ANNUAL REPORT
OF THE
PENSION MANAGEMENT
OVERSIGHT COMMISSION

Indiana Legislative Services Agency
200 W. Washington St., Suite 301
Indianapolis, Indiana 46204-2789

November 2006

INDIANA LEGISLATIVE COUNCIL
2006

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Philip J. Sachtleben
Executive Director
Legislative Services Agency

Pension Management Oversight Commission

Membership Roster

Representatives	Senators
Lawrence Buell, Chair Indianapolis	Allie Craycraft Selma
Woody Burton Greenwood	Gary Dillon Pierceton
Thomas Kromkowski South Bend	Larry Lutz Evansville
Win Moses Fort Wayne	R. Michael Young Indianapolis

Lay Members

Gary Lewis Greenwood	Randy Novak LaPorte
Steve Meno New Palestine	Kip White Covington

Legislative Services Agency Staff

James P. Sperlik, Fiscal Analyst
Margaret Piety, Attorney

November 1, 2006

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Commission can be accessed from the General Assembly Homepage at http://www.in.gov/legislative/.

FINAL REPORT

Pension Management Oversight Commission

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

The Indiana General Assembly enacted legislation (IC 2-5-12) directing the Pension Management Oversight Commission to oversee public retirement funds in Indiana.

The Commission is required to do the following:
(1) Study the investment and management practices of the boards of the public retirement funds.
(2) Determine what constitutes adequate wage replacement levels at retirement (including benefits from public retirement funds and Social Security) for public employees.
(3) Study the impact of federal law and proposals concerning pensions, annuities, and retirement funds.
(4) Study the retirement funds established under IC 36-8.
(5) Study other topics as assigned by the Legislative Council.
(6) Study other topics as directed by the Commission's chair.

The Commission consists of 12 members: 4 Representatives, 4 Senators, and 4 lay members who must be experts in the areas of finance, investments, or pension fund management.

The Legislative Council assigned the following additional responsibilities to the Commission:

A. Police and fire pensions (HR 75)
B. Factors used to compute public employee pensions (HCR 49)
C. Funding sources for pension relief for municipalities (SR 27)
D. Matching funds for municipalities in the 1977 Police Officers' and Firefighters' Pension and Disability Fund (SR 28)
E. Transfer of employees' contribution accounts and service credit in the 1977 Police Officers' and Firefighters' Pension and Disability Fund to PERF (SR 36)

II. INTRODUCTION AND REASONS FOR STUDY

The Commission determined that it would review the following issues.

A. PERF and TRF Administrative Issues

Since its inception in 1985, the Commission has provided a bipartisan forum for the study of proposed changes in the laws governing Indiana's public pension funds. This year, as it does each interim, the Commission reviewed numerous administrative issues raised by PERF and TRF.

B. Legislator's Defined Benefit Contribution Plan Pilot Program

This pilot program was set to expire and the Commission wanted an update on its progress from the PERF.

C. Department of Correction Supplemental Retirement Program

Although the Department of Correction Supplemental Retirement Program was not one of the assigned topics from the Legislative Council, the Commission included this as a topic to study.

D. Police and Fire Pensions

The Commission was assigned several resolutions dealing with various aspects of police and fire pensions and determined to review them.

E. State Excise Police, Gaming Agent, and Conservation Officers' Retirement Fund

This issue was brought to the Commission by Mr. Ernest Yelton, Director of the Indiana Gaming Commission, and the Commission decided to hear their presentation and the proposed changes to the Excise Police, Gaming Agent, and Conservation Officers' Retirement Fund.

F. Judges' Pension Issues

The Commission has, for several years, heard presentations from the Indiana Judges' Association. The Judges have suggested a restructuring of the Judges' Retirement System to the Commission, and the Commission was to hear their proposals.

G. Factors Used to Compute Public Employee Pensions

The factors used to compute public employee pensions was one of the several issues assigned to the Commission from the Legislative Council. The Commission received a study conducted by the Legislative Services Agency and a study conducted by the Retired Indiana Public Employees Association.

