

Second Regular Session of the 119th General Assembly (2016)

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 2015 Regular Session of the General Assembly.

HOUSE ENROLLED ACT No. 1032

AN ACT to amend the Indiana Code concerning pensions.

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

SECTION 1. IC 5-10-5.5-2, AS AMENDED BY P.L.227-2007, SECTION 52, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 2. (a) There is hereby created a state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan to establish a means of providing special retirement, disability and survivor benefits to employees of the department, the Indiana gaming commission, and the commission who are engaged exclusively in the performance of law enforcement duties.

(b) The assets of the retirement plan created by this section may be commingled for investment purposes with the assets of other funds administered by the board.

SECTION 2. IC 5-10-10-4.8, AS ADDED BY P.L.62-2015, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 4.8. (a) As used in this section, "eligible emergency medical services provider" means an emergency medical services provider who is employed by a person that has contracted with a political subdivision to provide emergency medical services for the political subdivision.

(b) As used in this section, "emergency medical services" has the meaning set forth in IC 16-49-1-5.

(c) As used in this section, "emergency medical services provider" has the meaning set forth in IC 16-41-10-1.

HEA 1032 — Concur



(d) As used in this section, "political subdivision" has the meaning set forth in IC 36-1-2-13.

(e) If an employer purchases coverage for an eligible emergency medical services provider, the eligible emergency medical services provider who dies as a direct result of personal injury or illness resulting from the eligible emergency medical services provider's performance of duties under a contract entered into by the emergency medical services provider's employer to provide emergency medical services for a political subdivision is eligible for a special death benefit from the fund in the same manner as any other public safety officer is eligible for a benefit from the fund. The cost of the coverage must be one hundred dollars (\$100) annually for each eligible emergency medical services provider paid by the emergency medical services provider's employer. The cost of the coverage shall be paid to the board for deposit into the fund.

(f) If an employer elects to provide coverage under this section, the employer must purchase coverage for all eligible emergency medical services providers of the employer. ~~The board shall allow an~~ **An employer to who elects to purchase coverage under this section must purchase coverage by making quarterly annual payments on dates as prescribed by the board.**

SECTION 3. IC 5-10.2-2-3, AS AMENDED BY P.L.35-2012, SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 3. (a) The annuity savings account consists of:

- (1) the members' contributions; and
- (2) the interest credits on these contributions in the guaranteed fund **(before January 1, 2017), the gain or loss in the balance of the member's account in the stable value fund (after December 31, 2016),** or the gain or loss in market value on these contributions in the alternative investment program, as specified in section 4 of this chapter.

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

(b) The board shall maintain the ~~annuity savings account investment~~ program in effect on December 31, 1995, (referred to in this chapter as the guaranteed program) **within the annuity savings account until January 1, 2017.** In addition, the board shall establish and maintain a guaranteed program within the 1996 account **until January 1, 2017. After December 31, 2016, the board shall establish an investment fund (referred to in this chapter as the stable value fund) that has preservation of capital as the primary investment objective.** The board may establish investment guidelines



and limits on all types of investments (including, but not limited to, stocks and bonds) and take other actions necessary to fulfill its duty as a fiduciary of the annuity savings account, subject to the limitations and restrictions set forth in IC 5-10.3-5-3, IC 5-10.4-3-10, and IC 5-10.5-5.

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

(1) The board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund. The board may maintain one (1) or more alternative investment programs that:

(A) invest in one (1) or more commingled or pooled funds that consist in part or entirely of mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6; or
(B) otherwise invest in mortgages that qualify as five star mortgages under the program established by IC 24-5-23.6.

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

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

(4) All administrative costs of each alternative program shall be paid from the earnings on that program or as may be determined by the rules of the board.

(5) Except as provided in section 4(e) of this chapter, a valuation of each member's account must be completed as of:

(A) the last day of each quarter; or
(B) another time as the board may specify by rule.

