

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 2017 Regular Session of the General Assembly.

SENATE ENROLLED ACT No. 373

AN ACT to amend the Indiana Code concerning pensions.

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

SECTION 1. IC 2-3.5-3-2, AS AMENDED BY P.L.35-2012, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 2. (a) The legislators' retirement system is established. The system consists of the legislators' defined benefit plan described in IC 2-3.5-4 and the legislators' defined contribution plan described in IC 2-3.5-5.

(b) The following funds are established:

(1) The fund for the legislators' defined benefit plan.

(2) The fund for the legislators' defined contribution plan.

Each of the funds shall be administered by the board. Each of the funds is a trust, separate and distinct from all other entities, maintained for the purpose of paying benefits to participants and their beneficiaries and paying the costs associated with administering the plan.

(c) **Within the fund for the legislators' defined benefit plan established by subsection (b)(1), the board shall maintain a supplemental allowance reserve account for the purpose of paying postretirement benefit adjustments, including postretirement benefit increases, thirteenth checks, and other benefit changes or adjustments granted by the general assembly after June 30, 2018, to members of the legislators' defined benefit plan. The account consists of:**

(1) **amounts allotted to the account by the board from**

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amounts transferred to the Indiana public retirement system under IC 4-30-16-3;

(2) amounts appropriated or transferred to the account by the general assembly; and

(3) donations, gifts, bequests, and devises made to the account.

(~~e~~) **(d)** The board shall adopt rules under IC 4-22-2 necessary for the administration of the plans and funds described in subsections (a), ~~and (b), and (c).~~

SECTION 2. IC 2-3.5-4-9, AS AMENDED BY P.L.111-2015, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 9. **(a)** Based on an actuarial valuation, the board shall annually determine:

(1) the normal contribution;

(2) the unfunded accrued liability of the defined benefit fund, which is the amount by which the defined benefit plan's total accrued liability exceeds the fund's total assets; and

(3) the payments necessary to amortize the unfunded accrued liability over a term determined by the board that does not exceed thirty (30) years.

(b) After June 30, 2018, the board shall segregate from its determination of the contribution under subsection (a) any amounts attributable to the estimated future postretirement benefit increases, thirteenth checks, or other benefit changes or adjustments granted by the general assembly after June 30, 2018.

SECTION 3. IC 4-30-16-3, AS AMENDED BY P.L.146-2008, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 3. (a) The commission shall transfer the surplus revenue in the administrative trust fund as follows:

(1) Before the last business day of January, April, July, and October, the commission shall transfer to the treasurer of state, for deposit in the Indiana state teachers' retirement fund (~~IC 5-10.4-2~~), seven million five hundred thousand dollars (\$7,500,000). Notwithstanding any other law, including any appropriations law resulting from a budget bill (as defined in IC 4-12-1-2), the money transferred under this subdivision shall be set aside in the pension stabilization fund (~~IC 5-10.4-2-5~~) to be used as a credit against the unfunded accrued liability of the pre-1996 account (as defined in IC 5-10.4-1-12) of the Indiana state teachers' retirement fund. The money transferred is in addition to the appropriation needed to pay benefits for the state fiscal year.

(1) Before the last business day of January, April, July, and



October, the commission shall transfer seven million five hundred thousand dollars (\$7,500,000) of the surplus revenue to the Indiana public retirement system for credit, as determined by the board of trustees of the Indiana public retirement system:

(A) first, to the pension stabilization fund established by IC 5-10.4-2-5, to be used as a credit against the unfunded accrued liability of the pre-1996 account (as defined by IC 5-10.4-1-12); and

(B) second, to one (1) or more of the supplemental allowance reserve accounts established under:

(i) IC 2-3.5-3-2(c) (for the legislators' defined benefit plan);

(ii) IC 5-10-5.5-4(c) (for the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan);

(iii) IC 5-10.2-2-2(a)(3) (for the public employees' retirement fund); or

(iv) IC 5-10.2-2-2(c)(3) (for the Indiana state teachers' retirement fund).

(2) Before the last business day of January, April, July, and October, the commission shall transfer seven million five hundred thousand dollars (\$7,500,000) of the surplus revenue to the treasurer of state for deposit in the pension relief fund (IC 5-10.3-11).