III. SUMMARY OF WORK PROGRAM

The Commission met four times during the 2006 interim. All four meetings were held at the State House in Indianapolis.

At the first meeting, held on August 22, 2006, the Commission heard testimony concerning the following issues: (1) pension legislation recommended by the Commission for introduction in the 2006 Session of the General Assembly, along with pension legislation which did not originate with the Commission; (2) topics assigned to the Commission for the 2006 Interim; (3) a 2006 update of PERF, along with an update of the Legislator's Pilot Program, and a copy of the 2005 PERF Annual Report; (3) the funded status of the various funds administered by PERF; (4) the targeted asset allocation of PERF's invested funds; (5) alternative investments for PERF; (6) administrative issues for PERF; (7) an update of the Teachers' Retirement Fund (TRF), along with their goals and objectives and other administrative issues; (8) a presentation from the Department of Correction (DOC) on the creation of a supplemental retirement program to the current PERF retirement for those DOC employees assigned to hazardous duty; and (9) comments about the need for additional funding sources for the police and fire pension funds.

<u>At the second meeting, held on September 5, 2006</u>, the Commission heard testimony on the following issues: (1) additional funding sources for the police and fire pension funds; (2) the extension of the delayed retirement option program (DROP) for police officers and firefighters; (3) the transfer of members of the 1977 Police Officers' and Firefighters' Pension and Disability Fund to PERF; (4) the proposed creation of an additional supplemental retirement program for DOC employees assigned to hazardous duty; and (5) the proposed creation of a supplemental retirement program for the State Excise Police, Gaming Agent, and Conservation Officers' Retirement Fund.

<u>At the third meeting, held on September 18, 2006</u>, the Commission heard testimony on the following issues: (1) the Legislator's Defined Contribution Plan Pilot Program and two options concerning the Plan; (2) the proposed creation of a supplemental retirement program for the State Excise Police, Gaming Agent, and Conservation Officers' Retirement Fund; (3) matching funds for municipalities with members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund; (4) benefit enhancement for members in the 1977 Police Officers' and Firefighters' Pension and Disability Fund; and (5) an additional $20 M annually of lottery revenues for the Pension Relief Fund.

<u>At the fourth meeting held on October 25, 2006</u>, the Commission heard testimony on the following issues: (1) restructuring of the Judges' Retirement System, including the creation of a Defined Contribution Plan; (2) allowing a person serving as a full-time magistrate to become a participant in the Judges' 1985 Benefit System; (3) establishment of a cost-of-living adjustment for participants, survivors, and beneficiaries; (4) factors used to compute public employee pensions; (5) comparing public employees' pensions around the country with those in Indiana; (6) the proposed creation of a supplemental retirement program for the State Excise Police, Gaming Agent, and Conservation Officers' Retirement Fund; (7) benefit enhancement for members of the 1977 Police Officers' and Firefighters' Pension and Disability Fund; (8) extension of the 50% minimum guarantee for Pension Relief distributions; (9) the Legislators' Defined Contribution Pilot Program; (10) Preliminary bill drafts; and (11) the Commission's final report.

IV. SUMMARY OF TESTIMONY

A. PERF Administrative Issues

(1) PERF Annual Report

The Commission heard testimony from David Adams, PERF Executive Director, concerning PERF's operations. PERF's current market value unaudited (as of June 30, 2006) is $14.7 B. The current target asset allocations for the Consolidated Retirement Investment Fund are between 40% and 50% for domestic equities (actual 49.2%), between 15% and 20% for international equities (actual15.5%), between 10% and 15% for global equities (actual is 9.2%), between 20% and 30% for fixed income (actual is 25.2%), and between 15% and 25% for alternatives (actual is 0.6%). Mr. Adams told the Commission that alternative investments are the only investment vehicle not on target. Alternative investments consist of private equity, venture capital, buyouts, commodities, and other equities. Mr. Adams said that the key is protecting the asset through diversification.

PERF has more than 220,000 members with 69% (152,000) active and 31% (68,200) inactive. There are more than 1,200 PERF employers, with the top five employers having 35% of the employees, while 65% of the employers have fewer than 50 employees.

