

# SENATE BILL No. 34

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 10-12.

**Synopsis:** State police pension fund trustee. Provides that, after June 30, 2015, the trustee of the state police pension trust and the state police benefit fund is the board of trustees of the Indiana public retirement system.

**Effective:** July 1, 2015.

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## Boots

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January 6, 2015, read first time and referred to Committee on Pensions & Labor.

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First Regular Session 119th General Assembly (2015)

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 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## SENATE BILL No. 34



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 10-12-1-7 IS AMENDED TO READ AS  
2 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. "Pension  
3 consultants" means:

4 **(1) before July 1, 2015**, an individual, a firm, or a corporation of  
5 technical consultants competent and qualified to supervise and  
6 assist in the establishment, maintenance, and operation of a  
7 pension plan on an actuarially sound basis; **and**  
8 **(2) after June 30, 2015, the employees, auditors, technical**  
9 **experts, legal counsel, and other service providers as the**  
10 **board of trustees of the Indiana public retirement system**  
11 **considers necessary to maintain and operate the pension trust**  
12 **on an actuarially sound basis.**

13 SECTION 2. IC 10-12-1-9 IS AMENDED TO READ AS  
14 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 9. "Supplementary trust  
15 agreement" means an agreement that has the force and effect of law  
16 between the department and the trustee concerning the police benefit



1 fund (as described in ~~IC 10-12-2-7~~; **IC 10-12-2-7.5**).

2 SECTION 3. IC 10-12-1-10 IS AMENDED TO READ AS  
3 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 10. **(a) This subsection**  
4 **applies before July 1, 2015.** "Trustee" refers to the trustee of the  
5 pension trust, who may be:

- 6 (1) one (1) or more corporate trustees; or  
7 (2) the treasurer of state serving under bond.

8 **(b) This subsection applies after June 30, 2015. "Trustee" refers**  
9 **to the board of trustees of the Indiana public retirement system**  
10 **established by IC 5-10.5-3-1.**

11 SECTION 4. IC 10-12-2-2 IS AMENDED TO READ AS  
12 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 2. (a) The department  
13 may:

- 14 (1) establish and operate an actuarially sound pension plan  
15 governed by a pension trust; and  
16 (2) make the necessary annual contribution in order to prevent  
17 any deterioration in the actuarial status of the trust fund.

18 (b) The department shall make contributions to the trust fund. An  
19 employee beneficiary shall make contributions to the trust fund through  
20 authorized monthly deductions from wages.

21 **(c) This subsection applies before July 1, 2015.** The trust fund:

- 22 (1) may not be commingled with any other funds; and  
23 (2) shall be invested only in accordance with state laws for the  
24 investment of trust funds, together with other investments as are  
25 specifically designated in the pension trust.

26 Subject to the terms of the pension trust, the trustee, with the approval  
27 of the department and the pension advisory board, may establish  
28 investment guidelines and limits on all types of investments, including  
29 stocks and bonds, and take other action necessary to fulfill its duty as  
30 a fiduciary for the trust fund.

31 **(d) This subsection applies after June 30, 2015. Subject to the**  
32 **terms of the pension trust, the trustee may commingle or pool**  
33 **assets in the trust fund to the same extent and subject to the same**  
34 **limitations and restrictions as other assets of the public pension**  
35 **and retirement funds invested and managed by the board of**  
36 **trustees of the Indiana public retirement system under IC 5-10.2**  
37 **and IC 5-10.5. The trustee may invest and manage the assets of the**  
38 **pension trust with the same powers, duties, restrictions, limitations,**  
39 **and penalties as the board of trustees of the Indiana public**  
40 **retirement system invests and manages the assets of the public**  
41 **pension and retirement funds of the Indiana public retirement**  
42 **system. The trustee shall consult with the department and the**



1 **pension advisory board in connection with the investment and**  
 2 **management of the trust fund.**

3 (d) (e) The trustee shall invest the trust fund assets with the same  
 4 care, skill, prudence, and diligence that a prudent person acting in a  
 5 like capacity and familiar with these matters would use in the conduct  
 6 of an enterprise of a similar character with similar aims.