(3) The surplus revenue remaining in the fund on the last day of January, April, July, and October after the transfers under subdivisions (1) and (2) shall be transferred by the commission to the treasurer of state for deposit on that day in the build Indiana fund.

(b) The commission may make transfers to the treasurer of state more frequently than required by subsection (a). However, the number of transfers does not affect the amount that is required to be transferred for the purposes listed in subsection (a)(1) and (a)(2). Any amount transferred during the month in excess of the amount required to be transferred for the purposes listed in subsection (a)(1) and (a)(2) shall be transferred to the build Indiana fund.

SECTION 4. IC 5-10-5.5-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 4. (a) A participants' savings fund is hereby created. This fund shall be maintained by the board as a trust fund, separate and distinct from all other entities for the purpose of securing payment of benefits to participants and their



~~survivors~~, **survivors**, as hereinafter provided.

(b) The participants' savings fund shall consist of the following:

- (1) each participant's contributions to the fund;
- (2) all gifts, grants, devises and bequests in money, property, or other form which may be made to the fund;
- (3) all interest on investments or on deposits of the fund;
- (4) all contributions or payments to the fund made in any manner provided by the general assembly, including appropriations from the general fund of the state; and
- (5) any funds transferred to the fund from the public employees' retirement fund under the provisions of section 6 of this chapter.

(c) Within the participants' savings fund established by subsection (a), the board shall maintain a supplemental allowance reserve account for the purpose of paying postretirement benefit adjustments, including postretirement benefit increases, thirteenth checks, and other benefit changes or adjustments granted by the general assembly after June 30, 2018, to participants of the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan. The account consists of:

- (1) amounts allotted to the account by the board from amounts transferred to the Indiana public retirement system under IC 4-30-16-3;**
- (2) amounts appropriated or transferred to the account by the general assembly;**
- (3) contributions from employers under IC 5-10.2-12-3; and**
- (4) donations, gifts, bequests, and devises made to the account.**

SECTION 5. IC 5-10.2-2-2, AS AMENDED BY P.L.23-2011, SECTION 8, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 2. (a) The board shall maintain the following separate accounts in the public employees' retirement fund:

- (1) The annuity savings account.
- (2) The retirement allowance account.
- (3) A supplemental allowance reserve account for the purpose of paying postretirement benefit adjustments, including postretirement benefit increases, thirteenth checks, and other benefit changes or adjustments granted by the general assembly after June 30, 2018, to members of the public employees' retirement fund. The account consists of:**

- (A) amounts allotted to the account by the board from amounts transferred to the Indiana public retirement system under IC 4-30-16-3;**



- (B) amounts appropriated or transferred to the account by the general assembly;**
- (C) contributions from employers under IC 5-10.2-12-3;**
- and**
- (D) donations, gifts, bequests, devises, and grants made to the account.**

(b) The board shall maintain the following two (2) separate accounts in the Indiana state teachers' retirement fund:

- (1) The pre-1996 account.
- (2) The 1996 account.

(c) Within each account specified in subsection (b), the board shall maintain the following separate subaccounts:

- (1) The annuity savings account.
- (2) The retirement allowance account.
- (3) A supplemental allowance reserve account for the purpose of paying postretirement benefit adjustments, including postretirement benefit increases, thirteenth checks, and other benefit changes or adjustments granted by the general assembly after June 30, 2018, to members of the Indiana state teachers' retirement fund.**

(d) The supplemental allowance reserve account established under subsection (c)(3) for the pre-1996 account consists of:

- (1) amounts allotted to the account by the board from amounts transferred to the Indiana public retirement system under IC 4-30-16-3;**
- (2) amounts appropriated or transferred to the account by the general assembly; and**
- (3) donations, gifts, bequests, devises, and grants made to the account.**

(e) The supplemental allowance reserve account established under subsection (c)(3) for the 1996 account consists of:

- (1) amounts allotted to the account by the board from amounts transferred to the Indiana public retirement system under IC 4-30-16-3;**
- (2) amounts appropriated or transferred to the account by the general assembly;**
- (3) contributions from employers under IC 5-10.2-12-3; and**
- (4) donations, gifts, bequests, devises, and grants made to the account.**

SECTION 6. IC 5-10.2-2-6, AS AMENDED BY P.L.241-2015, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 6. (a) The retirement allowance account of the



public employees' retirement fund consists of the retirement fund, exclusive of the annuity savings account **and the supplemental allowance reserve account**. The retirement allowance account also includes any amounts received under IC 5-10.3-12-24 or IC 5-10.3-12-24.5. For the public employees' retirement fund, separate accounts within the retirement allowance account shall be maintained for contributions made by each contribution rate group.

