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# SENATE BILL No. 64

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 4-15-2-3.8; IC 5-10.2-2; IC 5-10.3-3; IC 21-6.1-3; IC 36-8-8-4.

**Synopsis:** PERF and TRF administration. Provides that the public employees' retirement fund (PERF) and the Indiana state teachers' retirement fund (TRF) are independent bodies corporate and politic, and not departments or agencies of the state. Specifies that PERF and TRF are independent instrumentalities exercising essential government functions. Provides that the PERF board and the TRF board shall each adopt a budget for its respective fund. Requires the PERF board and the TRF board to report annually to the governor and to the pension management oversight commission. Specifies that the police officer and firefighter members of the 1977 fund advisory committee may be active or retired members of police and firefighter retirement funds.

**Effective:** July 1, 2000.

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## Harrison

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November 18, 1999, read first time and referred to Committee on Pensions and Labor.

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Introduced

Second Regular Session 111th General Assembly (2000)

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 1999 General Assembly.

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## SENATE BILL No. 64



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 4-15-2-3.8, AS AMENDED BY P.L.272-1999,  
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2000]: Sec. 3.8. "State service" means public service by:  
4 (1) employees and officers, including the incumbent directors, of  
5 the county offices of family and children; and  
6 (2) employees and officers, except members of boards and  
7 commissions or individuals hired for or appointed to, after June  
8 30, 1982, positions as appointing authorities, deputies, assistants  
9 reporting to appointing authorities, or supervisors of major units  
10 within state agencies, irrespective of the title carried by those  
11 positions, of the division of disability, aging, and rehabilitative  
12 services, Fort Wayne State Developmental Center, Muscatatuck  
13 State Developmental Center, division of mental health, Larue D.  
14 Carter Memorial Hospital, Evansville State Psychiatric Treatment  
15 Center for Children, Central State Hospital, Evansville State  
16 Hospital, Logansport State Hospital, Madison State Hospital,  
17 Richmond State Hospital, state department of health, Indiana



1 School for the Blind, Indiana School for the Deaf, Indiana  
 2 Veterans' Home, Indiana Soldiers' and Sailors' Children's Home,  
 3 Silvercrest Children's Development Center, department of  
 4 correction, Westville Correctional Facility, Plainfield Juvenile  
 5 Correctional Facility, Putnamville Correctional Facility,  
 6 Indianapolis Juvenile Correctional Facility, Indiana State Prison,  
 7 Indiana Women's Prison, Pendleton Correctional Facility,  
 8 Reception and Diagnostic Center, Rockville Correctional Facility,  
 9 Youth Rehabilitation Facility, Plainfield Correctional Facility,  
 10 department of fire and building services, state emergency  
 11 management agency (excluding a county emergency management  
 12 organization and any other local emergency management  
 13 organization created under IC 10-4-1), civil rights commission,  
 14 criminal justice planning agency, department of workforce  
 15 development, Indiana historical bureau, Indiana state library,  
 16 division of family and children, Indiana state board of animal  
 17 health, Federal Surplus Property Warehouse, Indiana education  
 18 employment relations board, ~~public employees' retirement fund,~~  
 19 ~~teachers' retirement fund,~~ department of labor, Indiana protection  
 20 and advocacy services commission, commission on public  
 21 records, Indiana horse racing commission, and state personnel  
 22 department.

23 SECTION 2. IC 5-10.2-2-1 IS AMENDED TO READ AS  
 24 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 1. Scope; Purpose. (a)  
 25 This article applies to the Indiana state teachers' retirement fund and  
 26 the public employees' retirement fund. Each retirement fund covered  
 27 by this article is a separate retirement fund managed by its board under  
 28 its retirement fund law. Each board shall make and publish regulations  
 29 which are appropriate to the efficient administration of this article. The  
 30 obligations of the state and political subdivisions for benefit payments  
 31 are specified in each retirement fund law.

