

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

**LS 6135**  
**BILL NUMBER: SB 14**

**NOTE PREPARED:** Feb 27, 2026  
**BILL AMENDED:** Feb 27, 2026

**SUBJECT:** Pension Matters.

**FIRST AUTHOR:** Sen. Rogers  
**FIRST SPONSOR:** Rep. Teshka

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  **GENERAL**  
 **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).

*Technical Change:* 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.

*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.

*Fund Membership:* The bill specifies a process by which a fully vested member of the (PERF MyChoice) or the Teachers' Defined Contribution Plan (TRF MyChoice) may irrevocably elect to participate in PERF or TRF, as applicable. The bill also modifies the information that must be included in a delinquency notice to a delinquent political subdivision.

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 to be made for the purpose of paying voluntary contributions of an employee of a political subdivision to a tax deferred retirement account.

*HoosierSTART State Match:* The bill requires, subject to certain limitations, the state to make contributions after December 31, 2026, that match, dollar for dollar, each State Employee's Deferred Compensation (HoosierSTART) contributions, not to exceed \$28 per paycheck.

*Retirement Medical Benefits Account (RMBA):* It specifies a process by which portions of the funding sources for the 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.

The bill requires the State Comptroller to transfer certain amounts from the state General Fund to each participant's defined contribution plan (HoosierSTART). 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.

*'77 Fund Death Benefit:* The bill increases the lump sum death benefit payable to the heirs or estate of a '77 Fund member.

(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:** *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.

*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 March 14, 2026 will not be eligible to participate in the RMBA.

*Workload:* 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.

The Budget Committee must review any increase in the HoosierSTART state matching amount. The Budget Committee should be able to meet this requirement with existing resources.

*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.

Additional Information -

*RMBA:* The 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.

*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.

**Explanation of State Revenues:** *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.

*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:** *'77 Fund Death Benefit:* The proposal would increase the present

value of future benefits for the '77 Fund by an estimated \$11.7 M. This would increase the unfunded liability of the '77 Fund by \$10.2 M and would reduce the funded status of the '77 Fund by 0.10% percentage points from 88.1% funded to 88.0% funded. The bill increases the death benefit for members of the '77 Fund from \$12,000 to \$15,000. The lump sum death benefit is payable to the heir or estate of members of the '77 Fund upon their death. Inactive, non-vested members of the '77 Fund with fewer than 20 years of service are not eligible for this benefit.

*'77 Fund Employer Contributions:* The bill would increase expenditures for local employers with members in the '77 Fund. The bill would increase the employer contribution rate by an estimated 0.09% of salary—likely beginning in calendar year 2028 since the INPRS board has already set the employer contribution rate for calendar years 2026 (23.3% of salary) and 2027 (26.5% of salary). Based on covered payroll of \$1.24 B for FY 2025, 0.09% of salary is \$1.1 M. The actual increase in expenditures for local employers will depend on future covered payroll.

*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 allow employees to make a wage assignment for voluntary contributions to a deferred retirement account would have increased administrative workload or expenses to initiate and process the wage assignments.

**Explanation of Local Revenues:** *'77 Fund Benefit:* The bill will increase annual revenue to the '77 Fund from employer contributions. See *Explanation of Local Expenditures: '77 Fund Employer Contributions.*

*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:** Budget Committee; Indiana Public Retirement System; State Budget Agency; State Comptroller; state agencies as employers.

**Local Agencies Affected:** Political subdivisions; local units with members in PERF, TRF, PERF MyChoice, or TRF MyChoice; local units with police and fire departments with members in the '77 Fund.

**Information Sources:** CavMac Actuarial Consulting Services, LLC. (2025, January 27.) HB 1020 – 1977 Police Officers’ and Firefighters’ Retirement Fund Funeral Benefit and Maximum COLA; 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>; INPRS. (September 24, 2025). Exhibit 4. INPRS Proposals. <https://iga.in.gov/2025/committees/interim/pension-management-oversight-interim-study-committee>; 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/](https://iga.in.gov/session/2025/video/committee_i_pension_management_oversight_interim_study_committee_on/)

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