(b) The retirement allowance account of the pre-1996 account consists of the pre-1996 account, exclusive of the annuity savings account **and the supplemental allowance reserve account**.

(c) The retirement allowance account of the 1996 account consists of the 1996 account, exclusive of the annuity savings account **and the supplemental allowance reserve account**.

SECTION 7. IC 5-10.2-2-9, AS AMENDED BY P.L.111-2015, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 9. (a) The funds may employ a common actuary or actuarial service.

(b) At least once in every five (5) years and in every year in which this article is amended so that benefits are changed, the actuary shall make a separate actuarial investigation for each fund of the mortality, service, and compensation experience of the members and their beneficiaries and shall make a valuation of the assets and liabilities of the fund, using the "entry-age normal cost" method.

(c) The actuarial investigation must include in the determination of the liability and the rates of contribution the amount necessary to fully fund past and estimated future cost of living increases for members of the public employees' retirement fund amortized over a term determined by the board that does not exceed thirty (30) years.

(d) After June 30, 2018, the actuarial valuation must:

(1) segregate any amounts attributable to estimated future postretirement benefit increases, thirteenth checks, or other benefit changes or adjustments granted by the general assembly after June 30, 2018, to members of the public employees' retirement fund or the Indiana state teachers' retirement fund; and

(2) track separately the following:

(A) The liability associated with the postretirement benefit increase assumption used in the actuarial valuation.

(B) The specific assets used to fund postretirement benefit increases.

(C) The granted use of the postretirement benefit increase funds, including related experience gains and losses.



(e) The actuary performing the actuarial valuation shall, upon the board's request, provide a summary of potential postretirement benefit increase options and the related estimated costs of each option.

SECTION 8. IC 5-10.2-2-11, AS AMENDED BY P.L.217-2017, SECTION 56, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 11. (a) Based on the actuarial investigation and valuation in section 9 of this chapter, the board shall determine:

- (1) the normal contribution for each contribution rate group, which is the amount necessary to fund the pension portion of the retirement benefit;
- (2) the rate of normal contribution;
- (3) the unfunded accrued liability of the public employees' retirement fund, the pre-1996 account, and the 1996 account, which is the excess of total accrued liability over the fund's or account's total assets, respectively; and
- (4) the period, which must be thirty (30) years or a shorter period, necessary to amortize the unfunded accrued liability determined in subdivision (3).

(b) Based on the information in subsection (a), the board may determine, in its sole discretion, contributions and contribution rates for individual employers or for a group of employers. **However, after June 30, 2018, the board shall segregate from its determination of contributions and contribution rates any amounts attributable to estimated future postretirement benefit increases, thirteenth checks, or other benefit changes or adjustments granted by the general assembly after June 30, 2018.**

(c) The board shall require an employer to make a supplemental contribution to the fund in addition to the amounts described in subsection (a)(3) and (a)(4) in an amount necessary to pay the employer's share of the fund's actuarial unfunded liability that other employers would otherwise be required to pay because the employer's employees are becoming members of the plan under IC 5-10.3-12 or IC 5-10.4-8 instead of the fund. The amount necessary to pay an employer's contribution under this subsection in full must be made in a lump sum or in a series of payments determined by the board.

(d) The board's determinations under subsection (a):

- (1) are subject to sections 1.5 and 11.5 of this chapter; and
- (2) may not include an amount for a retired member for whom the employer may not make contributions during the member's period of reemployment as provided under IC 5-10.2-4-8(e).

(e) If the board determines contributions and contribution rates for



one (1) or more employers under this section differ from the contributions and contribution rates determined by the actuarial investigation under section 9 of this chapter, the board shall notify the interim study committee for pension management oversight of this fact by reporting the board's action to the legislative services agency in an electronic format under IC 5-14-6.

