

LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT

LS 6774
BILL NUMBER: HB 1188

NOTE PREPARED: Jan 22, 2026
BILL AMENDED: Jan 22, 2026

SUBJECT: Police Pension Matters.

FIRST AUTHOR: Rep. Davis
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *State Police Supplemental Pension Benefits*: The bill extends eligibility for supplemental pension benefits and incentive increases to employee beneficiaries of the State Police 1987 Benefit System. (Current law provides eligibility to employee beneficiaries under the State Police Pre-1987 Benefit System.)

The bill also modifies the:

- (1) terms of eligibility for; and
- (2) calculation of; supplemental pension benefits and incentive increases.

It provides that first time payments of and increases to supplemental pension benefits shall be paid or commence beginning in July of each year.

'77 Fund Membership: The bill makes changes to the definition of a "school resource officer" for provisions relating to the 1977 Police Officers' and Firefighters' Pension and Disability Fund ('77 Fund). It provides that a school police department may participate in the '77 Fund. It establishes requirements for establishing a local board for school police departments. The bill also provides that an appointing authority shall waive the age restriction for a school resource officer for purposes of the '77 Fund if certain conditions are met. The bill provides that a school corporation or charter school that employs a school resource officer must enter into a contract or memorandum of understanding with a local law enforcement agency for the purpose of complying with the reporting and payment requirements for purposes of the '77 Fund. It also makes conforming amendments.

Effective Date: July 1, 2026.

Explanation of State Expenditures: (Revised) *State Police Supplemental Pension Benefits*: The bill will increase annual state General Fund expenditures for supplemental pension benefits for state police retirees by an estimated \$3.6 M beginning in FY 2027. The increased expenditures would be ongoing and would further increase whenever a change to the state police salary matrix increases sixth year trooper salary.

Additional Information - The state appropriated \$5.45 M in FY 2026 and in FY 2027 for supplemental pension benefits for employee beneficiaries of the State Police Pre-1987 Benefit System. Supplemental pension benefits are paid through state General Fund appropriations and are separate from the State Police Pension Trust. Supplemental benefits are not included in the calculations of unfunded liabilities and funded status of the State Police Pension Trust.

1987 Benefit System: Allowing member beneficiaries of the State Police 1987 Benefit System to receive supplemental pension benefits under the bill would increase annual state General Fund expenditures by an estimated \$3.0 M. Supplemental benefits would be given if the retiree's basic monthly pension amount is less than what a retiree would be eligible for if their average monthly wage was equal to the sixth year trooper salary. In the first year that an individual is eligible for supplemental benefits, they would be eligible for an amount equal to half of the difference between the two amounts. In future years, if there is an increase in the sixth year trooper salary, they would receive half of the difference in the increase for a sixth year trooper. Additionally, retirees with more than 25 years of service would receive an additional 5% per year increase for each year of service over 25 years of service up to 35 years of service. Any increase to supplemental benefits in one year is carried forward to subsequent years.

Pre-1987 Benefit System: Changing the calculation of supplemental benefits for retirees of the Pre-1987 benefit system from a fourth-year trooper to a six-year trooper would increase annual state General Fund expenditures by an estimated \$0.6 M beginning in FY 2027. Member beneficiaries of the Pre-1987 Benefit System would have their supplemental pension benefits increased in FY 2027 and whenever an increase in supplemental benefits is triggered by an increase in the state police salary for a trooper in the sixth year of service.

(Revised) '77 Fund Membership: The Indiana Public Retirement System (INPRS) administers the '77 Fund and may have additional workload related to '77 Fund membership. Any administrative costs would be paid from the fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *(Revised) '77 Fund Membership:* If the bill allows additional school resource officers to join the '77 Fund, public schools may have increased expenditures for employee pensions. Local employers pay an employer contribution rate for employee pensions as a percentage of employee salary. The employer contribution rate for the '77 Fund is 23.3% for calendar year 2026 and 26.5% for 2027.

Explanation of Local Revenues: *(Revised) '77 Fund Membership:* If the bill results in increased membership in the '77 Fund, the '77 Fund would receive increased revenues in the form of additional employer and employee contributions. [This would be coupled with an increase in liabilities to pay future pension benefits for the members of the '77 Fund.]

State Agencies Affected: Indiana Public Retirement System; Indiana State Police; Treasurer of State.

Local Agencies Affected: Public schools.

Information Sources: State Police.

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