7 (e) (f) The trustee shall diversify the trust fund's investments in  
 8 accordance with prudent investment standards. The investment of the  
 9 trust fund is subject to section 3 of this chapter.

10 (f) (g) The trustee shall receive and hold as trustee for the uses and  
 11 purposes set forth in the pension trust the funds paid by the department,  
 12 the employee beneficiaries, or any other person or persons.

13 (g) (h) The trustee shall engage pension consultants to supervise and  
 14 assist in the technical operation of the pension plan so that there is no  
 15 deterioration in the actuarial status of the plan.

16 (h) (i) Before October 1 of each year, the trustee, with the aid of the  
 17 pension consultants, shall prepare and file a report with the department  
 18 and the state board of accounts. The report must include the following  
 19 with respect to the fiscal year ending on the preceding June 30:

20 SCHEDULE I. Receipts and disbursements.

21 SCHEDULE II. Assets of the pension trust, listing investments as  
 22 to book value and current market value at the end of the fiscal  
 23 year.

24 SCHEDULE III. List of terminations, showing cause and amount  
 25 of refund.

26 SCHEDULE IV. The application of actuarially computed "reserve  
 27 factors" to the payroll data, properly classified for the purpose of  
 28 computing the reserve liability of the trust fund as of the end of  
 29 the fiscal year.

30 SCHEDULE V. The application of actuarially computed "current  
 31 liability factors" to the payroll data, properly classified for the  
 32 purpose of computing the liability of the trust fund for the end of  
 33 the fiscal year.

34 SCHEDULE VI. An actuarial computation of the pension liability  
 35 for all employees retired before the close of the fiscal year.

36 (i) (j) The minimum annual contribution by the department must be  
 37 of sufficient amount, as determined by the pension consultants, to  
 38 prevent any deterioration in the actuarial status of the pension plan  
 39 during that year. If the department fails to make the minimum  
 40 contribution for five (5) successive years, the pension trust terminates  
 41 and the trust fund shall be liquidated.

42 (j) (k) Except as provided by applicable federal law, in the event of



1 liquidation, the department shall take the following actions:

- 2 (1) All expenses of the pension trust must be paid.  
 3 (2) Adequate provision must be made for continuing pension  
 4 payments to retired persons.  
 5 (3) Each employee beneficiary must receive the net amount paid  
 6 into the trust fund from the employee beneficiary's wages.  
 7 (4) Any amount remaining in the pension trust after the  
 8 department makes the payments described in subdivisions (1)  
 9 through (3) must be equitably divided among the employee  
 10 beneficiaries in proportion to the net amount paid from each  
 11 employee beneficiary's wages into the trust fund.

12 SECTION 5. IC 10-12-2-7 IS AMENDED TO READ AS  
 13 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 7. (a) The:

- 14 (1) mortality reserve account referred to in section 4 of this  
 15 chapter;  
 16 (2) disability reserve account referred to in section 5 of this  
 17 chapter; and  
 18 (3) dependent pension reserve account referred to in section 6 of  
 19 this chapter;

20 may be commingled and operated as one (1) fund, known as the police  
 21 benefit fund, under the terms of a supplementary trust agreement  
 22 between the department and the trustee for the exclusive benefit of  
 23 employee beneficiaries and their dependents.

24 (b) The trustee shall receive and hold as trustee for the uses and  
 25 purposes set out in the supplementary trust agreement all funds paid to  
 26 it as the trustee by the department or by any other person or persons.

27 (c) The trustee shall hold, invest, and reinvest the police benefit  
 28 fund in:

- 29 (1) investments that trust funds are permitted to invest in under  
 30 Indiana law; and  
 31 (2) other investments as may be specifically designated in the  
 32 supplementary trust agreement.

33 (d) The trustee, with the assistance of the pension engineers, shall,  
 34 not more than ninety (90) days after the close of the fiscal year, prepare  
 35 and file with the department and the department of insurance a detailed  
 36 annual report showing receipts, disbursements, case histories, and  
 37 recommendations as to the contributions required to keep the program  
 38 in operation.