32 **(b) Each fund is an independent body corporate and politic. A**  
 33 **fund is not a department or agency of the state but is an**  
 34 **independent instrumentality exercising essential government**  
 35 **functions.**

36 **(c) For purposes of IC 34-13-2, IC 34-13-3, and IC 34-13-4, each**  
 37 **board, each fund, and all employees of each board or fund are**  
 38 **public employees (as defined in IC 34-6-2-38).**

39 **(d)** The benefits specified in this article and the benefits from the  
 40 Social Security Act provide the retirement, disability, and survivor  
 41 benefits for public employees and teachers. However, this article does  
 42 not prohibit a political subdivision from establishing and providing



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1 before January 1, 1995, and continuing to provide after January 1,  
 2 1995, retirement, disability, and survivor benefits for the public  
 3 employees of the political subdivision independent of this article if the  
 4 political subdivision took action before January 1, 1995, and was not  
 5 a participant in the public employees' retirement fund on January 1,  
 6 1995, under this article or IC 5-10.3.

7 SECTION 3. IC 5-10.2-2-12 IS AMENDED TO READ AS  
 8 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 12. (a) The general  
 9 assembly shall appropriate biennially for each fund the sum of the  
 10 following:

- 11 (1) the state's normal contribution for its employees to the public  
 12 employees' retirement fund, the pre-1996 account, and the 1996  
 13 account, as determined in section 11 of this chapter;  
 14 (2) at least the anticipated increase in the state's unfunded accrued  
 15 liability in each fund, other than the pre-1996 account, as  
 16 estimated by each board under the procedures specified in section  
 17 11 of this chapter; and  
 18 (3) the state's obligation as estimated by each board for disability  
 19 benefits and benefits payable under retirement fund laws in effect  
 20 before April 1, 1955.

21 The request for this sum for each fund shall be submitted to the budget  
 22 agency as one (1) item for each fund. Each board shall submit to the  
 23 agency its actuarial investigation and valuation and any other actuarial  
 24 information to support the request.

25 ~~(b) The general assembly shall appropriate biennially an amount  
 26 necessary for the administration of each fund. The request for this  
 27 amount shall be submitted as operating expenses of other state  
 28 departments are submitted. The amount shall be included in the  
 29 biennial budget bill and paid as are operating expenses of other state  
 30 departments. If the board and the actuary determine that investment  
 31 earnings are sufficient, then the total amount of administrative costs  
 32 shall be offset by the earnings. The offset shall be prorated for:~~

- 33 ~~(1) participating political subdivisions; and  
 34 (2) school corporations and other institutions; with respect to the  
 35 1996 account.~~

36 ~~(c) (b) The biennial appropriation specified in subsection (a) of this  
 37 section shall be paid annually to each fund in equal installments in July  
 38 of each year of the biennium. The biennial appropriation specified in  
 39 subsection (b) of this section shall be available to each fund beginning  
 40 with July of each year of the biennium.~~

41 SECTION 4. IC 5-10.3-3-7 IS AMENDED TO READ AS  
 42 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 7. The board shall **do**

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1 **all of the following:**

- 2 (1) Appoint a director, subject to the approval of the governor.
- 3 (2) Appoint an actuary and ~~such clerical and other help as is~~  
 4 **required employ or contract with employees, auditors,**  
 5 **technical experts, legal counsel, and other service providers as**  
 6 **it considers necessary** to transact the business of the fund,  
 7 **without the approval of any state officer.**
- 8 (3) Fix the compensation of persons:
- 9 (A) ~~appointed subject to the approval of the budget agency; or~~  
 10 **employed by the board; or**
- 11 (B) **who contract with the board.**
- 12 (4) Establish a general office in Indianapolis for board meetings  
 13 and for administrative personnel.
- 14 (5) Provide for the installation in the general office of a complete  
 15 system of books, accounts including reserve accounts, and records  
 16 in order to give effect to all the requirements of this article and to  
 17 assure the proper operation of the fund.
- 18 (6) Provide for a report at least annually, before June 1, to each  
 19 member of the amount credited to him in the annuity savings  
 20 account in each investment program under IC 5-10.2-2.
- 21 (7) With the advice of the actuary, adopt actuarial tables and  
 22 compile data needed for actuarial studies which are necessary for  
 23 the fund's operation.
- 24 (8) Act on applications for benefits and claims of error filed by  
 25 members.
- 26 (9) Have the accounts of the fund audited annually by the state  
 27 board of accounts. ~~and~~
- 28 (10) Publish for the members a synopsis of the fund's condition.
- 29 (11) **Adopt a budget on a calendar year or fiscal year basis**  
 30 **that is sufficient, as determined by the board, to perform the**  
 31 **board's duties and, as appropriate and reasonable, draw upon**  
 32 **fund assets to fund the budget.**
- 33 (12) **Expend money, including income from the fund's**  
 34 **investments, for effectuating the fund's purposes.**
- 35 (13) **Establish personnel programs and policies for its**  
 36 **employees.**
- 37 (14) **Submit a report of its activities each year to the governor**  
 38 **and to the pension management oversight commission before**  
 39 **November 1 of each year. The report under this subdivision**  
 40 **must set forth a complete operating and financial statement**  
 41 **covering its operations during the most recent fiscal year.**
- 42 (15) **Establish a code of ethics or decide to be under the**