(d) The board must prepare, at least annually, an analysis of the guaranteed program (**before January 1, 2017**), the **stable value fund (after December 31, 2016)**, and each alternative investment program. This analysis must:

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

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

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund (**before January 1, 2017**), the **stable value fund (after December 31, 2016)**, and any available



alternative investment funds, subject to the following conditions:

- (1) A member may make a selection or change an existing selection under rules established by the board. The board shall allow a member to make a selection or change any existing selection at least once each quarter.
- (2) The board shall implement the member's selection beginning on the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board or on an alternate date established by the rules of the board. This date is the effective date of the member's selection.
- (3) A member may select any combination of the guaranteed fund **(before January 1, 2017), the stable value fund (after December 31, 2016)**, or any available alternative investment funds, in ten percent (10%) increments or smaller increments that may be established by the rules of the board.
- (4) A member's selection remains in effect until a new selection is made.
- (5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in accordance with the member's direction, based on:
 - (A) for an alternative investment program balance, the market value on the effective date; ~~and~~
 - (B) for any guaranteed program balance, the account balance on the effective date; ~~and~~
 - (C) for any stable value fund program balance, the balance of the member's account on the effective date.**

All contributions to the member's account shall be allocated as of the last day of that quarter or at an alternate time established by the rules of the board in accordance with the member's most recent effective direction. The board shall not reallocate the member's account at any other time.

(6) The provisions concerning the transition from the guaranteed program to the stable value fund program are met, as set forth in section 24 of this chapter.

(f) When a member who participates in an alternative investment program transfers the amount credited to the member from one (1) alternative investment program to another alternative investment program, ~~or~~ to the guaranteed program **(before January 1, 2017), or to the stable value fund program (after December 31, 2016)**, the amount credited to the member shall be valued at the market value of the member's investment, as of the day before the effective date of the member's selection or at an alternate time established by the rules of



the board. When a member who participates in an alternative investment program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus contributions received after that date or at an alternate time established by the rules of the board.

(g) **This subsection applies before January 1, 2017.** When a member who participates in the guaranteed program transfers the amount credited to the member to an alternative investment program, the amount credited to the member in the guaranteed program is computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the effective date of the transfer. However, the board may by rule provide for an alternate valuation date. When a member who participates in the guaranteed program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be computed without regard to market value and is based on the balance of the member's account in the guaranteed program as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date plus interest since that date. However, the board may by rule provide for an alternate valuation date.

(h) **This subsection applies after December 31, 2016.** When a member who participates in the stable value fund program transfers the amount credited to the member from the stable value fund program to an alternative investment program, the amount credited to the member shall be the balance of the member's account, as of the day before the effective date of the member's selection or at an alternate time established by the rules of the board. When a member who participates in the stable value fund program retires, becomes disabled, dies, or suspends membership and withdraws from the fund, the amount credited to the member shall be the balance of the member's account as of the last day of the quarter preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus contributions received after that date or at an alternate time established by the rules of the board.

SECTION 4. IC 5-10.2-2-3.3, AS ADDED BY P.L.220-2011, SECTION 72, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE



JULY 1, 2016]: Sec. 3.3. Interest credited prior to July 1, 2005, in the annuity savings account of the public employees' retirement fund to suspended members participating in the guaranteed fund (**before its elimination on January 1, 2017**) under section 3 of this chapter shall be treated as properly credited.

SECTION 5. IC 5-10.2-2-4, AS AMENDED BY P.L.35-2012, SECTION 33, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 4. (a) Except as provided in subsection (e), interest shall be credited and compounded at least annually on all amounts credited to the member in the guaranteed program. For the guaranteed program, the board shall annually establish an interest credit rate equal to or less than the investment income earned.

(b) Except as provided in subsection (e), the market value of each alternative investment program shall be allocated at least annually to the members participating in that program.

(c) Contributions to the guaranteed program and the alternative investment programs shall be invested as of the last day of the quarter in which the contributions are received or at an alternate time established by the rules of the board. Contributions to the guaranteed program shall begin to accumulate interest at the beginning of the quarter after the quarter in which the contributions are received or at an alternate time established by the rules of the board.

(d) When a member retires or withdraws with a balance in the guaranteed program, a proportional interest credit determined by the board shall be granted for the period elapsed since the last interest date on that balance.

(e) This subsection applies whenever the board is required to establish an interest or earnings rate in order to credit interest or earnings to an omitted contribution to a member's annuity savings account. As used in this subsection, "omitted contribution" means a contribution contributed by or on behalf of a member under IC 5-10.3-7-9 or IC 5-10.4-4-11 that is received by the board after the time required by IC 5-10.3-7-12.5 or IC 5-10.4-7-6(b)(1). Notwithstanding any law to the contrary, the board may by rule specify:

- (1) a single composite interest rate and the period to which the rate applies for the purpose of computing the interest credits on a member's contributions (including omitted contributions) in the guaranteed fund; and
- (2) a single composite earnings rate for the gain or loss in market value for each alternative investment program and the period to which the rate applies for the purpose of computing the gain or loss in market value on a member's contributions (including



omitted contributions) in the alternate investment program.