The funded status of the PERF-managed funds is 95.3%, with 90% considered a well-funded plan. The total unfunded liabilities (unaudited for 2006) for the PERF-managed funds amounted to $623.3 M as of June 30, 2006, an increase of eight percent over the previous year. PERF changed its web design to allow more transactions to be completed on-line, with about 25% of all transactions now done on-line. PERF has reduced the retirement check time (the time between retirement and the receipt of the retiree's first check) by 44%, and the current error rate is 5%, down from an error rate of 68% as reported by the State Board of Accounts in their 2002 audit. PERF is attempting to secure a clean audit report for FY 2007. PERF is attempting to align crediting with data collected quarterly, with an estimated cost of $15 M. The PERF Board of Trustees is looking at technology upgrades as its current system approaches obsolescence, and this may take three years to implement.

(2) Legislator's Defined Benefit Contribution Plan Pilot Program

The Commission heard testimony about the Legislator's Defined Benefit Contribution Plan Pilot program. This program has 200 accounts. Members of the program want to trade more than once per quarter, but they are not day-traders. A third-party record keeper will be necessary, along with on-line changes. The 2005 legislation creating the pilot program allows changes by rule. A legislative survey revealed that the participants would like to change options more than once per quarter and would like changes in service levels. PERF wants to evaluate the options and make recommendations. This would take about six to nine months.

PERF considered two options for the Legislator's Defined Benefit Contribution Plan Pilot program: (1) extend the current noncode statute to 2008 or (2) implement the statute permanently. The latter would require revisions to another statute, and it would end the reporting requirement of the program to the Commission.

B. TRF Administrative Issues

The Commission heard testimony from Ms. Christy Wheeler, TRF Executive Director. The TRF has conducted summer counseling sessions for members and simplified the retirement application. A new interactive website has been created for members and employers. The TRF published enhanced newsletters to members and employers. They are also exploring the ability to increase the defined contribution plan functionality.

The TRF Board of Trustees is reviewing asset allocations and investment policy statements to maximize their returns. The TRF decreased spending in FY 2006 and flat-lined their budget for FY 2007. The TRF Information Technology resources have been moved to the Indiana Office of Technology, while they moved their payroll to the State Auditor's Office. The TRF has implemented a performance management system and benchmark compensation.

The TRF has 38,500 retired members and beneficiaries and 74,000 active members. These numbers include both the Pre-1996 Fund and the 1996 Fund. The annual payroll for the active members amounts to $3.7 B. The unfunded liability of the TRF for both the Pre-1996 Fund and the 1996 Fund amounted to $9.2 B for FY 2005. The funded ratio of the Pre-1996 Fund is 40.7%, while the funded ratio for the 1996 Fund 63.1%. The 1996 Fund is actuarially funded. This was brought about by the transfer of $715 M from the Pension Stabilization Fund (PSF) to the 1996 Fund. The liabilities in the 1996 Fund represented transferred members who brought no assets to cover the liabilities. The anticipated life of the PSF is through 2023, with a peak benefit payout of $1.5 B. Ms. Wheeler suggested that policy makers look at the PSF to determine the PSF is able to deliver what it is designed to deliver.

C. Department of Correction

(1) Supplemental Pension Benefit Proposal

The Commission heard testimony from Mr. David Donahue, Commissioner of the Indiana Department of Correction (DOC). SEA 332-2006 classified certain DOC employees as holding hazardous positions. SEA 332 also called for the Commission to review the benefits available to DOC employees with hazardous duty assignments. The DOC wants to retain the current PERF benefit structure, but supplement it as a separate pension plan for DOC employees in hazardous duty positions.

Recruitment remains a problem for the DOC, with competition coming from other law enforcement agencies, probation departments, private correctional companies, and other businesses. The DOC plans to use the newly proposed plan as a recruiting tool to attract and retain qualified employees. DOC employees rank at the bottom in a pay comparison with surrounding states. The proposed new plan would require no additional employee match. Once an employee puts in 10 years of hazardous duty, the employee would earn an additional supplemental retirement benefit of 0.35% of the average salary times all years of credited service. Employees who earn 20 years of service in a hazardous duty assignment receive 0.9% for the entire 20 years (rather than the 0.35% supplement). The proposed plan would be administered by PERF.