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1           **jurisdiction and rules adopted by the state ethics commission.**  
 2           SECTION 5. IC 5-10.3-3-8 IS AMENDED TO READ AS  
 3           FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 8. (a) The board may  
 4           **do any of the following:**

5           (1) Establish **and amend** rules and regulations:

6           (A) for the administration **and regulation** of the fund **and the**  
 7           **board's affairs; and**

8           (B) **to effectuate the powers and purposes of the board;**  
 9           **without adopting a rule under IC 4-22-2.**

10          (2) Make contracts and sue and be sued as the board of trustees of  
 11          the public employees' retirement fund of Indiana.

12          (3) Delegate duties to its employees.

13          (4) Enter into agreements with one (1) or more insurance  
 14          companies to provide life, hospitalization, surgical, medical, or  
 15          supplemental Medicare insurance, utilizing individual or group  
 16          insurance policies for retired members of the fund, and, upon  
 17          authorization of the respective member, deduct premium  
 18          payments for such policies from the members' retirement benefits  
 19          and remit the payments to the insurance companies.

20          (5) Enter into agreements with one (1) or more insurance  
 21          companies to provide annuities for retired members of the fund,  
 22          and, upon a member's authorization, transfer the amount credited  
 23          to the member in the annuity savings account to the insurance  
 24          companies.

25          (6) Whenever the fund's membership is sufficiently large for  
 26          actuarial valuation, establish an employer's contribution rate for  
 27          all employers, including employers with special benefit provisions  
 28          for certain employees.

29          (7) Amortize prior service liability over a period of forty (40)  
 30          years or less. ~~and~~

31          (8) Recover payments made under false or fraudulent  
 32          representation.

33          **(9) Exercise all powers necessary, convenient, or appropriate**  
 34          **to carry out and effectuate its public and corporate purposes**  
 35          **and to conduct its business.**

36          (b) An agreement under subsection (a)(4) may be for a duration of  
 37          three (3) years.

38          (c) A contract under subsection (a)(2) may be for a term of not more  
 39          than five (5) years, with an ability to renew thereafter.

40          **(d) The board's powers and the fund's powers specified in this**  
 41          **chapter shall be interpreted broadly to effectuate the purposes of**  
 42          **this chapter and may not be construed as a limitation of powers.**



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1 SECTION 6. IC 21-6.1-3-6 IS AMENDED TO READ AS  
 2 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 6. (a) Each trustee shall  
 3 give bond as specified periodically by the state board of finance.

4 (b) The board shall **do all of the following:**

5 (1) Act on each application for benefits.

6 (2) Provide the necessary forms for administering the fund.

7 (3) Establish records and accounts, which provide the necessary  
 8 information for an actuary's examination and which are  
 9 sanctioned by the state board of accounts.

10 (4) Maintain individual records for each member of the fund  
 11 containing:

12 (A) ~~his~~ **the member's** name;

13 (B) date of birth;

14 (C) age at beginning service;

15 (D) service record;

16 (E) address;

17 (F) ~~his~~ **the member's** contributions to the fund;

18 (G) amounts withdrawn;

19 (H) benefits paid; and

20 (I) other items considered necessary.