39 (e) Contributions by the department to the police benefit fund shall  
 40 be provided in the general appropriations to the department.

41 **(f) This section expires July 1, 2015.**

42 SECTION 6. IC 10-12-2-7.5 IS ADDED TO THE INDIANA CODE



1 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
2 1, 2015]: Sec. 7.5. (a) This section applies after June 30, 2015.

3 (b) As used in this section, "board" refers to the board of  
4 trustees of the Indiana public retirement system established by  
5 IC 5-10.5-3-1.

6 (c) The treasurer of state shall transfer to the board the:

7 (1) mortality reserve account referred to in section 4 of this  
8 chapter;

9 (2) disability reserve account referred to in section 5 of this  
10 chapter; and

11 (3) dependent's pension reserve account referred to in section  
12 6 of this chapter;

13 (collectively known as the police benefit fund). The board shall  
14 succeed the treasurer of state as the trustee for the police benefit  
15 fund under the supplementary trust agreement and shall operate  
16 the accounts listed in this subsection as one (1) fund for the  
17 exclusive benefit of employee beneficiaries and their dependents.

18 (d) All powers, duties, liabilities, property, equipment, records,  
19 rights, and contracts of the treasurer of state as trustee of the  
20 police benefit fund are transferred to or assumed by the board on  
21 July 1, 2015.

22 (e) The board shall provide indemnification of the treasurer of  
23 state as trustee of the police benefit fund as necessary or  
24 appropriate in regard to any liabilities of the police benefit fund  
25 assumed by the board.

26 (f) Subject to the terms of the pension trust and the  
27 supplementary trust agreement, the board may commingle or pool  
28 assets in the accounts listed in subsection (c) to the same extent and  
29 subject to the same limitations and restrictions as other assets of  
30 the public pension and retirement funds invested and managed by  
31 the board under IC 5-10.2 and IC 5-10.5.

32 (g) The board shall receive and hold as trustee for the uses and  
33 purposes set out in the pension trust and the supplementary trust  
34 agreement all funds paid to it as the trustee by the department or  
35 by any other person or persons.

36 (h) The board shall hold, invest, and reinvest the police benefit  
37 fund in:

38 (1) investments that the board may make in the course of  
39 managing the assets of the public pension and retirement  
40 funds of the Indiana public retirement system; and

41 (2) other investments as may be specifically designated in the  
42 pension trust or the supplementary trust agreement.



1           (i) The trustee, with the assistance of the pension consultants,  
2 shall, not more than ninety (90) days after the close of the fiscal  
3 year, prepare and file with the department and the department of  
4 insurance a detailed annual report showing receipts,  
5 disbursements, case histories, and recommendations as to the  
6 contributions required to keep the program in operation.

7           (j) Contributions by the department to the police benefit fund  
8 shall be provided in the general appropriations to the department.

9           SECTION 7. IC 10-12-5-6 IS AMENDED TO READ AS  
10 FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 6. (a) **This subsection**  
11 **applies before July 1, 2015.** The treasurer of state:

12           (1) is the trustee for the funds allocated to the supplemental  
13 pension benefits; and

14           (2) shall keep the supplemental pension benefit funds in a  
15 separate account that the treasurer of state may designate as the  
16 state police department supplemental pension benefit fund.

17           **(b) This subsection applies after June 30, 2015. The treasurer of**  
18 **state shall transfer to the board of trustees of the Indiana public**  
19 **retirement system the assets allocated to the supplemental pension**  
20 **benefit fund, and the board shall succeed the treasurer of state as**  
21 **the trustee for the supplemental pension benefit fund.**

22           (c) As the trustee of the supplemental pension benefit fund, the  
23 board of trustees of the Indiana public retirement system shall  
24 keep the supplemental pension benefit fund in a separate account  
25 designated as the state police department supplemental pension  
26 benefit fund, and subject to the supplementary trust agreement,  
27 shall invest and manage the account with the same powers, duties,  
28 restrictions, limitations, and penalties as the board invests and  
29 manages the assets of the public pension and retirement funds of  
30 the Indiana public retirement system.

