

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

LS 6184
BILL NUMBER: SB 10

NOTE PREPARED: Jan 27, 2026
BILL AMENDED: Jan 27, 2026

SUBJECT: State Employee Retirement Benefits.

FIRST AUTHOR: Sen. Rogers
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill requires the state to make contributions after December 31, 2026, that match, dollar for dollar, each state employee's deferred compensation contributions, not to exceed \$28 per paycheck. It specifies limitations on state contributions, including the availability of biennial appropriations. It also allows in certain circumstances the Budget Agency to suspend contributions, resume contributions, and make contributions that were missed due to suspension.

The bill specifies a process by which portions of the funding sources for the Retirement Medical Benefits Account (RMBA) must be transferred to the State Comptroller for the purpose of making matching contributions. It provides as a default rule that after December 31, 2026, each participant's membership in the RMBA is terminated, participant subaccounts are forfeited, and subaccount amounts must be transferred to the state General Fund. It specifies exceptions.

The bill requires the State Comptroller to transfer certain amounts from the state General Fund to each participant's defined contribution plan. It specifies a time frame within which a participant in the RMBA may elect to remain a participant. The bill establishes the 2027 Retiree Health Benefit Trust. It provides that the Retiree Health Benefit Trust Fund will be terminated when certain conditions are met.

(The introduced version of this bill was prepared by the Interim Study Committee on Pension Management Oversight.)

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: (Revised) *HoosierSTART State Match:* Increasing the state contribution match for HoosierSTART to up to \$28 per pay period would increase state expenditures for the match by up to \$10.4 M. The additional \$13 match will be paid from biennial appropriations and will begin in January 2027. In CY 2024, state employers made employer contributions of \$12.0 M to state employee HoosierSTART accounts to provide the current \$15 per pay period matching funds. The increase in expenditures could be lower if employees do not contribute the full match amount.

(Revised) *RMBA Contributions*: The bill will likely increase state General Fund expenditures beginning in FY 2028 for RMBA contributions for state employees who work for state agencies funded by General Fund appropriations who decide to stay in the RMBA. Under current law, contributions for the RMBA for these employees are paid from a dedicated revenue source—1.67% of cigarette tax revenue. In FY 2025, the RMBA received \$12.5 M in cigarette tax revenue. The annual amount needed to fund RMBA contributions will depend on employee decisions to remain in the RMBA.

State agencies that are required to pay employer contributions for the RMBA would have reduced expenditures in future years for RMBA contributions. The amount will depend on the number of employees who no longer participate in the RMBA. Impacted agencies includes state agencies not funded by the state General Fund and quasi agencies. In FY 2025, the RMBA received \$11.4 M in employer contributions. Employers paid \$790 per covered employee.

Under the bill, state employees hired after December 31, 2026 will not be eligible to participate in the RMBA.

Indiana Public Retirement System (INPRS), the State Comptroller, and the State Budget Agency: INPRS, the State Comptroller, and the State Budget Agency will have additional workload and/or expenses to transfer funds and make the changes required under the bill.

The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions. The expenses of administering the RMBA are paid from the RMBA.

Additional Information - The Retirement Medical Benefits Account (RMBA) is a health reimbursement account available for eligible retired state employees. The balance in retiree's RMBA may be used to reimburse retirees, spouses, and dependent children for the cost of health insurance premiums.

Active state employees each have a RMBA subaccount, and receive an annual contribution of the following amounts:

- \$500 for employees younger than 30,
- \$800 for employees who are at least 30, but younger than 40,
- \$1,100 for employees who are at least 40, but younger than 50,
- \$1,400 for employees who are at least 50.

Under current law, state employees who leave state employment before retirement forfeit the balance in their RMBA.

Under the proposal, state employees who do not elect to remain in the RMBA would have their RMBA account balances transferred to the General Fund. RMBA account balances include contributions to employee RMBA accounts and interest earned. The value of the contributions made to an employee's RMBA account based on their age and years of service would then be deposited in the employee's HoosierSTART account. The amount of earned interest would remain in the state General Fund.

Explanation of State Revenues: (Revised) *General Fund*: Under the proposal, state General Fund revenue will increase. General Fund revenue will come from the following sources:

- The amount of earned interest in member subaccounts who forfeit their membership in the RMBA

and have their subaccount balance transferred to the General Fund. Interest earnings on RMBA subaccounts for all active members who would be eligible to leave the RMBA are around \$21 M as of July 1, 2025. The actual General Fund revenue impact will depend on individual state employees' decisions to stay in or to forfeit the RMBA benefit.

- For FY 2027, the amount of annual cigarette tax revenue not needed to meet the obligations of the RMBA.
- In FY 2028 and after, all cigarette tax revenue previously dedicated to RMBA contributions (1.67% of cigarette tax revenue) will be deposited in the General Fund. In FY 2025, the RMBA received \$12.5 M in cigarette tax revenue.

(Revised) *RMBA*: Under current law, the RMBA is funded by cigarette tax revenue and a per employee cost paid by quasi agencies and state agencies that are not funded by state General Fund appropriations. In FY 2025, the RMBA received \$23.9 M in revenue: \$12.5 M in cigarette tax revenue and \$11.4 M in employer contributions. Under the proposal, revenue from employer contributions to fund RMBA obligations would decrease. Cigarette tax revenue that is not needed to meet the obligations of the RMBA will be transferred to the State General Fund in FY 2027. In FY 2028 and after, the RMBA will not receive cigarette tax revenue. In FY 2028 and after, a state General Fund appropriation will likely be needed to fund RMBA contributions for state employees working for state agencies funded by General Fund appropriations.

The bill terminates the Retiree Health Benefit Trust Fund and transfers the assets and liabilities of the RMBA for retirees and active members who remain in the RMBA to the 2027 Retiree Health Benefit Trust Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Public Retirement System, State Budget Agency, State Comptroller, state agencies as employers.

Local Agencies Affected:

Information Sources: INPRS; INPRS. Retirement Medical Benefit Account Participant Handbook. <https://www.in.gov/inprs/files/RMBA-Participant-Handbook.pdf>; The State of Indiana Public Employee Deferred Compensation Plan. Financial Statements. (2024, December 31.) <https://www.in.gov/comptroller/hoosierstart/files/Hoosier-START-FS-2024-FINAL.pdf>

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