SECTION 9. IC 5-10.2-12 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]:

Chapter 12. Supplemental Allowance Reserve Accounts

Sec. 1. This chapter applies to the supplemental allowance reserve accounts established under the following:

- (1) IC 2-3.5-3-2(c) (for the legislators' defined benefit plan).
- (2) IC 5-10-5.5-4(c) (for the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan).
- (3) IC 5-10.2-2-2(a)(3) (for the public employees' retirement fund).
- (4) IC 5-10.2-2-2(c)(3) (for the Indiana state teachers' retirement fund).

Sec. 2. All amounts in a supplemental allowance reserve account of a fund or plan are available to the board to pay a postretirement benefit increase, thirteenth check, or other benefit change or adjustment granted by the general assembly after June 30, 2018, to members of or participants in that fund or plan.

Sec. 3. (a) For 2019 and each year thereafter, the contribution rate established by the board for each employer shall include a surcharge determined by the board:

- (1) that is paid to the supplemental allowance reserve account of the applicable fund or plan; and
- (2) that does not exceed one percent (1%) of the employer's payroll that is attributable to employees who are:
 - (A) members of the public employees' retirement fund;
 - (B) members of the 1996 account of the Indiana state teachers' retirement fund; and
 - (C) participants in the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan.

The board shall determine an equivalent amount to be included in the general fund appropriations for the supplemental allowance reserve accounts of the legislators' defined benefit plan and, subject to IC 5-10.4-2-5, the pre-1996 account of the Indiana state



teachers' retirement fund.

(b) The surcharge described in subsection (a) shall be paid in the same manner as other employer contributions required under IC 5-10-5.5-4, IC 5-10.2-2-12.5, IC 5-10.3-7-12.5, and IC 5-10.4-7-6.

Sec. 4. (a) In each even-numbered calendar year, beginning in 2018, the board shall present to the interim study committee on pension management oversight (established by IC 2-5-1.3-4) an actuarial report concerning the status of each supplemental allowance reserve account.

(b) The general assembly may grant a postretirement benefit increase, thirteenth check, or other benefit change or adjustment for members of or participants in a fund or plan listed in section 1 of this chapter only:

- (1) in an odd-numbered calendar year; and
- (2) if the postretirement benefit increase, thirteenth check, or other benefit change or adjustment:
 - (A) may be funded from the uncommitted balance in the supplemental allowance reserve account of the particular fund or plan; and
 - (B) may be paid in the same amount or percentage, or by using the same formula or computation method, to members of or participants in each of the funds and plans listed in section 1 of this chapter.

SECTION 10. IC 5-10.4-2-4, AS AMENDED BY P.L.111-2015, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 4. (a) The general assembly shall appropriate an amount from the state general fund that is sufficient to cover the state's actuarial liability for each member covered by the pre-1996 account and for each state employee covered by the 1996 account. The board may reduce this liability by the amount of interest earned on the deposits in the fund. This liability is determined by the actuarial investigation required by IC 5-10.2-2-9.

(b) The actuarial investigation and the board shall include in the determination of the liability, contribution rate, and appropriation the amount necessary to fully fund any past and estimated future cost of living increases for members of the pre-1996 account and the 1996 account, amortized over a term determined by the board that does not exceed thirty (30) years. **However, after June 30, 2018, the actuarial investigation must incorporate the requirements specified in IC 5-10.2-2-9(d), and the board shall segregate from its determination of contributions and contribution rates any amounts attributable to estimated future postretirement benefit increases,**



thirteenth checks, or other benefit changes or adjustments granted by the general assembly after June 30, 2018.

(c) The board shall:

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

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

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

SECTION 11. IC 5-10.4-2-5, AS AMENDED BY P.L.35-2012, SECTION 88, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 5. (a) The pension stabilization fund is established. The pension stabilization fund is a part of the pre-1996 account and shall be administered by the board in accordance with the powers and duties granted to the board by IC 5-10.4-3-10 through IC 5-10.4-3-14, IC 5-10.5-4, and IC 5-10.5-6.

(b) The following shall be deposited in the pension stabilization fund:

- (1) Amounts allocated to the pension stabilization fund **by the board from amounts transferred to the Indiana public retirement system** under IC 4-30-16-3.
- (2) A part of the employer reserve balance as determined by the budget director so that the employer reserve is sufficient for the cash flow needs.
- (3) Other amounts appropriated to the pension stabilization fund by the general assembly.

(c) Payments from the pension stabilization fund must equal the pre-1996 account liabilities for the current fiscal year minus the prior year's state general fund payments for the pre-1996 account multiplied by the pension stabilization percentage set forth in subsection (d).