The proposal also includes a built-in cost-of-living adjustment (COLA) of 1.5%. Mr. Doug Todd of McCready & Keene, said that the proposal would cost $14.7 M per year and would increase unfunded liabilities by an estimated $111.7 M. Ms. Mary Beth Braitman told the Commission that the proposed new plan would bring the DOC hazardous duty employees in line with other public safety in the state as well as with other states. The DOC told the Commission that it has savings to fund the new plan for two years. After that, the DOC would be responsible for funding the plan.

D. Indiana Gaming Commission

(1) Proposed Changes to the Conservation and Excise Officers' Retirement Fund

The Commission heard testimony from Mr. Ernest Yelton, Executive Director of the Indiana Gaming Commission. Legislation in 2005 (SEA 626) placed Gaming Agents in the Conservation and Excise Officers' Retirement Fund (C&E Fund). Mr. Yelton proposed several changes to the C&E Fund: (1) increase the employer contribution to between 16.5% and 20% of payroll, while funding the increase with an additional $5 to the Boat License Fee; (2) provide the ability to transfer service from the State Police, 1977 Police Officers' and Firefighters' Pension and Disability Fund, TRF and PERF to the C&E Fund. The purchase of service is similar to the emergency medical technicians to the 1977 Police Officers' and Firefighters' Pension and Disability Fund; (3) change the benefit formula, with mandatory retirement age of 60; with normal retirement age reduced from age 55 to age 50 with 25 years of service for an unrestricted benefit; (4) use PERF disability standards; and (5) increase the benefit percentage. The employee contribution rate would increase from 3% of the first $8,500 to 4% of total compensation.

The Commission learned that there are 141 gaming agents, with 131 funded by the casino boats and 10 funded by the Gaming Commission. Employers are authorized to pick up all or any part of the contribution increase. The Commission was told that funding for the Excise Police comes from bartending fees and that increases from this proposal as they impact the Excise Police can be supported through the existing bartending fees. In so far as the Conservation Officers are concerned, the Commission was told that the Department of Natural Resources (DNR) are in a negative position on funding the Conservation Officers. The Commission heard testimony that in lieu of a pay increase, the DNR may pick up a portion of the employee contribution rate increase if a new funding source for the proposed changes is approved.

E. Public Safety Pension Issues

(1) Funding Sources and Matching Funds for Pension Relief for Municipalities

The Commission heard testimony concerning extending the expiration date in IC 5-10.3-11-4.7, which addresses the distribution from the Pension Relief Fund to units of local government to pay benefits under the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and the 1953 Police Pension Fund (collectively, the Old Funds). IC 5-10.3-11-4.7 requires that annual payments from the Pension Relief Fund to a unit of local government may not be less than half of the total of certain pension payments to be made by the unit in the calendar year. The current expiration date is January 1, 2009.

Doug Todd of McCready & Keene, the actuaries for the police and fire funds, summarized the history, the major revenue sources, and the "M" and "K" distribution formulas for the Pension Relief Fund. He then reviewed the Pension Relief Fund's likely performance under various scenarios. Under current law, the present value, as of January 1, 2007, of the "Gray Area" of the chart provided to Commission members (i.e., the shortfall of relief due to the exhaustion of the Pension Relief Fund) is $211.4 M, and the shortfall will begin in 2012. A lump sum payment of $211.4 M would eliminate the "Gary Area" completely. If the 50% guarantee is extended for one year through 2009, the present value of the "Gray Area" as of January 1, 2007, is $219.5 M. If the 50% guarantee is extended for two years through 2010, the present value of the "Gray Area" as of January 1, 2007, is $228.6 M. If the 50% is extended permanently, the present value of the "Gray Area" as of January 1, 2006, is $629.9 M.