(f) This section expires January 1, 2017.

SECTION 6. IC 5-10.2-2-4.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: **Sec. 4.1. (a) This section applies only after December 31, 2016.**

(b) Except as provided in subsection (e), the market value of the stable value fund program shall be allocated at least annually to the members participating in that program.

(c) Except as provided in subsection (e), the market value of each alternative investment program shall be allocated at least annually to the members participating in that program.

(d) Contributions to the stable value fund program and the alternative investment programs shall be invested as of the last day of the quarter in which the contributions are received or at an alternate time established by the rules of the board.

(e) This subsection applies whenever the board is required to establish an earnings rate in order to credit earnings to an omitted contribution to a member's annuity savings account. As used in this subsection, "omitted contribution" means a contribution contributed by or on behalf of a member under IC 5-10.3-7-9 or IC 5-10.4-4-11 that is received by the board after the time required by IC 5-10.3-7-12.5 or IC 5-10.4-7-6(b)(1). Notwithstanding any law to the contrary, the board may by rule specify:

(1) a single composite earnings rate for the gain or loss in market value for the stable value fund program for the purpose of computing the gain or loss in market value on a member's contributions (including omitted contributions) in the stable value fund program; and

(2) a single composite earnings rate for the gain or loss in market value for each alternative investment program and the period to which the rate applies for the purpose of computing the gain or loss in market value on a member's contributions (including omitted contributions) in the alternate investment program.

SECTION 7. IC 5-10.2-2-21, AS ADDED BY P.L.241-2015, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: **Sec. 21. (a) This section applies to a miscellaneous participating entity that takes any of the following actions on or after December 31, 2010:**

(1) The miscellaneous participating entity determines a date:

(A) before which newly hired employees of a departmental,



- occupational, or other definable classification of employees are required or allowed to participate in the fund; and
- (B) on or after which newly hired employees of the departmental, occupational, or other definable classification of employees are not allowed to participate in the fund.
- (2) The miscellaneous participating entity determines a date:
- (A) before which newly hired employees of a departmental, occupational, or other definable classification of employees are required to participate in the fund; and
- (B) on or after which newly hired employees of the departmental, occupational, or other definable classification of employees are allowed to choose to participate in a retirement plan other than the fund.
- (3) The miscellaneous participating entity modifies its employee classification scheme as of a specified date in such a way that there is at least one (1) position that:
- (A) is covered by the fund before the specified date; and
- (B) is not covered by the fund after the specified date.
- (b) The following definitions apply throughout this section:
- (1) "Freeze" or "freeze participation in the fund" means to take an action described in subsection (a).
- (2) "Freezing participating entity" means a miscellaneous participating entity that freezes its participation in the fund.
- (3) "Fund" means the public employees' retirement fund.
- (c) A miscellaneous participating entity that freezes its participation in the fund after December 31, 2010, shall do the following:
- (1) Provide written notice of the following to the board:
- (A) The action that was taken under subsection (a) by the freezing participating entity.
- (B) The effective date of the action taken under subsection (a).
- (C) The employee classifications that:
- (i) are covered by the fund before the effective date of the freeze; and
- (ii) will not be covered by the fund on or after the effective date of the freeze.
- (D) The names of the freezing participating entity's current employees and former employees as of the date on which the notice is provided.
- (2) Comply with subsections (d) through (f).
- (d) With respect to retired members who have creditable service with the freezing participating entity, the freezing participating entity shall contribute to the fund any additional amounts that the board



determines are necessary to provide for reserves with sufficient assets to pay all future benefits from the fund to those retired members attributable to service with the freezing participating entity. The board shall collaborate with the freezing participating entity by sharing the actuarial method and report used in determining the amounts under this subsection and under subsections (e) and (f). The contribution by the freezing participating entity must be made in a lump sum or in a series of payments over a term that does not exceed thirty (30) years, as determined by the freezing participating entity.

