
HOUSE BILL No. 1606

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10.2-2-3.

Synopsis: Retirement fund annuity investments. Provides that the board of trustees of the public employees' retirement fund and the board of trustees of the Indiana state teachers' retirement fund each shall maintain an alternative investment program consisting of at least four retirement annuities within the annuity savings account of the public employees' retirement fund, the pre-1996 account, and the 1996 account. Requires each board to select two insurers through a public bidding process. Requires each board to provide a list of insurers to employers of fund members for each employer to select at least two insurers.

Effective: July 1, 2001.

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January 17, 2001, read first time and referred to Committee on Ways and Means.

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First Regular Session 112th General Assembly (2001)

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 2000 General Assembly.

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HOUSE BILL No. 1606



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 5-10.2-2-3, AS AMENDED BY P.L.195-1999,
2 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2001]: Sec. 3. (a) The annuity savings account consists of:
4 (1) the members' contributions; and
5 (2) the interest credits on these contributions in the guaranteed
6 fund or the gain or loss in market value on these contributions in
7 the alternative investment program, as specified in section 4 of
8 this chapter.

9 Each member shall be credited individually with the amount of the
10 member's contributions and interest credits.

11 (b) Each board shall maintain the annuity savings account program
12 in effect on December 31, 1995 (referred to in this chapter as the
13 guaranteed program). In addition, the board of the Indiana state
14 teachers' retirement fund shall establish and maintain a guaranteed
15 program within the 1996 account. Each board may establish investment
16 guidelines and limits on all types of investments (including, but not
17 limited to, stocks and bonds) and take other actions necessary to fulfill



1 its duty as a fiduciary of the annuity savings account, subject to the
2 limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

3 (c) Each board shall establish alternative investment programs
4 within the annuity savings account of the public employees' retirement
5 fund, the pre-1996 account, and the 1996 account, based on the
6 following requirements:

7 (1) Each board shall maintain at least one (1) alternative
8 investment program that is an indexed stock fund and one (1)
9 alternative investment program that is a bond fund.

10 (2) The programs should represent a variety of investment
11 objectives under IC 5-10.3-5-3.

12 (3) No program may permit a member to withdraw money from
13 the member's account except as provided in IC 5-10.2-3 and
14 IC 5-10.2-4.

15 (4) All administrative costs of each alternative program shall be
16 paid from the earnings on that program.

17 (5) A valuation of each member's account must be completed as
18 of the last day of each quarter.

19 **(6) Each board shall maintain an alternative investment**
20 **program consisting of retirement annuities provided by at**
21 **least four (4) insurers licensed to do business in Indiana. Each**
22 **board shall select at least two (2) insurers through the public**
23 **bidding process. In addition, each board shall provide to each**
24 **employer having members in the board's fund a list of**
25 **insurers from which each employer shall select at least two (2)**
26 **insurers.**

27 (d) The board must prepare, at least annually, an analysis of the
28 guaranteed program and each alternative investment program. This
29 analysis must:

30 (1) include a description of the procedure for selecting an
31 alternative investment program;

32 (2) be understandable by the majority of members; and

33 (3) include a description of prior investment performance.

34 (e) A member may direct the allocation of the amount credited to
35 the member among the guaranteed fund and any available alternative
36 investment funds, subject to the following conditions:

37 (1) A member may make a selection or change an existing
38 selection at any time, but not more than once in a twelve (12)
39 month period.

40 (2) The board shall implement the member's selection beginning
41 the first day of the next calendar quarter that begins at least thirty

42 (30) days after the selection is received by the board. This date is

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- 1 the effective date of the member's selection.
- 2 (3) A member may select any combination of the guaranteed fund
3 or any available alternative investment funds, in ten percent
4 (10%) increments.
- 5 (4) A member's selection remains in effect until a new selection
6 is made.
- 7 (5) On the effective date of a member's selection, the board shall
8 reallocate the member's existing balance or balances in
9 accordance with the member's direction, based on:
- 10 (A) for an alternative investment program balance, the market
11 value on the effective date; and
- 12 (B) for any guaranteed program balance, the account balance
13 on the effective date.
- 14 All contributions to the member's account shall be allocated as of
15 the last day of that quarter in accordance with the member's most
16 recent effective direction. The board shall not reallocate the
17 member's account at any other time.
- 18 (f) When a member who participates in an alternative investment
19 program transfers the amount credited to the member from one (1)
20 alternative investment program to another alternative investment
21 program or to the guaranteed program, the amount credited to the
22 member shall be valued at the market value of the member's
23 investment, as of the day before the effective date of the member's
24 selection. When a member who participates in an alternative
25 investment program retires, becomes disabled, dies, or suspends
26 membership and withdraws from the fund, the amount credited to the
27 member shall be the market value of the member's investment as of the
28 last day of the quarter preceding the member's distribution or
29 annuitization at retirement, disability, death, or suspension and
30 withdrawal, plus contributions received after that date.
- 31 (g) When a member who participates in the guaranteed program
32 transfers the amount credited to the member to an alternative
33 investment program, the amount credited to the member in the
34 guaranteed program is computed without regard to market value and is
35 based on the balance of the member's account in the guaranteed
36 program as of the last day of the quarter preceding the effective date of
37 the transfer. When a member who participates in the guaranteed
38 program retires, becomes disabled, dies, or suspends membership and
39 withdraws from the fund, the amount credited to the member shall be
40 computed without regard to market value and is based on the balance
41 of the member's account in the guaranteed program as of the last day
42 of the quarter preceding the member's distribution or annuitization at

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1 retirement, disability, death, or suspension and withdrawal, plus any
2 contributions received since that date plus interest since that date.

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