In addition, Mr. Todd provided two scenarios for increased revenue to the Pension Relief Fund. Under the first scenario, if annual revenue is increased by $10 M, the present value of the "Gray Area" as of January 1, 2007, is $106.6 M. If annual revenue is increased by $20 M, the present value of the "Gray Area" as of January 1, 2007, is $9.3 M, almost a total elimination of the shortfall.

The Commission received information from Adam Brown and Jim Landers of the Legislative Services Agency concerning additional revenue from an increase in the Cigarette Tax, the alcoholic beverage excise taxes, and wagering taxes.

Mr. Brown said that the additional amount of annual revenue estimated from the one-cent increase in the Cigarette Tax amounts to $5.1 M, while a ten-cent increase would generate $44.9 M annually. For beer, liquor, and wine, a one-cent increase would generate approximately $1.4 M annually, while a ten-cent increase would raise about $13.6 M annually.

Mr. Jim Landers provided estimates of the yield from two different rate increase scenarios for the Riverboat Wagering Tax. The rate increase scenarios and estimated revenue yield from each are summarized below.

(1) Impose an additional 1% tax on annual casino adjusted gross wagering receipts (AGR) exceeding $150 M. This would increase the current top marginal Wagering Tax rate from 35% to 36%. The annual yield from this change is estimated to total about $11 M.

(2) Impose an additional 1% tax on all annual casino AGR. This would increase each tax rate in the five-tier Wagering Tax rate structure by 1%. The annual yield from this change is estimated to total about $26 M.

The estimates are based on the December 14, 2005, Revenue Technical Committee forecast of casino AGR in FY 2007 utilized to generate the Wagering Tax forecast. It is important to note that the actual yield from the additional tax rate could potentially be lower than estimated to the extent that the additional taxes cause casinos to reduce services, amenities, marketing, and the like resulting in lower AGR growth or a decline. The table below summarizes the current graduated Wagering Tax structure.

Annual AGR (July 1st to June 30th)	Incremental Tax Rate
$0 to $25 M	15%
$25 M to $50 M	20%
$50 M to $75 M	25%
$75 M to $150 M	30%
Over $150 M	35%

Mr. Matt Brase of the Indiana Association of Cities and Towns spoke in favor of finding additional funding sources for the Pension Relief Fund and mentioned an increase in the Cigarette Tax and alcoholic beverage excise taxes. Mr. Brase also supports extending the 50% guarantee for the Pension Relief Fund. Mr. Tom Hanify and Mr. Tom Miller, both representing the Indiana Professional Firefighters Union, and Mr. Leo Blackwell representing the Indiana Fraternal Order of Police, all support finding additional funding sources for the Pension Relief Fund, along with extending the 50% guarantee.

(2) Benefit Enhancement for the 1977 Police Officers' and Firefighters' Pension and Disability Fund

The Commission heard Tom Hanify describe benefit enhancement as that which was contained in HB 1313 of the 2006 Session. The bill has the following provisions: (1) for a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) who retires after June 30, 2006, the bill increases from 1% to 1.25% the amount by which the retirement benefit increases for each 6 months of active service greater than 20 years and less than 32 years; and (2) it increases from 6% to 8.3% the percentage of the salary of a first class patrolman or firefighter contributed by or on behalf of a 1977 Fund member or converted member to pay for the benefit increase. Doug Todd provided the Commission with an update on the required percentage increase. The increase should be from 6% to 8.5%. The cost of the proposal is as follows. The increase in unfunded actuarial accrued liability is estimated to be $91.1 M. The employer contribution rate (as a percent of first class salaries) will remain at 21.0%, and there will be a decrease in funded status (ratio) from 95.8% to 91.7%.

(3) Transfer of the 1977 Police Officers' and Firefighters' Pension and Disability Fund members to PERF

The Commission heard testimony on this proposal. The proposal would authorize the transfer of service credit and contributions from the 1977 Police Officers' and Firefighters' Pension and Disability Fund to the PERF for appointed police and fire chiefs. The proposal waives all credit for service in the 1977 Fund when the transfer to PERF is made. Tom Miller representing the Indiana Professional Firefighters Union said that this proposal would allow smaller communities to hire officers from larger departments who possess much experience, and he supports the proposal. Mr. Matt Brase representing IACT said that he supports the proposal as well. Colonel Tom Parker of PERF told the Commission that he did not know exactly how many would be affected by the proposal, but he thought that the number would be low, perhaps between five and ten people.

