SECTION 1. IC 2-3.5-4-9 IS AMENDED TO READ AS
- 2 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 9. Based on an
- 3 actuarial valuation, the board shall annually determine:
- 4 (1) the normal contribution;
- 5 (2) the unfunded accrued liability of the defined benefit fund,
- 6 which is the amount by which the defined benefit plan's total
- 7 accrued liability exceeds the fund's total assets; and
- 8 (3) the payments necessary to amortize the unfunded accrued
- 9 liability over **a term determined by the board that does not**
- 10 **exceed** thirty (30) years.
- 11 SECTION 2. IC 5-10.2-2-9, AS AMENDED BY P.L.246-2005,
- 12 SECTION 48, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 13 JULY 1, 2015]: Sec. 9. (a) The funds may employ a common actuary
- 14 or actuarial service.
- 15 (b) At least once in every five (5) years and in every year in which
- 16 this article is amended so that benefits are changed, the actuary shall



1 make a separate actuarial investigation for each fund ~~and for the 1996~~
 2 ~~account~~ of the mortality, service, and compensation experience of the
 3 members and their beneficiaries and shall make a valuation of the
 4 assets and liabilities of the fund, ~~or account~~, using the "entry-age
 5 normal cost" method.

6 (c) The actuarial investigation must include in the determination of
 7 the liability and the rates of contribution the amount necessary to fully
 8 fund past and estimated future cost of living increases for members of
 9 the public employees' retirement fund amortized over **a term**
 10 **determined by the board that does not exceed** thirty (30) years. ~~The~~
 11 ~~actuary shall consult with the budget agency in making this~~
 12 ~~determination.~~

13 SECTION 3. IC 5-10.4-2-4, AS ADDED BY P.L.2-2006, SECTION
 14 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1,
 15 2015]: Sec. 4. (a) The general assembly shall appropriate an amount
 16 from the state general fund that is sufficient to cover the state's
 17 actuarial liability for each member covered by the pre-1996 account
 18 and for each state employee covered by the 1996 account. The board
 19 may reduce this liability by the amount of interest earned on the
 20 deposits in the fund. This liability is determined by the actuarial
 21 investigation required by IC 5-10.2-2-9.

22 (b) The actuarial investigation and the board shall include in the
 23 determination of the liability, contribution rate, and appropriation the
 24 amount necessary to fully fund any past and estimated future cost of
 25 living increases for members of the pre-1996 account and the 1996
 26 account, amortized over **a term determined by the board that does**
 27 **not exceed** thirty (30) years. ~~The actuary shall consult with the budget~~
 28 ~~agency in making this determination.~~

29 (c) The board shall:

- 30 (1) prepare its budget based on this investigation and for other
- 31 specified expenditures; and
- 32 (2) submit the budget to the governor or to another officer or
- 33 committee authorized by law to recommend the necessary
- 34 appropriation.

35 (d) Each school corporation shall contribute to the 1996 account as
 36 specified in IC 5-10.4-7.

37 (e) If members receive compensation from federal funds, the board
 38 shall determine the employer's contribution, excluding administrative
 39 expenses, at the end of each fiscal year, to be paid from federal funds.
 40 The amount shall be determined by a method adopted by the board that
 41 results in an equitable sharing of the employer contribution by the
 42 federal government on account of members receiving compensation