(d) The pension stabilization percentage is one hundred six percent (106%). The budget agency, after review by the budget committee and with the approval of the governor, may change the pension stabilization percentage so that the present value of future payments from the fund



equal the fund's balance plus the present value of future receipts to the fund, but the payments may not allow the fund balance to be negative.

(e) Money in the pension stabilization fund at the end of a state fiscal year does not revert to the state general fund.

SECTION 12. IC 5-10.5-4-1, AS AMENDED BY P.L.217-2017, SECTION 60, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: Sec. 1. The board shall do all of the following:

- (1) Appoint and fix the salary of a director.
- (2) Employ or contract with employees, auditors, technical experts, legal counsel, and other service providers as the board considers necessary to transact the business of the fund without the approval of any state officer, and fix the compensation of those persons.
- (3) Establish a general office in Indianapolis for board meetings and for administrative personnel.
- (4) Provide for the installation in the general office of a complete system of:
 - (A) books;
 - (B) accounts, including reserve accounts; and
 - (C) records;
 to give effect to all the requirements of this article and to ensure the proper operation of the fund.
- (5) Provide for a report at least annually to each member of the amount credited to the member in the annuity savings account in each investment program under IC 5-10.2-2.
- (6) With the advice of the actuary, adopt actuarial tables and compile data needed for actuarial studies that are necessary for the fund's operation.
- (7) Act on applications for benefits and claims of error filed by members.
- (8) Have the accounts of the fund audited by the state board of accounts and if the board determines that it is advisable, have the operation of a public pension or retirement fund of the system audited by a certified public accountant.
- (9) Publish for the members a synopsis of the fund's condition.
- (10) Adopt a budget on a calendar year or fiscal year basis that is sufficient, as determined by the board, to perform the board's duties and, as appropriate and reasonable, draw upon fund assets to fund the budget.
- (11) Expend money, including income from the fund's investments, for effectuating the fund's purposes.
- (12) Establish personnel programs and policies for the employees



of the system.

(13) Submit a financial report before November 1 each year to the governor, the interim study committee on pension management oversight established by IC 2-5-1.3-4 in an electronic format under IC 5-14-6, and the budget committee. The report under this subdivision must set forth a complete operating and financial statement covering its operations during the most recent fiscal year, and include any other information requested by the chair of the interim study committee on pension management oversight established by IC 2-5-1.3-4 in an electronic format under IC 5-14-6.

(14) Provide the necessary forms for administering the fund.

(15) Submit to the auditor of state or the treasurer of state vouchers or reports necessary to claim an amount due from the state to the system.

(16) Provide education to employers and members regarding retirement benefit options of all applicable public pension and retirement funds of the system.

(17) Allocate:

(A) first, to the pension stabilization fund (established by IC 5-10.4-2-5); and

(B) second, to one (1) or more of the following supplemental allowance reserve accounts amounts transferred to the system under IC 4-30-16-3:

(i) IC 2-3.5-3-2(c) (for the legislators' defined benefit plan).

(ii) IC 5-10-5.5-4(c) (for the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan).

(iii) IC 5-10.2-2-2(a)(3) (for the public employees' retirement fund).

(iv) IC 5-10.2-2-2(c)(3) (for the Indiana state teachers' retirement fund).

SECTION 13. IC 5-10.5-4-5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2018]: **Sec. 5. (a) This section applies to the following public pension or retirement funds:**

(1) The public employees' retirement fund established under IC 5-10.2 and IC 5-10.3.

(2) The Indiana state teachers' retirement fund established under IC 5-10.2 and IC 5-10.4.

(3) The state excise police, gaming agent, gaming control



officer, and conservation enforcement officers' retirement fund established under IC 5-10-5.5.

(4) The defined benefit plan of the legislators' retirement system established under IC 2-3.5-4.

(b) The board may not pay a postretirement benefit change or adjustment, including a postretirement benefit increase, thirteenth check, or other benefit change or adjustment granted by the general assembly after June 30, 2018, to members of a public pension or retirement fund listed in subsection (a), unless the change or adjustment is actuarially pre-funded.



President of the Senate

President Pro Tempore

Speaker of the House of Representatives

Governor of the State of Indiana

Date: _____ Time: _____

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