F. Factors Used to Compute Public Employee Pensions

The Commission received a report from Office Fiscal and Management Analysis of the Legislative Services Agency entitled *A Comparison Study of State Employee Pension Programs*. This report compared benefit formulas with the other states, along with vesting requirements, calculation of final average salary, multipliers used, and total retirement benefits. In addition, the report compared net benefits to retirees, along with contributions by the employee and contributions by the employer. The report also calculated the state effort which each state contributes to its employees' retirement benefits.

G. Proposal by Retired Indiana Public Employees Association

The Commission received the proposal from the Retired Indiana Public Employees Association (RIPEA). The report contained background information on PERF and the creation of the Fund in 1945, along with a brief history on the multipliers used since the Fund's beginning. Mr. Phil Conklin, Legislative Representative of RIPEA, told the Commission that the current PERF benefit replaced about 32% of average compensation for an employee with 30 years of service. Mr. Conklin told the Commission that PERF's 1.1% multiplier is the lowest in the nation. He described RIPEA's recommendations as follows: (1) increase the multiplier to 1.67% for all future service after July 1, 2008 (Each participating unit in PERF would have the option to participate in the "Enhanced Benefit Formula" or leave their employees in the present plan); (2) utilize the three-year average rather than the five-year average for final average salary purposes; and (3) reduce the vesting from ten to eight years.

Mr. Conklin outlined the estimated costs for RIPEA's proposal as follows: (1) increasing the multiplier to 1.67% for all service after July 1, 2008, would increase assessments, on average, to participating units by an estimated 2.047 percentage points; (2) utilizing the three-year average for the final average salary would increase average assessments by 0.654%; and (3) reducing vesting from ten to eight years would be a very small increase.

H. Judges' Pension Restructuring Proposal

The Commission heard testimony from William Sheldrake, President of Policy Analytics, LLC, and Doug Todd of McCready & Keene, Inc. Mr. Sheldrake presented *Restructuring the Indiana Judges' Retirement Systems: Analysis and Options*. The Judges' Association requested an analysis of options and comparisons with other states. The analysis of Mr. Sheldrake and Mr. Todd did not cover the proposed legislation, PD 3476. The key part of the restructuring of the Judges' retirement system was the creation of a defined contribution plan. Representative Buell said that while PD 3476 contains many good ideas, the Commission is not in a position to vote on it today. Representative Buell said that the creation of a defined contribution plan is the wave of the future for pension plans and that he would endorse, in concept, the creation of a defined contribution plan.

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Commission made the following legislative recommendations:

The Commission voted unanimously to extend the Legislator's Defined Benefit Contribution Plan Pilot program for three years, and recommended PD 3308 be introduced in the 2007 Session of the General Assembly.

The Commission voted unanimously to adopt the new DOC supplemental retirement benefit, and recommended PD 3135, as amended, be introduced in the 2007 Session of the General Assembly.

The Commission voted unanimously to extend the 50% guarantee in the Pension Relief Fund for two years and recommended PD 3309 for introduction in the 2007 Session of the General Assembly.

The Commission voted unanimously to adopt the proposed benefit enhancement for the 1977 Police Officers' and Firefighters' Pension and Disability Fund and recommended PD 3310 for introduction in the 2007 Session of the General Assembly.

The Commission voted unanimously to adopt the proposal to allow the transfer of 1977 Police Officers' and Firefighters' Pension and Disability Fund members to PERF and recommended PD 3134 for introduction in the 2007 Session of the General Assembly.

The Commission voted by a margin of 7-1 to recommend PD 3336 for introduction in the 2007 Session of the General Assembly. PD 3336:

(1) allows a person serving as a full-time magistrate on July 1, 2006, and requires a person who begins serving as a full-time magistrate after that date, to become a participant in the Judges' 1985 Benefit System;

(2) allows magistrates who are participants in the Judges' 1985 Benefit System to purchase, at full actuarial cost, service credit for prior service covered by an Indiana public employees' retirement fund;

(3) increases the monthly benefit payable to participants, survivors, and beneficiaries of the Judges' 1985 Benefit System by the same percentages and under the same conditions as the monthly benefit is increased for members of PERF.