- 1 from federal funds.
- 2 SECTION 4. IC 5-10.4-4-9, AS ADDED BY P.L.2-2006, SECTION
- 3 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1,
- 4 2015]: Sec. 9. The board shall determine the actuarial liability resulting
- 5 from the years of service of the members in the fund and shall
- 6 determine the state's share of the liability. The board shall distribute the
- 7 payment of this liability over a period of years that will be equitable to
- 8 the state and the fund, **not to exceed thirty (30) years.**
- 9 SECTION 5. IC 5-10.5-4-2, AS ADDED BY P.L.23-2011,
- 10 SECTION 22, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 11 JULY 1, 2015]: Sec. 2. (a) The board may do any of the following:
- 12 (1) Establish and amend rules and regulations:
- 13 (A) for the administration and regulation of the fund and the
- 14 board's affairs; and
- 15 (B) to effectuate the powers and purposes of the board;
- 16 without adopting a rule under IC 4-22-2.
- 17 (2) Make contracts and sue and be sued as the board of trustees of
- 18 the Indiana public retirement system.
- 19 (3) Delegate duties to its employees.
- 20 (4) Enter into agreements with one (1) or more insurance
- 21 companies to provide life, hospitalization, surgical, medical,
- 22 dental, vision, long term care, or supplemental Medicare
- 23 insurance, utilizing individual or group insurance policies for
- 24 retired members of the fund, and, upon authorization of the
- 25 respective member, deduct premium payments for such policies
- 26 from the members' retirement benefits and remit the payments to
- 27 the insurance companies.
- 28 (5) Enter into agreements with one (1) or more insurance
- 29 companies to provide annuities for retired members of the fund,
- 30 and, upon a member's authorization, transfer the amount credited
- 31 to the member in the annuity savings account to the insurance
- 32 companies.
- 33 (6) For the 1977 police officers' and firefighters' pension and
- 34 disability fund, deduct from benefits paid and remit to the
- 35 appropriate entities amounts authorized by IC 36-8-8-17.2.
- 36 (7) Whenever the fund's membership is sufficiently large for
- 37 actuarial valuation, establish an employer's contribution rate for
- 38 all employers, including employers with special benefit provisions
- 39 for certain employees.
- 40 (8) Amortize prior service liability over a period of ~~forty (40)~~
- 41 **thirty (30)** years or less.
- 42 (9) Recover payments made under false or fraudulent



- 1 representation.
- 2 (10) Give bond for an employee for the fund's protection.
- 3 (11) Receive the state's share of the cost of the pension
- 4 contribution from the federal government for a member on leave
- 5 of absence in order to work in a federally supported educational
- 6 project.
- 7 (12) Summon and examine witnesses when adjusting claims.
- 8 (13) When adjusting disability claims, require medical
- 9 examinations by doctors approved or appointed by the board. Not
- 10 more than two (2) examinations may be conducted in one (1)
- 11 year.
- 12 (14) Conduct investigations to help determine the merit of a
- 13 claim.
- 14 (15) Meet an emergency that may arise in the administration of
- 15 the board's trust.
- 16 (16) Determine other matters regarding the board's trust that are
- 17 not specified.
- 18 (17) Exercise all powers necessary, convenient, or appropriate to
- 19 carry out and effectuate its public and corporate purposes and to
- 20 conduct its business.
- 21 (b) This subsection does not apply to investments of the board. A
- 22 contract under subsection (a)(2) may be for a term of not more than
- 23 five (5) years, with an ability to renew thereafter.
- 24 (c) An agreement under subsection (a)(4) may be for a duration of
- 25 three (3) years.
- 26 SECTION 6. IC 36-8-8-7, AS AMENDED BY P.L.117-2013,
- 27 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 28 JULY 1, 2015]: Sec. 7. (a) Except as provided in subsections (d), (e),
- 29 (f), (g), (h), (k), (l), and (m):
- 30 (1) a police officer; or
- 31 (2) a firefighter;
- 32 who is less than thirty-six (36) years of age and who passes the baseline
- 33 statewide physical and mental examinations required under section 19
- 34 of this chapter shall be a member of the 1977 fund and is not a member
- 35 of the 1925 fund, the 1937 fund, or the 1953 fund.
- 36 (b) A police officer or firefighter with service before May 1, 1977,
- 37 who is hired or rehired after April 30, 1977, may receive credit under
- 38 this chapter for service as a police officer or firefighter prior to entry
- 39 into the 1977 fund if the employer who rehires the police officer or
- 40 firefighter chooses to contribute to the 1977 fund the amount necessary
- 41 to amortize the police officer's or firefighter's prior service liability over
- 42 a period of not more than ~~forty (40)~~ **thirty (30)** years, the amount and



1 the period to be determined by the system board. If the employer
 2 chooses to make the contributions, the police officer or firefighter is
 3 entitled to receive credit for the police officer's or firefighter's prior
 4 years of service without making contributions to the 1977 fund for that
 5 prior service. In no event may a police officer or firefighter receive
 6 credit for prior years of service if the police officer or firefighter is
 7 receiving a benefit or is entitled to receive a benefit in the future from
 8 any other public pension plan with respect to the prior years of service.

9 (c) Except as provided in section 18 of this chapter, a police officer
 10 or firefighter is entitled to credit for all years of service after April 30,
 11 1977, with the police or fire department of an employer covered by this
 12 chapter.