(e) With respect to members of the fund who have creditable service with the freezing participating entity and who are not employees as of the effective date on which the miscellaneous participating entity freezes its participation in the fund, the freezing participating entity shall contribute the amount that the board determines is necessary to fund fully the service for those members that is attributable to service with the freezing participating entity. The board shall collaborate with the freezing participating entity by sharing the actuarial method and report. The contribution by the freezing participating entity must be made in a lump sum or in a series of payments over a term that does not exceed thirty (30) years, as determined by the freezing participating entity.

(f) With respect to members of the fund who are employees of the freezing participating entity on the date of the notice under subsection (c), the freezing participating entity shall continue to contribute the amounts required under section 11 of this chapter for those employees for the duration of their employment with the freezing participating entity. In addition, the freezing participating entity shall contribute to the fund the amount the board determines is necessary to fund fully the benefits attributable to service with the freezing participating entity that are vested or will become vested and are not expected to be fully funded through the continuing contributions under section 11 of this chapter during the duration of the members' employment with the freezing participating entity. The board shall collaborate with the freezing participating entity by sharing the actuarial method and report. The contribution by the freezing participating entity must be made in a lump sum or in a series of payments over a term that does not exceed thirty (30) years, as determined by the freezing participating entity.

(g) The Indiana public retirement system may do any of the following to determine a miscellaneous participating entity's compliance with this section:

- (1) Require reports from the miscellaneous participating entity.
- (2) Audit the miscellaneous participating entity.



(h) A miscellaneous participating entity must begin payments required under this section not later than July 1, 2016, or a date determined by the board. The board may charge interest on any amount that remains unpaid after the payment date determined by the board.

SECTION 8. IC 5-10.2-2-24 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: **Sec. 24. (a) After December 31, 2016, a member may not make contributions to the guaranteed program.**

(b) For those members who as of December 31, 2016, have designated the guaranteed program as the investment program to receive all or part of the contributions to the member's annuity savings account, the board shall designate as a substitute one (1) or more alternative investment programs that are to receive those contributions after December 31, 2016. The designation by the board of an alternative investment program to receive a member's contributions under this subsection remains in effect until the member makes another allowable designation.

(c) After December 31, 2016, if a member has allocated all or part of the amount credited to the member to the guaranteed program, the board shall exchange the amount allocated to the guaranteed program by the member for an equivalent market value allocation to the stable value fund.

(d) The board shall eliminate the guaranteed program on January 1, 2017.

(e) After December 31, 2016, a member may allocate contributions and money invested in the alternative investment program to the stable value fund.

SECTION 9. IC 5-10.2-3-5, AS AMENDED BY P.L.165-2009, SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: **Sec. 5. (a) A member who is not eligible for retirement or disability retirement may suspend the member's membership if the member terminates employment.**

(b) After five (5) continuous years in which the member performs no service, the member's membership shall be automatically suspended by the board unless the member has vested status.

(c) The board may suspend a member's membership in the fund if:

- (1) the member has not performed any service in a covered position during the past two (2) years;**
- (2) the member has not attained vested status in the fund; and**
- (3) the value of the member's annuity savings account is not more than one thousand dollars (\$1,000).**



~~(d)~~ (c) On resuming service the member may claim as creditable service the period of employment before the suspension of membership, but only to the extent that the same period of employment is not being used by another governmental plan for purposes of the member's benefit in the other governmental plan.

SECTION 10. IC 5-10.2-3-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 6. (a) After a member suspends his membership, **he is suspended under section 5 of this chapter, the member** is entitled to withdraw in a lump sum the amount of ~~his~~ **the member's** contributions plus interest credited to ~~him~~ **the member.**

(b) Except as provided in subsection (c), ~~if the member does not claim his moneys within five (5) years after the suspension, the moneys shall be credited to the retirement fund. Any reasonable costs of locating the member or the member's beneficiary may be charged against the member's or the beneficiary's money. The fund shall retain~~ **(d), the suspended member's moneys until the member claims them; with no further interest credits to the member after the moneys are credited to the fund. money is to remain in the stable value fund or the alternative investment program as the money was allocated on the day the member was suspended until:**

- (1) the suspended member changes the allocation of the money among the stable value fund and the alternative investment program;**
- (2) the suspended member withdraws the money from the fund; or**
- (3) the fund is otherwise required to distribute the money.**

Any earnings or losses on the money shall be credited to the member in the same manner as if the member's membership was not suspended.

