

SENATE BILL No. 27

DIGEST OF INTRODUCED BILL

Citations Affected: IC 36-8-8-18.

Synopsis: 1977 fund new unit credits for prior service. Provides, in the case of a unit (county, city, town, or township) that begins participation in the 1977 police officers' and firefighters' pension and disability fund (1977 fund), that the unit and the member (firefighter, police officer, or emergency medical technician) may agree how to share the cost of acquiring credit in the 1977 fund for the member's prior service as a firefighter, police officer, or emergency medical technician. (The introduced version of this bill was prepared by the interim study committee on pension management oversight.)

Effective: Upon passage.

Boots

January 3, 2018, read first time and referred to Committee on Pensions and Labor.



Second Regular Session 120th General Assembly (2018)

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 BILL No. 27

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

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

1 SECTION 1. IC 36-8-8-18, AS AMENDED BY P.L.111-2015,
2 SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 18. (a) Except as provided in subsection (b),
4 if a unit becomes a participant in the 1977 fund, credit for prior service
5 by police officers (including prior service as a full-time, fully paid town
6 marshal or full-time, fully paid deputy town marshal by a police officer
7 employed by a metropolitan board of police commissioners) or by
8 firefighters before the date of participation may be given by the system
9 board only if:

10 (1) ~~the unit contributes to the 1977 fund~~ the amount necessary to
11 ~~amortize fund the police officer's or firefighter's~~ prior service
12 liability over a period of not more than thirty (30) years, the
13 amount and period to be determined by the system board; **is**
14 **contributed to the 1977 fund under an agreement that**
15 **specifies how much the unit is to contribute, if any, and how**
16 **much the police officer or firefighter is to contribute, if any;**
17 and



1 (2) the police officers or firefighters pay, either in a lump sum or
 2 in a series of payments determined by the system board; the
 3 amount that they the police officers or firefighters would have
 4 contributed if they had been members of the 1977 fund during
 5 their prior service is paid to the 1977 fund under an agreement
 6 that specifies how much the unit is to contribute, if any, and
 7 how much the police officer or firefighter is to contribute, if
 8 any.

9 If the requirements of subdivisions (1) and (2) are not met, a fund
 10 member is entitled to credit only for years of service after the date of
 11 participation. **Contributions under subdivisions (1) and (2) must be**
 12 **paid in a lump sum or in installments over a period of not more**
 13 **than thirty (30) years, the amount and period to be determined by**
 14 **the system board. The periods determined by the system board**
 15 **under subdivisions (1) and (2) for any installment payments may**
 16 **differ between the unit and the police officers or firefighters and**
 17 **between subdivisions (1) and (2).**

18 (b) If a unit becomes a participant in the 1977 fund under section
 19 3(c) of this chapter, or if a firefighter becomes a member of the 1977
 20 fund under section 7(g) of this chapter, credit for prior service before
 21 the date of participation or membership shall be given by the system
 22 board as follows:

23 (1) For a member who will accrue twenty (20) years of service
 24 credit in the 1977 fund by the time the member reaches the
 25 earliest retirement age under the fund at the time of the member's
 26 date of participation in the 1977 fund **and who participated in**
 27 **PERF as a police officer, a firefighter, or an emergency**
 28 **medical technician**, the member will be given credit in the 1977
 29 fund for one-third (1/3) of the member's years of participation in
 30 PERF as a police officer, a firefighter, or an emergency medical
 31 technician.