21 (5) ~~Employ assistants or contract with employees, auditors,~~  
 22 ~~technical experts, legal counsel, and other service providers as~~  
 23 ~~it considers necessary to transact the business of the fund~~  
 24 ~~without the approval of any state officer,~~ and fix their  
 25 compensation. ~~subject to the approval of the budget agency.~~

26 (6) Make rules as are required to administer the fund.

27 (7) Publish for the members' information a synopsis of the fund's  
 28 condition.

29 (8) Provide for a report at least annually, before June 1, to each  
 30 member of the value of the amount credited to the member in the  
 31 annuity savings account in each investment program under  
 32 IC 5-10.2-2. ~~and~~

33 (9) Provide for the installation in the general office of a complete  
 34 system of books, accounts (including reserve accounts), and  
 35 records in order to give effect to all the requirements of this  
 36 article and to ensure the proper operation of the fund.

37 **(10) Appoint an actuary.**

38 **(11) With the advice of the actuary, adopt actuarial tables and**  
 39 **compile data needed for actuarial studies that are necessary**  
 40 **for the fund's operation.**

41 **(12) Adopt a budget on a calendar year or fiscal year basis**  
 42 **that is sufficient, as determined by the board, to perform the**

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- 1 **board's duties and, as appropriate and reasonable, draw upon**  
 2 **fund assets to fund the budget.**  
 3 **(13) Expend money, including income from the fund's**  
 4 **investments, for effectuating the fund's purposes.**  
 5 **(14) Establish personnel programs and policies for its**  
 6 **employees.**  
 7 **(15) Submit a report of its activities each year to the governor**  
 8 **and to the pension management oversight commission before**  
 9 **November 1 of each year. The report under this subdivision**  
 10 **must set forth a complete operating and financial statement**  
 11 **covering its operations during the most recent fiscal year.**  
 12 **(16) Establish a code of ethics or decide to be under the**  
 13 **jurisdiction and rules adopted by the state ethics commission.**  
 14 SECTION 7. IC 21-6.1-3-7 IS AMENDED TO READ AS  
 15 FOLLOWS [EFFECTIVE JULY 1, 2000]: Sec. 7. (a) The board may  
 16 **do any of the following:**  
 17 (1) Adopt and enforce ~~bylaws~~ **rules and regulations** regarding  
 18 the ~~department's~~ **fund's** administration and the control and  
 19 investment of the fund.  
 20 ~~(2) employ staff, who are not trustees, to perform clerical work~~  
 21 ~~needed by the board;~~  
 22 ~~(3) (2) Bond employees for the fund's protection.~~  
 23 ~~(4) (3) Receive from the federal government the state's share of~~  
 24 ~~the cost of the pension contribution for a member on leave of~~  
 25 ~~absence to work in a federally supported educational project.~~  
 26 ~~(5) (4) Sue and be sued as the board of trustees of the Indiana~~  
 27 ~~state teachers' retirement fund.~~  
 28 ~~(6) (5) Summon and examine witnesses when adjusting claims.~~  
 29 ~~(7) (6) Require, when adjusting disability claims, medical~~  
 30 ~~examinations by doctors approved or appointed by the board;~~  
 31 ~~however, not more than two (2) examinations may be conducted~~  
 32 ~~in one (1) year.~~  
 33 ~~(8) (7) Conduct investigations to help determine the merit of a~~  
 34 ~~claim.~~  
 35 ~~(9) (8) Meet any emergency which may arise in the administration~~  
 36 ~~of its trust.~~  
 37 ~~(10) (9) Determine other matters regarding its trust which are not~~  
 38 ~~specified.~~  
 39 ~~(11) (10) Enter into agreements with one (1) or more insurance~~  
 40 ~~companies to provide life, hospitalization, surgical, medical, or~~  
 41 ~~supplemental Medicare insurance, utilizing individual or group~~  
 42 ~~insurance policies for retired teachers, and, upon authorization of~~

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1 the respective retired teacher, deduct premium payments for such  
 2 policies from the teachers' retirement benefits and remit the  
 3 payments to the insurance companies. ~~and~~

4 ~~(12)~~ **(11)** Enter into agreements with one (1) or more insurance  
 5 companies to provide annuities for retired teachers and upon a  
 6 member's authorization transfer the amount credited to the  
 7 member in the annuity savings account to the insurance  
 8 companies.