13 (d) A police officer or firefighter with twenty (20) years of service
 14 does not become a member of the 1977 fund and is not covered by this
 15 chapter, if the police officer or firefighter:

16 (1) was hired before May 1, 1977;

17 (2) did not convert under IC 19-1-17.8-7 or IC 19-1-36.5-7 (both
 18 of which were repealed September 1, 1981); and

19 (3) is rehired after April 30, 1977, by the same employer.

20 (e) A police officer or firefighter does not become a member of the
 21 1977 fund and is not covered by this chapter if the police officer or
 22 firefighter:

23 (1) was hired before May 1, 1977;

24 (2) did not convert under IC 19-1-17.8-7 or IC 19-1-36.5-7 (both
 25 of which were repealed September 1, 1981);

26 (3) was rehired after April 30, 1977, but before February 1, 1979;
 27 and

28 (4) was made, before February 1, 1979, a member of a 1925,
 29 1937, or 1953 fund.

30 (f) A police officer or firefighter does not become a member of the
 31 1977 fund and is not covered by this chapter if the police officer or
 32 firefighter:

33 (1) was hired by the police or fire department of a unit before May
 34 1, 1977;

35 (2) did not convert under IC 19-1-17.8-7 or IC 19-1-36.5-7 (both
 36 of which were repealed September 1, 1981);

37 (3) is rehired by the police or fire department of another unit after
 38 December 31, 1981; and

39 (4) is made, by the fiscal body of the other unit after December
 40 31, 1981, a member of a 1925, 1937, or 1953 fund of the other
 41 unit.

42 If the police officer or firefighter is made a member of a 1925, 1937, or



1 1953 fund, the police officer or firefighter is entitled to receive credit
 2 for all the police officer's or firefighter's years of service, including
 3 years before January 1, 1982.

4 (g) As used in this subsection, "emergency medical services" and
 5 "emergency medical technician" have the meanings set forth in
 6 IC 16-18-2-110 and IC 16-18-2-112. A firefighter who:

7 (1) is employed by a unit that is participating in the 1977 fund;

8 (2) was employed as an emergency medical technician by a
 9 political subdivision wholly or partially within the department's
 10 jurisdiction;

11 (3) was a member of the public employees' retirement fund during
 12 the employment described in subdivision (2); and

13 (4) ceased employment with the political subdivision and was
 14 hired by the unit's fire department due to the reorganization of
 15 emergency medical services within the department's jurisdiction;
 16 shall participate in the 1977 fund. A firefighter who participates in the
 17 1977 fund under this subsection is subject to sections 18 and 21 of this
 18 chapter.

19 (h) A police officer or firefighter does not become a member of the
 20 1977 fund and is not covered by this chapter if the individual was
 21 appointed as:

22 (1) a fire chief under a waiver under IC 36-8-4-6(c); or

23 (2) a police chief under a waiver under IC 36-8-4-6.5(c);

24 unless the executive of the unit requests that the 1977 fund accept the
 25 individual in the 1977 fund and the individual previously was a
 26 member of the 1977 fund.

27 (i) A police matron hired or rehired after April 30, 1977, and before
 28 July 1, 1996, who is a member of a police department in a second or
 29 third class city on March 31, 1996, is a member of the 1977 fund.

30 (j) A park ranger who:

31 (1) completed at least the number of weeks of training at the
 32 Indiana law enforcement academy or a comparable law
 33 enforcement academy in another state that were required at the
 34 time the park ranger attended the Indiana law enforcement
 35 academy or the law enforcement academy in another state;

36 (2) graduated from the Indiana law enforcement academy or a
 37 comparable law enforcement academy in another state; and

38 (3) is employed by the parks department of a city having a
 39 population of more than one hundred ten thousand (110,000) but
 40 less than one hundred fifty thousand (150,000);

41 is a member of the fund.