32 (2) **For a member who will accrue twenty (20) years of service**
 33 **credit in the 1977 fund by the time the member reaches the**
 34 **earliest retirement age under the fund at the time of the**
 35 **member's date of participation in the 1977 fund and who did**
 36 **not participate in a pension plan as a police officer, a**
 37 **firefighter, or an emergency medical technician, the member**
 38 **will be given credit in the 1977 fund for one-third (1/3) of the**
 39 **member's years of prior service with the unit as a police**
 40 **officer, a firefighter, or an emergency medical technician only**
 41 **if:**

42 (A) The amount necessary to fund the member's prior



1 service liability is contributed to the 1977 fund under an
 2 agreement that specifies how much the unit is to
 3 contribute, if any, and how much the member is to
 4 contribute, if any. Contributions must be paid in a lump
 5 sum or in installments as provided in clause (C). The
 6 amount of contributions must be based on the actual salary
 7 earned by a first class patrolman or a first class firefighter
 8 at the time the unit becomes a participant in the 1977 fund,
 9 or the police officer or firefighter becomes a member of the
 10 1977 fund, or if no such salary designation exists, the
 11 actual salary earned by the police officer or firefighter.
 12 (B) The amount the police officer or firefighter would have
 13 contributed if the police officer or firefighter had been a
 14 member of the 1977 fund during the police officer's or
 15 firefighter's prior service must be fully paid under an
 16 agreement that specifies how much the unit is to pay, if
 17 any, and how much the member is to pay, if any.
 18 Contributions must be paid in a lump sum or in
 19 installments as provided in clause (C). The amount of
 20 contributions must be based on the police officer's or
 21 firefighter's actual salary earned during that period before
 22 service can be credited under this section.
 23 (C) Any amortization schedule for contributions paid
 24 under clause (A) and contributions to be paid under clause
 25 (B) must include interest at a rate determined by the
 26 system board. The board shall determine the term of any
 27 amortization schedule authorized under clauses (A) and
 28 (B), not to exceed ten (10) years. The terms of the various
 29 amortization schedules authorized under clauses (A) and
 30 (B) may differ.

31 (2) (3) For a member who will not accrue twenty (20) years of
 32 service credit in the 1977 fund by the time the member reaches
 33 the earliest retirement age under the fund at the time of the
 34 member's date of participation in the 1977 fund, credit for such
 35 prior service shall be given only if:

36 (A) The unit contributes to the 1977 fund the amount
 37 necessary to fund the member's prior service liability
 38 amortized over a period of not more than ten (10) years: is
 39 contributed to the 1977 fund under an agreement that
 40 specifies how much the unit is to contribute, if any, and
 41 how much the member is to contribute, if any.
 42 Contributions must be paid in a lump sum or in



1 **installments as provided in clause (C).** The amount of
 2 contributions must be based on the actual salary earned by a
 3 first class patrolman or a first class firefighter at the time the
 4 unit becomes a participant in the 1977 fund, or the police
 5 officer or firefighter becomes a member of the 1977 fund, or
 6 if no such salary designation exists, the actual salary earned by
 7 the police officer or firefighter. The limit on credit for prior
 8 service does not apply to a firefighter if the firefighter was a
 9 member of the 1937 fund or 1977 fund whose participation
 10 was terminated due to the creation of a new fire protection
 11 district under IC 36-8-11-5 and who subsequently became a
 12 member of the 1977 fund. A firefighter who was a member of
 13 or reentered the 1937 fund or 1977 fund whose participation
 14 was terminated due to the creation of a new fire protection
 15 district under IC 36-8-11-5 is entitled to full credit for prior
 16 service in an amount equal to the firefighter's years of service
 17 before becoming a member of or reentering the 1977 fund.
 18 Service may only be credited for time as a full-time, fully paid
 19 police officer, firefighter, or emergency medical technician
 20 under section 7(g) of this chapter.

21 (B) The amount the police officer or firefighter would have
 22 contributed if the police officer or firefighter had been a
 23 member of the 1977 fund during the police officer's or
 24 firefighter's prior service must be fully paid ~~and~~ **under an**
 25 **agreement that specifies how much the unit is to pay and**
 26 **how much the member is to pay. Contributions must be**
 27 **paid in a lump sum or in installments as provided in clause**
 28 **(C). The amount of contributions** must be based on the
 29 police officer's or firefighter's actual salary earned during that
 30 period before service can be credited under this section.