(c) If a member suspends membership in the fund because the member is no longer in a covered position but does not separate from employment with the member's employer, money shall be credited to the retirement fund only if the member does not claim the member's money within forty-five (45) years after the suspension. **The board may charge a reasonable annual administrative fee against the money held in the annuity savings account of a suspended member.**

(d) If:

- (1) a member is suspended under section ~~(5)~~(c) 5 of this chapter;**
- (2) the member has not attained vested status in the fund; and**
- (3) the value of the member's annuity savings account is not more than one thousand dollars (\$1,000);**



the board shall pay the member's annuity savings account in a lump sum.

SECTION 11. IC 5-10.2-3-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 10. (a) To the extent permitted by the Internal Revenue Code and the applicable regulations, the fund may accept, on behalf of any active member, a rollover distribution from any of the following:

- (1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.
- (2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.
- (3) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.
- (4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

(b) Any amounts rolled over under subsection (a) must be accounted for in a "rollover account" that is separate from the member's annuity savings account.

(c) A member may direct the investment of the member's rollover account into **the stable value fund or** any alternative investment option that the board may make available to the member's rollover account under IC 5-10.2-2-3. ~~However, the member may not invest the member's rollover account in the guaranteed fund.~~

(d) A member may withdraw the member's rollover account from the fund in a lump sum at any time before retirement. At retirement, the member may withdraw the member's rollover account in accordance with the retirement options that are available for the member's annuity savings account, including the deferral of a withdrawal.

SECTION 12. IC 5-10.2-4-7.2, AS AMENDED BY P.L.241-2015, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 7.2. (a) This section applies to the following:

- (1) A member of the Indiana state teachers' retirement fund after June 30, 2007.
- (2) A member of the public employees' retirement fund after June 30, 2008.

(b) ~~Subject to subsection (g);~~ **Except as otherwise provided in this section,** if a member is receiving a benefit from the fund, ~~and:~~

- ~~(1) the member's designated beneficiary dies;~~
- ~~(2) the member and the member's designated beneficiary have been parties in an action for dissolution of marriage in which a~~



final order has been issued after the member's first benefit payment is made. It is immaterial whether the final order was issued before, on, or after the date in subsection (a)(1) or (a)(2); (3) the member marries after the member's first benefit payment is made; and:

(A) the member's designated beneficiary is not the member's current spouse; or

(B) the member has not designated a beneficiary; or

(4) after June 30, 2016, the member and the member's designated beneficiary are no longer in a relationship that caused the member to make the original beneficiary designation;

the member may make the election described in subsection (c) **any number of times.**

(c) **Except as otherwise provided in this section,** a member described in subsection (b) may elect to:

(1) change the member's designated beneficiary or form of benefit under section 7(b) of this chapter; and

(2) receive an actuarially adjusted and recalculated benefit for the remainder of:

(A) the member's life; or

(B) the member's life and the life of the newly designated beneficiary.

(d) A member making the election under subsection (c) may not elect to change to a five (5) year guaranteed form of benefit under section 7(b) of this chapter.

(e) If a member elects a benefit under subsection (c)(2)(B), the member must indicate whether the newly designated beneficiary's benefit will equal:

(1) the member's full recalculated benefit;

(2) two-thirds (2/3) of the member's recalculated benefit; or

(3) one-half (1/2) of the member's recalculated benefit.

(f) The member bears the cost of recalculating a benefit under subsection (c)(2), and **the member shall pay the cost shall be included in the actuarial adjustment. manner prescribed by the board by rule. However, the board shall waive the cost associated with the first time after June 30, 2016, the member changes the member's designated beneficiary or form of benefit under this section.**

(g) A member may not make the election under subsection (c) if a final order or property settlement in an action for dissolution of marriage:

(1) prohibits a change in the member's designated beneficiary; or

(2) provides a right to a survivor benefit to a person who would be



removed as the designated beneficiary.

(h) Benefits may be recalculated under this section only to the extent permitted by the Internal Revenue Code and applicable regulations.

(i) Before implementing this section, the board may obtain any approvals that the board considers necessary or appropriate from the Internal Revenue Service.