42 (k) Notwithstanding any other provision of this chapter, a police



- 1 officer or firefighter:
- 2 (1) who is a member of the 1977 fund before a consolidation
- 3 under IC 36-3-1-5.1 or IC 36-3-1-6.1;
- 4 (2) whose employer is consolidated into the consolidated law
- 5 enforcement department or the fire department of a consolidated
- 6 city under IC 36-3-1-5.1 or IC 36-3-1-6.1; and
- 7 (3) who, after the consolidation, becomes an employee of the
- 8 consolidated law enforcement department or the consolidated fire
- 9 department under IC 36-3-1-5.1 or IC 36-3-1-6.1;
- 10 is a member of the 1977 fund without meeting the requirements under
- 11 sections 19 and 21 of this chapter.
- 12 (l) Notwithstanding any other provision of this chapter, if:
- 13 (1) before a consolidation under IC 8-22-3-11.6, a police officer
- 14 or firefighter provides law enforcement services or fire protection
- 15 services for an entity in a consolidated city;
- 16 (2) the provision of those services is consolidated into the law
- 17 enforcement department or fire department of a consolidated city;
- 18 and
- 19 (3) after the consolidation, the police officer or firefighter
- 20 becomes an employee of the consolidated law enforcement
- 21 department or the consolidated fire department under
- 22 IC 8-22-3-11.6;
- 23 the police officer or firefighter is a member of the 1977 fund without
- 24 meeting the requirements under sections 19 and 21 of this chapter.
- 25 (m) A police officer or firefighter who is a member of the 1977 fund
- 26 under subsection (k) or (l) may not be:
- 27 (1) retired for purposes of section 10 of this chapter; or
- 28 (2) disabled for purposes of section 12 of this chapter;
- 29 solely because of a change in employer under the consolidation.
- 30 (n) Notwithstanding any other provision of this chapter and subject
- 31 to subsection (o), a police officer or firefighter who:
- 32 (1) is an active member of the 1977 fund with an employer that
- 33 participates in the 1977 fund;
- 34 (2) separates from that employer; and
- 35 (3) not later than one hundred eighty (180) days after the date of
- 36 the separation described in subdivision (2), becomes employed as
- 37 a full-time police officer or firefighter with a second employer
- 38 that participates in the 1977 fund;
- 39 is a member of the 1977 fund without meeting for a second time the
- 40 age limitation under subsection (a) and the requirements under sections
- 41 19 and 21 of this chapter. A police officer or firefighter to whom this
- 42 subsection applies is entitled to receive credit for all years of 1977 fund



1 covered service as a police officer or firefighter with all employers that
2 participate in the 1977 fund.

3 (o) The one hundred eighty (180) day limitation described in
4 subsection (n)(3) does not apply to a member of the 1977 fund who is
5 eligible for reinstatement under IC 36-8-4-11.

6 SECTION 7. IC 36-8-8-18, AS AMENDED BY P.L.35-2012,
7 SECTION 136, IS AMENDED TO READ AS FOLLOWS
8 [EFFECTIVE JULY 1, 2015]: Sec. 18. (a) Except as provided in
9 subsection (b), if a unit becomes a participant in the 1977 fund, credit
10 for prior service by police officers (including prior service as a
11 full-time, fully paid town marshal or full-time, fully paid deputy town
12 marshal by a police officer employed by a metropolitan board of police
13 commissioners) or by firefighters before the date of participation may
14 be given by the system board only if:

15 (1) the unit contributes to the 1977 fund the amount necessary to
16 amortize prior service liability over a period of not more than
17 ~~forty (40)~~ **thirty (30)** years, the amount and period to be
18 determined by the system board; and

19 (2) the police officers or firefighters pay, either in a lump sum or
20 in a series of payments determined by the system board, the
21 amount that they would have contributed if they had been
22 members of the 1977 fund during their prior service.

23 If the requirements of subdivisions (1) and (2) are not met, a fund
24 member is entitled to credit only for years of service after the date of
25 participation.

26 (b) If a unit becomes a participant in the 1977 fund under section
27 3(c) of this chapter, or if a firefighter becomes a member of the 1977
28 fund under section 7(g) of this chapter, credit for prior service before
29 the date of participation or membership shall be given by the system
30 board as follows:

31 (1) For a member who will accrue twenty (20) years of service
32 credit in the 1977 fund by the time the member reaches the
33 earliest retirement age under the fund at the time of the member's
34 date of participation in the 1977 fund, the member will be given
35 credit in the 1977 fund for one-third (1/3) of the member's years
36 of participation in PERF as a police officer, a firefighter, or an
37 emergency medical technician.