31 (C) Any amortization schedule for contributions paid under
 32 clause (A) and contributions to be paid under clause (B) must
 33 include interest at a rate determined by the system board. **The**
 34 **board shall determine the term of any amortization**
 35 **schedule authorized under clauses (A) and (B), not to**
 36 **exceed ten (10) years. The terms of the various**
 37 **amortization schedules authorized under clauses (A) and**
 38 **(B) may differ.**

39 ~~(3)~~ **(4)** If, at the time a unit entered the 1977 fund, ~~the unit~~
 40 ~~contributed the amount required by subdivision (2)~~ so that a fund
 41 member received the maximum prior service credit allowed by
 42 subdivision ~~(2)~~ **(3)** and, at a later date, the earliest retirement age



1 was lowered, the unit **or the fund member, or both**, may
 2 contribute to the 1977 fund on the fund member's behalf an
 3 additional amount that is determined in the same manner as under
 4 subdivision ~~(2)~~ **(3)** with respect to the additional prior service, if
 5 any, available as a result of the lower retirement age. If ~~the unit~~
 6 ~~pays~~ the additional amount described in this subdivision **is paid**
 7 in accordance with the requirements of subdivision ~~(2)~~; **(3)**, the
 8 fund member shall receive the additional service credit necessary
 9 for the fund member to retire at the lower earliest retirement age.

10 (c) This subsection applies to a unit that:

11 (1) becomes a participant in the 1977 fund under section 3(c) of
 12 this chapter; and

13 (2) is a fire protection district created under IC 36-8-11 that
 14 includes a township or a municipality that had a 1937 fund.

15 A firefighter who continues uninterrupted service with a unit covered
 16 by this subsection and who participated in the township or municipality
 17 1937 fund is entitled to receive service credit for such service in the
 18 1977 fund. However, credit for such service is limited to the amount
 19 accrued by the firefighter in the 1937 fund or the amount necessary to
 20 allow the firefighter to accrue twenty (20) years of service credit in the
 21 1977 fund by the time the firefighter becomes fifty-two (52) years of
 22 age, whichever is less.

23 (d) ~~The A unit to which subsection (c) applies~~ shall contribute into
 24 the 1977 fund the amount necessary to fund the amount of past service
 25 determined in accordance with subsection (c), amortized over a period
 26 not to exceed ten (10) years with interest at a rate determined by the
 27 system board.

28 (e) If the township or municipality has accumulated money in its
 29 1937 fund, any amount accumulated that exceeds the present value of
 30 all projected future benefits from the 1937 plan shall be paid by the
 31 township or municipality to the unit for the sole purpose of making the
 32 contributions determined in subsection (d).

33 (f) To the extent permitted by the Internal Revenue Code and the
 34 applicable regulations, the 1977 fund may accept, on behalf of a fund
 35 member who is purchasing permissive service credit under this chapter,
 36 a rollover of a distribution from any of the following:

37 (1) A qualified plan described in Section 401(a) or Section 403(a)
 38 of the Internal Revenue Code.

39 (2) An annuity contract or account described in Section 403(b) of
 40 the Internal Revenue Code.

41 (3) An eligible plan that is maintained by a state, a political
 42 subdivision of a state, or an agency or instrumentality of a state or



1 political subdivision of a state under Section 457(b) of the
2 Internal Revenue Code.

3 (4) An individual retirement account or annuity described in
4 Section 408(a) or Section 408(b) of the Internal Revenue Code.

5 (g) To the extent permitted by the Internal Revenue Code and the
6 applicable regulations, the 1977 fund may accept, on behalf of a fund
7 member who is purchasing permissive service credit under this chapter,
8 a trustee to trustee transfer from any of the following:

9 (1) An annuity contract or account described in Section 403(b) of
10 the Internal Revenue Code.

11 (2) An eligible deferred compensation plan under Section 457(b)
12 of the Internal Revenue Code.

13 **SECTION 2. An emergency is declared for this act.**