(j) ~~This subsection applies after June 30, 2016. A member who qualifies under subsection (b)(4) to make an election under subsection (c) shall provide documentation the board considers sufficient to establish that the relationship between the member and the member's designated beneficiary no longer exists.~~

(j) Subject to subsection (g), if a member is receiving a benefit from the fund and the member's spouse is the member's designated beneficiary, the member may not change the member's designated beneficiary or elect to receive an actuarially adjusted and recalculated benefit under subsection (c) unless:

(1) the member's designated beneficiary dies;

(2) the member and the member's designated beneficiary have been parties in an action for dissolution of marriage in which a final order has been issued after the member's first benefit payment is made; or

(3) the member's designated beneficiary, or the guardian of the member's designated beneficiary, authorizes the change in writing in the manner prescribed by the board.

With respect to a final order for dissolution of marriage described in subdivision (2), it is immaterial whether the final order was issued before, on, or after the date in subsection (a)(1) or (a)(2).

SECTION 13. IC 5-10.3-2-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 3. The general assembly intends that, to the extent specified in this article, the payments to the fund by the state or the participating political subdivisions, the payment of all benefits, the payment of interest credits, and the payment of administration expenses are obligations of the state and the participating political subdivisions. However, this obligation is not a guarantee that the amount credited to a member in the annuity savings account will not vary in value as a result of the performance of the investment program selected by the member under IC 5-10.2-2, unless the member selected the guaranteed program **(before its elimination on January 1, 2017)**, in which case the obligation is such a guarantee.

SECTION 14. IC 5-10.3-12-1, AS AMENDED BY P.L.241-2015, SECTION 24, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE



JULY 1, 2016]: Sec. 1. (a) Except as otherwise provided in this section, this chapter applies to the following:

- (1) An individual who:
 - (A) on or after the effective date of the plan, becomes for the first time a full-time employee of the state:
 - (i) in a position that would otherwise be eligible for membership in the fund under IC 5-10.3-7; and
 - (ii) who is paid by the auditor of state by salary warrants; and
 - (B) makes the election described in section 20 of this chapter to become a member of the plan.
- (2) An individual:
 - (A) who becomes a full-time employee of a participating political subdivision in a covered position after an ordinance or resolution described in clause (C) that is adopted by the political subdivision has been approved by the board;
 - (B) who would otherwise be eligible for membership in the fund under IC 5-10.3-7; and
 - (C) who is employed by a political subdivision that has elected in an ordinance or resolution adopted under IC 5-10.3-6-1 and approved by the board to require an employee in the covered position to become a member of the plan.
- (3) An individual:
 - (A) who becomes a full-time employee of a political subdivision in a covered position after an ordinance or resolution described in clause (C) that is adopted by the political subdivision has been approved by the board;
 - (B) who would otherwise be eligible for membership in the fund under IC 5-10.3-7;
 - (C) who is employed by a political subdivision that has elected in an ordinance or resolution adopted under IC 5-10.3-6-1 and approved by the board:
 - (i) to allow an employee in the covered position to become a member of the fund or a member of the plan at the discretion of the employee; and
 - (ii) to require an employee in a covered position to make an election under section 20.5 of this chapter in order to become a member of the plan; and
 - (D) who makes an election under section 20.5 of this chapter to become a member of the plan.
- (4) An individual:
 - (A) who becomes a full-time employee of a political



subdivision in a covered position after an ordinance or resolution described in clause (C) that is adopted by the political subdivision has been approved by the board;

(B) who would otherwise be eligible for membership in the fund under IC 5-10.3-7;

(C) who is employed by a political subdivision that has elected in an ordinance or resolution adopted under IC 5-10.3-6-1 and approved by the board:

(i) to allow an employee in the covered position to become a member of the fund or a member of the plan at the discretion of the employee; and

(ii) to require an employee to make an election under IC 5-10.3-7-1.1 in order to become a member of the fund; and

(D) who does not make an election under IC 5-10.3-7-1.1 to become a member of the fund.

(5) An individual who makes an election described in section 20.3 of this chapter.

(b) Except as provided in subsection (c), this chapter does not apply to an individual who, on or after the effective date of the plan:

(1) becomes for the first time a full-time employee of the state in a position that would otherwise be eligible for membership in the fund under IC 5-10.3-7; and

(2) is employed by:

(A) a body corporate and politic of the state created by state statute; or

(B) a state educational institution (as defined in IC 21-7-13-32).

(c) The chief executive officer of a body or institution described in subsection (b) may elect, by submitting a written notice of the election to the director, to have this chapter apply to individuals who, as employees of the body or institution, become for the first time full-time employees of the state in positions that would otherwise be eligible for membership in the fund under IC 5-10.3-7. An election under this subsection is effective on the later of:

(1) the date the notice of the election is received by the director;

or

(2) March 1, 2013.

