

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

LS 6135
BILL NUMBER: SB 14

NOTE PREPARED: Oct 30, 2025
BILL AMENDED:

SUBJECT: Pension Matters.

FIRST AUTHOR: Sen. Rogers
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *PERF and TRF Benefit Calculation:* The bill modifies the definition of "average of the annual compensation" for a member of the Public Employees' Retirement Fund (PERF) who retires after December 31, 2027. It specifies that compensation received in contemplation of retirement is excluded from the average of the annual compensation for particular members of PERF and the Indiana State Teachers' Retirement Fund (TRF).

Forfeited Amounts from PERF MyChoice: It provides that amounts forfeited under the Public Employees Defined Contribution Plan (PERF MyChoice) must be used as determined by the board. (Current law requires these amounts to be used to reduce the unfunded accrued liability of PERF.)

Fund Membership: The bill specifies a process by which a fully vested member of the Public Employees' Defined Contribution Plan (PERF MyChoice) or the Teachers' Defined Contribution Plan (TRF MyChoice) may irrevocably elect to participate in PERF or TRF, as applicable.

The bill modifies the requirements that apply to certain PERF members purchasing and claiming years of service credit in PERF. It also allows, subject to particular requirements, certain TRF members to purchase and claim years of service credit in TRF. It allows a PERF or TRF member's employer to pay all or part of the member's contributions required for purchase of service credit.

The bill provides that a municipality, a unit, an airport authority, a school corporation, or a charter school may require certain members of PERF to continue as members of that fund instead of the 1977 Police Officers' and Firefighters' Pension and Disability Fund ('77 Fund).

Wage Assignments: The bill allows a wage assignment under certain provisions to be made for the purpose of paying amounts as part of an approved compensation or benefit plan: (1) adopted by a political subdivision; and (2) for employees of the political subdivision.

Technical Changes: The bill repeals a provision requiring the board of trustees of the Indiana Public Retirement System (board) to maintain separate accounts for each unit of local government.

The bill also modifies the information that must be included in a delinquency notice to a delinquent political subdivision.

It also makes conforming amendments.

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

Effective Date: Upon passage; July 1, 2026.

Explanation of State Expenditures: *PERF and TRF Benefit Calculation:* The bill will not impact employer contribution rates for PERF or state appropriations for the TRF Pre-'96 plan. Changing the retirement calculation for PERF and changing the severance calculation for PERF and TRF will likely result in a minor reduction in the cost of PERF and TRF benefits for future retirees.

Forfeited Amounts from PERF MyChoice: Giving the board discretion with forfeited amounts in the PERF MyChoice plan could allow the board to credit the forfeited amounts back to employers and reduce what they would pay in employer contributions for other employees. Conversely, the board could use the forfeited funds to reduce administrative fees paid by PERF MyChoice members. Either use of forfeited funds are allowed under IRS requirements. If the board chose to credit forfeited amounts back to employers, the state agencies as employers would have reduced expenditures for employer contributions for employees who are members of PERF MyChoice. Under IRS rules, forfeited funds have to remain in the PERF defined contribution trust and cannot be used to reduce unfunded liability in the PERF defined benefit fund.

INPRS: INPRS would have to make administrative changes to enable the changes made under the bill. The costs of administering the pension funds are paid from the respective funds.

Additional Information - *PERF and TRF Benefit Calculation:* Based on an analysis prepared by INPRS looking at actual wage data for around 8,000 recent retirees, the changes would result in a slight positive funding impact to PERF and TRF.

The bill changes the definition of PERF average earnings for members retiring after December 31, 2027. The current law calculation is based on the highest twenty quarters of an individual's salary in groups of four consecutive calendar quarters. This bill instead uses the five years where the member had the highest compensation. Years are measured beginning on January 1 or July 1 of a year. Individual members may receive the same or a slightly smaller pension benefit under the change.

The bill also changes the way severance pay is treated in the pension benefit calculation for retirement for PERF and TRF. Under current law severance is capped at \$2,000. The proposal would instead limit pensionable earnings in the last year of service to 120% of what the member earned the year before. Members who receive a pay increase above 20% in their last year of service before retirement would have a slightly smaller pension benefit under the proposal. Members who receive a severance payment above \$2,000 would likely receive a slightly larger pension benefit.

These changes will allow for increased automation of the pension benefit process, decrease workload and administrative costs for INPRS, and reduce the time that is necessary for a retiree to begin receiving benefits following retirement.

Fund Membership: Allowing PERF or TRF MyChoice members to switch to PERF and TRF respectively would have no fiscal impact. Individuals who switch funds would be required to begin vesting anew in PERF and TRF or would be required to purchase service credit. An employer could also pay all or part of the member's contribution required to purchase service credit. Allowing members to switch funds would be a workload increase for INPRS.

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Explanation of State Revenues:

Explanation of Local Expenditures: *PERF and TRF Benefit Calculation:* Changes to the PERF and TRF benefit calculations will not impact employer contribution rates for PERF or the TRF '96 plan.

Forfeited Amounts from PERF MyChoice: If the board chose to credit forfeited amounts from PERF MyChoice back to employers, local units with members in PERF MyChoice would experience a reduction in expenditures for employer contributions for members of PERF MyChoice.

Fund Membership: Allowing PERF or TRF MyChoice members to switch to PERF and TRF respectively would have no fiscal impact to the funds. Individuals who switch funds would be required to begin vesting anew in PERF and TRF or would be required to purchase service credit.

Local employers would have increased expenditures if they choose to pay all or part of the member contribution required for an employee to purchase service credits in PERF or TRF.

Under the bill, a municipality, unit, airport authority, school corporation, or charter school may elect to require certain officers who are members of PERF to remain in PERF rather than become members of the '77 Fund. Under current law, the employee has the choice of funds. The impact on local units' employee contributions for PERF and the '77 Fund is indeterminate and will depend on local employer decisions.

Wage Assignments: Political subdivisions that adopt wage assignments as part of an approved compensation or benefit plan for their employees would have increased administrative workload or expenses to initiate and process the wage assignments.

Explanation of Local Revenues: *Fund Membership:* Under the bill, local units may elect to require certain officers who are members of PERF to remain in PERF rather than become members of the '77 Fund. Under current law, the employee has the choice of funds. The impact on fund revenue for PERF and the '77 Fund is indeterminate and will depend on local employer decisions.

State Agencies Affected: Indiana Public Retirement System; state agencies as employers.

Local Agencies Affected: Political subdivisions; local units with members in PERF, TRF, PERF MyChoice, or TRF MyChoice.

Information Sources: Tony Green. INPRS. (September 24, 2025). Testimony to PMOC.
https://iga.in.gov/session/2025/video/committee_i_pension_management_oversight_interim_study_committee_on/

INPRS. (September 24, 2025). Exhibit 4. INPRS Proposals.

<https://iga.in.gov/2025/committees/interim/pension-management-oversight-interim-study-committee>

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