The Commission voted unanimously to adopt the PD 3389 as amended for introduction in the 2007 Session of the General Assembly. PD 3389 as amended has the following provisions:

(1) increases the participant contribution from 3% of the first $8,500 to 4% of the participant's annual salary;

(2) increases from 1% to 1 2/3% the percentage of average salary used in computing a participant's annual retirement allowance for years of service greater than 25;

(3) allows a participant who is at least 50 years of age and has at least 25 years of creditable service to retire with a normal (unreduced) benefit;

(4) provides that a participant receiving a line-of-duty disability benefit is entitled: (A) to receive a disability benefit for the remainder of the participant's life; and (B) to have the benefit recomputed as a normal benefit when the participant becomes 60 years of age;

(5) allows a participant to purchase service credit for service earned in the Public Employees' Retirement Fund (PERF), the Indiana State Teachers' Retirement Fund (TRF), the State Police Pension Trust (SPPT), or the 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Police and Fire Fund);

(6) authorizes an employer to pay all or a part of the participant's contribution; and

(7) increases from $5 to $10 the Department of Natural Resources annual fee for each boat required to have boat excise decals.

The Commission voted unanimously to endorse, in concept, the creation of a defined contribution plan for the Judges' Retirement System.

The Commission voted unanimously, by a roll call vote, to accept the draft copy of the final report, with the understanding that today's commission action would be included in the final report.

W I T N E S S   L I S T

August 22, 2006

Christy Wheeler, Executive Director of the Indiana State Teachers' Retirement Fund
David Adams, Executive Director of the Public Employees' Retirement Fund
David Donahue, Commissioner of the Indiana Department of Correction
Doug Todd, McCready & Keene
Jeff Heinzman, Deputy State Auditor and General Counsel to the State Auditor
Leo Blackwell, Indiana Fraternal Order of Police
Ms. Mary Beth Braitman, Ice Miller

September 5, 2006

Adam Brown, Indiana Legislative Services Agency
Colonel Tom Parker, Public Employees' Retirement Fund
David Donahue, Commissioner of the Indiana Department of Correction
Doug Todd, McCready & Keene
Ernest Yelton, Executive Director of the Indiana Gaming Commission
James Landers, Indiana Legislative Services Agency
Mary Beth Braitman, Ice Miller
Matt Brase, Indiana Association of Cities and Towns
Tom Miller, Indiana Professional Firefighters Union
Tom Hanify, Indiana Professional Firefighters Union

September 18, 2006

Andrea Unzicker, General Counsel, Public Employees' Retirement Fund
Doug Todd, McCready & Keene
Ernest Yelton, Executive Director of the Indiana Gaming Commission
Leo Blackwell, Indiana Fraternal Order of Police
Mary Beth Braitman, Ice Miller
Matt Brase, Indiana Association of Cities and Towns
Mike Crider, Executive Officer, Indiana Department of Natural Resources Law Enforcement Division
Mr. Tom Miller, Indiana Professional Firefighters Union
Tom Hanify, Indiana Professional Firefighters Union

October 25, 2006

Al Gossard, Legislative Services Agency
Andrea Unzicker, General Counsel, Public Employees' Retirement Fund
Chuck Mayfield, Legislative Services Agency
Dave Larson
David Heath, Alcohol and Tobacco Commission
Doug Todd, McCready & Keene
Ernest Yelton, Executive Director of the Indiana Gaming Commission
Mary Beth Braitman, Ice Miller
Michael Crider, Department of Natural Resources
Phil Conklin, Retired Indiana Public Employees Association
Steve Moberly, Indiana Retired Teachers Association
The Honorable Thomas Felts, Vice-President, Indiana Judges Association
Tom Miller, Private Citizen
William Sheldrake, President, Policy Analytics, LLC
William Murphy, Retired Indiana Public Employees Association