



January 30, 2007

HOUSE BILL No. 1232

DIGEST OF HB 1232 (Updated January 24, 2007 6:14 pm - DI 116)

Citations Affected: IC 5-10.3.

Synopsis: Pension relief fund distributions. Extends until January 1, 2011, additional distributions from the pension relief fund ensuring that at least 50% of the pension liability of each unit of local government is paid from the pension relief fund. (The introduced version of this bill was prepared by the pension management oversight commission.) Provides that a member of the public employees' retirement fund (PERF), previously employed by a state quasi-governmental entity not affiliated with PERF that is absorbed by a PERF affiliated entity, may purchase service credit at the full actuarial cost.

Effective: July 1, 2007.

Moses, Buell

January 11, 2007, read first time and referred to Committee on Ways and Means.
January 29, 2007, amended, reported — Do Pass.

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HB 1232—LS 6208/DI 102+



January 30, 2007

First Regular Session 115th General Assembly (2007)

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 2006 Regular Session of the General Assembly.

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HOUSE BILL No. 1232



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 5-10.3-7-4.8 IS ADDED TO THE INDIANA
- 2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
- 3 [EFFECTIVE JULY 1, 2007]: **Sec. 4.8. (a) As used in this section,**
- 4 **"state quasi-governmental entity service" means service in Indiana**
- 5 **that would be considered creditable service if performed by an**
- 6 **employee of a member of the fund by an individual who:**
- 7 **(1) provided the service as an employee of a body corporate**
- 8 **and politic, nonprofit corporation established by the state, or**
- 9 **other quasi-governmental entity that performed a state**
- 10 **governmental function; and**
- 11 **(2) was not a member of the fund under section 1 of this**
- 12 **chapter during the period of employment.**
- 13 **(b) A member may purchase state quasi-governmental entity**
- 14 **service credit subject to the following:**
- 15 **(1) The member must have at least one (1) year of credited**
- 16 **service in the fund.**
- 17 **(2) The member must have at least ten (10) years of in-state**

HB 1232—LS 6208/DI 102+



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credited service before the member may claim the service credit.

(3) Before the member retires, the member must make contributions to the fund:

(A) that are equal to the product of:

(i) the member's salary at the time the member actually makes a contribution for the service credit;

(ii) a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

(iii) the number of years of state quasi-governmental entity service the member intends to purchase; and

(B) for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made by the member.

(4) The member must provide verification of the service with the state quasi-governmental entity in a manner prescribed by the fund.

(c) State quasi-governmental entity service that qualifies a member for retirement in a private retirement system or a federal retirement system may not be granted under this section.

(d) A member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a monthly allowance; or

(2) receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act;

may withdraw the personal contributions made under the contributory plan plus accumulated interest after submitting to the fund a properly completed application for a refund.

(e) The following apply to the purchase of service credit under this section:

(1) The board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The board shall determine the length of the period during which the payments must be made.

(2) The board may deny an application for the purchase of service credit if the purchase would exceed the limitations

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under Section 415 of the Internal Revenue Code.
(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

SECTION 2. IC 5-10.3-11-4.7, AS AMENDED BY P.L.28-2006, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: Sec. 4.7. (a) In addition to the amounts distributed under sections 4 and 4.5 of this chapter, each year the state board shall distribute from the pension relief fund to each unit of local government an amount determined under the following STEPS:

STEP ONE: Determine the amount of the total pension payments to be made by the unit in the calendar year, as estimated by the state board under section 4 of this chapter.

STEP TWO: Determine the result of:

- (A) the STEP ONE result; multiplied by
- (B) fifty percent (50%).

STEP THREE: Determine the amount to be distributed in the current calendar year to the unit of local government under section 4 of this chapter.

STEP FOUR: Determine the greater of zero (0) or the result of:

- (A) the STEP TWO result; minus
- (B) the STEP THREE result.

(b) The state board shall make the distributions under subsection (a) in two (2) equal installments before July 1 and before October 2 of each year.

(c) This section expires January 1, ~~2009~~: **2011**.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1232, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, between the enacting clause and line 1, begin a new paragraph and insert:

"SECTION 1. IC 5-10.3-7-4.8 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 4.8. (a) As used in this section, "state quasi-governmental entity service" means service in Indiana that would be considered creditable service if performed by an employee of a member of the fund by an individual who:**

- (1) provided the service as an employee of a body corporate and politic, nonprofit corporation established by the state, or other quasi-governmental entity that performed a state governmental function; and**
- (2) was not a member of the fund under section 1 of this chapter during the period of employment.**

(b) A member may purchase state quasi-governmental entity service credit subject to the following:

- (1) The member must have at least one (1) year of credited service in the fund.**
- (2) The member must have at least ten (10) years of in-state credited service before the member may claim the service credit.**
- (3) Before the member retires, the member must make contributions to the fund:**

(A) that are equal to the product of:

- (i) the member's salary at the time the member actually makes a contribution for the service credit;**
- (ii) a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and**
- (iii) the number of years of state quasi-governmental entity service the member intends to purchase; and**

(B) for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made

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by the member.

(4) The member must provide verification of the service with the state quasi-governmental entity in a manner prescribed by the fund.

(c) State quasi-governmental entity service that qualifies a member for retirement in a private retirement system or a federal retirement system may not be granted under this section.

(d) A member who:

- (1) terminates employment before satisfying the eligibility requirements necessary to receive a monthly allowance; or
- (2) receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act;

may withdraw the personal contributions made under the contributory plan plus accumulated interest after submitting to the fund a properly completed application for a refund.

(e) The following apply to the purchase of service credit under this section:

- (1) The board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The board shall determine the length of the period during which the payments must be made.
- (2) The board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.
- (3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1232 as introduced.)

CRAWFORD, Chair

Committee Vote: yeas 22, nays 0.

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