(d) This chapter does not apply to the following:

(1) An individual who is or was a member (as defined in IC 5-10.3-1-5) of the fund before otherwise becoming eligible to become a member of the plan.



- (2) An individual who:
- (A) on or after the effective date of the plan, except as provided in subsection (c), becomes for the first time a full-time employee of the state:
 - (i) in a position that would otherwise be eligible for membership in the fund under IC 5-10.3-7; and
 - (ii) who is not paid by the auditor of state by salary warrants; or
 - (B) does not elect to participate in the plan.
- (3) An individual who:
- (A) is eligible to make the election under IC 5-10.3-7-1.1 to become a member of the fund; and
 - (B) does make the election under IC 5-10.3-7-1.1 to become a member of the fund.
- (4) An individual who is required to become a member of the fund.

SECTION 15. IC 5-10.3-12-20.3 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: **Sec. 20.3. (a) This section applies to an individual who:**

- (1) is an employee of the state on July 1, 2016;**
 - (2) became for the first time, after January 1, 2013, a full-time employee of the state in a position that is eligible for membership in the fund under IC 5-10.3-7; and**
 - (3) is a member (as defined in IC 5-10.3-1-5) of the fund.**
- (b) An individual to whom this section applies may elect to become a member of the plan. An election under this section:**
- (1) must be made in writing;**
 - (2) must be filed with the board, on a form prescribed by the board, not later than July 30, 2016; and**
 - (3) is irrevocable.**
- (c) If an individual makes the election described in subsection (b), the following apply:**
- (1) The individual's service from the date, after January 1, 2013, that the individual first became a full-time employee of the state until the date immediately preceding the date of the individual's election under subsection (b) is considered participation in the plan for purposes of vesting in the employer contribution subaccount under section 25 of this chapter, and the individual waives service credit in the fund for the service.**
 - (2) The amount credited to the individual's annuity savings**



account in the fund on the date of the individual's election under subsection (b) is transferred to the individual's member contribution subaccount.

(3) The amounts paid to the fund by the state as employer normal cost contributions for the individual from the date, after January 1, 2013, that the individual first became a full-time employee of the state until the date immediately preceding the date of the individual's election under subsection (b) are transferred to the individual's employer contribution subaccount.

SECTION 16. IC 5-10.3-12-22, AS AMENDED BY P.L.6-2012, SECTION 31, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 22. (a) Subject to the board obtaining the approval of the Internal Revenue Service as described in section 18(b) of this chapter, the board shall establish:

(1) a stable value fund as the initial regular investment program for the plan; and

(2) the alternative investment programs (as described by IC 5-10.2-2-3 and IC 5-10.2-2-4) within the annuity savings account as the initial alternative investment programs for the plan. ~~except that the board shall maintain at least one (1) alternative investment program that is a stable value fund.~~

If the board considers it necessary or appropriate, the board may establish different or additional alternative investment programs for the plan. ~~However, the guaranteed program (as defined in IC 5-10.2-2-3) shall not be offered as an investment option under the plan.~~

(b) The requirements and rules that apply to the alternative investment programs within the annuity savings account are the initial requirements and rules that apply to the alternative investment programs within the plan, including the following:

(1) The board's investment guidelines and limits for the alternative investment programs.

(2) A member's selection of and changes to the member's investment options.

(3) The valuation of a member's account.

(4) The allocation and payment of administrative expenses for the alternative investment programs.

(c) If the board considers it necessary or appropriate, the board may establish different or additional requirements and rules that apply to the alternative investment programs within the plan.

(d) The board shall determine the appropriate administrative fees to be charged to the member accounts.



SECTION 17. IC 5-10.4-2-6, AS AMENDED BY P.L.99-2010, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 6. The board shall do the following:

(1) Credit interest to the members' annuity savings accounts in the guaranteed fund **(before January 1, 2017), actual earnings to the stable value fund (after December 31, 2016)**, and actual earnings to the alternative investment programs.

(2) After complying with subdivision (1), distribute any remaining undistributed income reserve as of the end of each accounting period as determined by the rules of the board.



Speaker of the House of Representatives

President of the Senate

President Pro Tempore

Governor of the State of Indiana

Date: _____ Time: _____

HEA 1032 — Concur