38 (2) For a member who will not accrue twenty (20) years of service
39 credit in the 1977 fund by the time the member reaches the
40 earliest retirement age under the fund at the time of the member's
41 date of participation in the 1977 fund, such prior service shall be
42 given only if:



- 1 (A) The unit contributes to the 1977 fund the amount
2 necessary to fund prior service liability amortized over a
3 period of not more than ten (10) years. The amount of
4 contributions must be based on the actual salary earned by a
5 first class firefighter at the time the unit becomes a participant
6 in the 1977 fund, or the firefighter becomes a member of the
7 1977 fund, or if no such salary designation exists, the actual
8 salary earned by the firefighter. The limit on credit for prior
9 service does not apply if the firefighter was a member of the
10 1937 fund or 1977 fund whose participation was terminated
11 due to the creation of a new fire protection district under
12 IC 36-8-11-5 and who subsequently became a member of the
13 1977 fund. A firefighter who was a member of or reentered the
14 1937 fund or 1977 fund whose participation was terminated
15 due to the creation of a new fire protection district under
16 IC 36-8-11-5 is entitled to full credit for prior service in an
17 amount equal to the firefighter's years of service before
18 becoming a member of or reentering the 1977 fund. Service
19 may only be credited for time as a full-time, fully paid
20 firefighter or as an emergency medical technician under
21 section 7(g) of this chapter.
- 22 (B) The amount the firefighter would have contributed if the
23 firefighter had been a member of the 1977 fund during the
24 firefighter's prior service must be fully paid and must be based
25 on the firefighter's actual salary earned during that period
26 before service can be credited under this section.
- 27 (C) Any amortization schedule for contributions paid under
28 clause (A) and contributions to be paid under clause (B) must
29 include interest at a rate determined by the system board.
- 30 (3) If, at the time a unit entered the 1977 fund, the unit
31 contributed the amount required by subdivision (2) so that a fund
32 member received the maximum prior service credit allowed by
33 subdivision (2) and, at a later date, the earliest retirement age was
34 lowered, the unit may contribute to the 1977 fund on the fund
35 member's behalf an additional amount that is determined in the
36 same manner as under subdivision (2) with respect to the
37 additional prior service, if any, available as a result of the lower
38 retirement age. If the unit pays the additional amount described in
39 this subdivision in accordance with the requirements of
40 subdivision (2), the fund member shall receive the additional
41 service credit necessary for the fund member to retire at the lower
42 earliest retirement age.



- 1 (c) This subsection applies to a unit that:
- 2 (1) becomes a participant in the 1977 fund under section 3(c) of
- 3 this chapter; and
- 4 (2) is a fire protection district created under IC 36-8-11 that
- 5 includes a township or a municipality that had a 1937 fund.
- 6 A firefighter who continues uninterrupted service with a unit covered
- 7 by this subsection and who participated in the township or municipality
- 8 1937 fund is entitled to receive service credit for such service in the
- 9 1977 fund. However, credit for such service is limited to the amount
- 10 accrued by the firefighter in the 1937 fund or the amount necessary to
- 11 allow the firefighter to accrue twenty (20) years of service credit in the
- 12 1977 fund by the time the firefighter becomes fifty-two (52) years of
- 13 age, whichever is less.
- 14 (d) The unit shall contribute into the 1977 fund the amount
- 15 necessary to fund the amount of past service determined in accordance
- 16 with subsection (c), amortized over a period not to exceed ten (10)
- 17 years with interest at a rate determined by the system board.
- 18 (e) If the township or municipality has accumulated money in its
- 19 1937 fund, any amount accumulated that exceeds the present value of
- 20 all projected future benefits from the 1937 plan shall be paid by the
- 21 township or municipality to the unit for the sole purpose of making the
- 22 contributions determined in subsection (d).
- 23 (f) To the extent permitted by the Internal Revenue Code and the
- 24 applicable regulations, the 1977 fund may accept, on behalf of a fund
- 25 member who is purchasing permissive service credit under this chapter,
- 26 a rollover of a distribution from any of the following:
- 27 (1) A qualified plan described in Section 401(a) or Section 403(a)
- 28 of the Internal Revenue Code.
- 29 (2) An annuity contract or account described in Section 403(b) of
- 30 the Internal Revenue Code.
- 31 (3) An eligible plan that is maintained by a state, a political
- 32 subdivision of a state, or an agency or instrumentality of a state or
- 33 political subdivision of a state under Section 457(b) of the
- 34 Internal Revenue Code.
- 35 (4) An individual retirement account or annuity described in
- 36 Section 408(a) or Section 408(b) of the Internal Revenue Code.
- 37 (g) To the extent permitted by the Internal Revenue Code and the
- 38 applicable regulations, the 1977 fund may accept, on behalf of a fund
- 39 member who is purchasing permissive service credit under this chapter,
- 40 a trustee to trustee transfer from any of the following:
- 41 (1) An annuity contract or account described in Section 403(b) of
- 42 the Internal Revenue Code.



- 1 (2) An eligible deferred compensation plan under Section 457(b)
- 2 of the Internal Revenue Code.