9 **(12) Exercise all powers necessary, convenient, or appropriate**  
 10 **to carry out and effectuate its public and corporate purposes**  
 11 **and to conduct its business.**

12 **(13) Establish and amend rules and regulations:**

13 **(A) for the administration and regulation of the fund and**  
 14 **the 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 (b) An agreement under subsection ~~(a)(11)~~ **(a)(10)** may be for a  
 18 duration of three (3) years.

19 (c) This subsection does not apply to an agreement under subsection  
 20 ~~(a)(11)~~: **(a)(10)**. A contract that the board enters into under section 9(b)  
 21 of this chapter or any other provision may be for a term of not more  
 22 than five (5) years, with an ability to renew thereafter.

23 **(d) The board's powers and the fund's powers specified in this**  
 24 **chapter shall be interpreted broadly to effectuate the purposes of**  
 25 **this chapter and may not be construed as a limitation of powers.**

26 SECTION 8. IC 36-8-8-4 IS AMENDED TO READ AS FOLLOWS  
 27 [EFFECTIVE JULY 1, 2000]: Sec. 4. (a) There is established a police  
 28 officers' and firefighters' pension and disability fund to be known as the  
 29 1977 fund. The 1977 fund consists of fund member and employer  
 30 contributions, plus the earnings on them, to be used to make benefit  
 31 payments to fund members and their survivors in the amounts and  
 32 under the conditions specified in this chapter.

33 (b) The board of trustees of the public employees' retirement fund  
 34 (referred to in this chapter as the "PERF board") shall administer the  
 35 1977 fund, which may be commingled with the public employees'  
 36 retirement fund for investment purposes. All actuarial data shall be  
 37 computed on the total membership of the fund, and the cost of  
 38 participation is the same for all employers in the fund. The fund  
 39 member and employer contributions shall be recorded separately for  
 40 each employer.

41 (c) The 1977 fund advisory committee, referred to as the committee,  
 42 is established. The PERF board shall consult with the committee on



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1 matters pertaining to the administration of this chapter and  
 2 IC 5-10.3-11. The committee shall consist of the following members  
 3 appointed by the governor every two (2) years for a term of two (2)  
 4 years:

5 (1) Two (2) firefighters:

6 (A) each of whom must be a **an active or retired** member of  
 7 the 1937 fund or the 1977 fund; and

8 (B) neither of whom may be in an upper level policymaking  
 9 position.

10 (2) Two (2) police officers:

11 (A) each of whom must be a **an active or retired** member of  
 12 the 1925 fund, the 1953 fund, or the 1977 fund; and

13 (B) neither of whom may be in an upper level policymaking  
 14 position.

15 (3) Two (2) members, each of whom must be an executive of an  
 16 employer.

17 (4) Two (2) members, each of whom must be a member of the  
 18 legislative body of an employer.

19 The term of each member begins on July 1 following appointment and  
 20 continues until his successor is qualified. A member of the committee  
 21 who no longer holds the position that qualified him for appointment  
 22 under subdivision (1), (2), (3), or (4) forfeits his membership on the  
 23 committee. The governor shall appoint a person to fill a vacancy on the  
 24 committee for the remainder of the unexpired term.

25 (d) Each member of the committee who is not a state employee is  
 26 entitled to ~~the minimum salary per diem provided by IC 4-10-11-2.1(b):~~  
 27 **reimbursement for expenses actually incurred in connection with**  
 28 **the member's duties.** Such a member is also entitled to reimbursement  
 29 for traveling expenses and other expenses actually incurred in  
 30 connection with the member's duties, as ~~provided in the state travel~~  
 31 ~~policies and procedures established by the department of~~  
 32 ~~administration and approved by the state budget agency.~~ **PERF board.**

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