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SENATE BILL No. 14

Proposed Changes to January 6, 2026 printing by AM001401

DIGEST OF PROPOSED AMENDMENT

Wage assignments. Provides that a wage assignment may be made for the purpose of paying voluntary contributions of an employee to a federal tax deferred retirement account for employees of a political subdivision without meeting the conditions for execution of a wage assignment. Allows an employee to opt out of a wage assignment for the voluntary contributions at any time by providing written notice to the employer.

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 5-1-14-15, AS AMENDED BY P.L.146-2008,
- 2 SECTION 30, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 3 JULY 1, 2026]: Sec. 15. (a) Before July 1, 2008, a county or
- 4 municipality may issue bonds, notes, or other obligations for the
- 5 purpose of providing funds to pay pension benefits under IC 36-8-6,
- 6 IC 36-8-7, or IC 36-8-7.5.
- 7 (b) Notwithstanding any other law:
- 8 (1) bonds, notes, or other obligations issued for the purpose
- 9 described in this section may have a final maturity date up to, but
- 10 not exceeding, forty (40) years from the date of original
- 11 issuance; **and**
- 12 (2) the amount of bonds, notes, or other obligations that may be
- 13 issued for the purpose described in this section may not exceed
- 14 two percent (2%) of the true tax value of property located within
- 15 the county or municipality. **and**
- 16 ~~(3) the proceeds of bonds, notes, or other obligations issued for~~
- 17 ~~the purpose described in this section may be deposited to the~~

SB 14—LS 6135/DI 144



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1 issuing county's or municipality's separate account described in
2 IC 5-10.3-11-6.

3 (c) This section is supplemental to all other laws but does not
4 relieve a county or municipality from complying with other procedural
5 requirements for the issuance of bonds, notes, or other obligations.

6 SECTION 2. IC 5-10.2-4-3, AS AMENDED BY P.L.2-2007,
7 SECTION 93, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
8 JULY 1, 2026]: Sec. 3. (a) **This subsection applies to a member who
9 retires before January 1, 2028.** Except as provided in subsection (f),
10 (h), in computing the retirement benefit for a nonteacher member,
11 "average of the annual compensation" means the average annual
12 compensation calculated using the twenty (20) calendar quarters of
13 service in a position covered by the retirement fund before retirement
14 in which the member's annual compensation was the highest. However,
15 in order for a quarter to be included in the twenty (20) calendar
16 quarters, the nonteacher member must have performed service
17 throughout the calendar quarter. All twenty (20) calendar quarters ~~do~~
18 **need not have to** be continuous but they must be in groups of four (4)
19 consecutive calendar quarters. The same calendar quarter may not be
20 included in two (2) different groups.

21 (b) **This subsection applies to a member who retires after
22 December 31, 2027. This subsection does not apply to a teacher
23 member described in subsection (d) or (e). Except as provided in
24 subsection (h), in computing the retirement benefit for a
25 nonteacher member, "average of the annual compensation" means
26 average annual compensation calculated using the greater of the
27 following:**

28 (1) **The five (5) calendar years of service before retirement in
29 which the member's annual compensation for the calendar
30 year was the highest.**

31 (2) **The five (5) fiscal years of service before retirement in
32 which the member's annual compensation for the fiscal year
33 was the highest.**

34 (c) **The following apply to the calculation under subsection (b):**

35 (1) **A year does not qualify for inclusion in the calculation
36 unless:**

37 (A) **the year is equal to twelve (12) months; and**

38 (B) **the member received creditable service for at least
39 six (6) months throughout the year.**

40 (2) **A calendar year begins on January 1.**

41 (3) **A fiscal year begins on July 1.**

42 (4) **The five (5) years need not be continuous.**

SB 14—LS 6135/DI 144



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1 ~~(b)~~ **(d)** This subsection does not apply to a teacher member
 2 described in subsection ~~(e)~~: **(e)**. In computing the retirement benefit for
 3 a teacher member, "average of the annual compensation" means the
 4 average annual compensation for the five (5) years of service before
 5 retirement in which the member's annual compensation was highest. In
 6 order for a year to be included in the five (5) years, the teacher member
 7 must have received for the year credit under IC 5-10.4-4-2 for at least
 8 one-half (1/2) year of service. The five (5) years ~~do need not have to be~~
 9 continuous.

10 ~~(e)~~ **(e)** This subsection applies to a member of the Indiana state
 11 teachers' retirement fund who serves in an elected position for which
 12 the member takes an unpaid leave of absence. In computing the
 13 retirement benefit for a teacher member described in this subsection for
 14 years of service to which IC 5-10.4-5-7 does not apply, "average of the
 15 annual compensation" means the annual compensation for the one (1)
 16 year of service before retirement in which the member's annual
 17 compensation was highest. In order for a year to be used, the teacher
 18 member must have received for the year credit under IC 5-10.4-4-2 for
 19 at least one-half (1/2) year of service.

20 ~~(f)~~ **(f)** Subject to IC 5-10.2-2-1.5, "annual compensation" means:

21 (1) the basic salary earned by and paid to the member plus the
 22 amount that would have been part of that salary but for:

23 (A) the state's, a school corporation's, a participating
 24 political subdivision's, or a state educational institution's
 25 paying the member's contribution to the fund for the
 26 member; or

27 (B) the member's salary reduction agreement established
 28 under Section 125, 403(b), or 457 of the Internal Revenue
 29 Code; and

30 (2) in the case of a member described in subsection ~~(e)~~ **(e)** and
 31 for years of service to which IC 5-10.4-5-7 does not apply, the
 32 basic salary that was not paid during the year but would have
 33 been paid to the member during the year under the member's
 34 employment contracts, if the member had not taken any unpaid
 35 leave of absence to serve in an elected position.

36 The portion of a back pay award or a similar award that the board
 37 determines is compensation under an agreement or under a judicial or
 38 an administrative proceeding shall be allocated by the board among the
 39 years the member earned or should have earned the compensation.
 40 Only that portion of the award allocated to the year the award is made
 41 is considered to have been earned during the year the award was made.
 42 Interest on an award is not considered annual compensation for any

SB 14—LS 6135/DI 144



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1 year.

2 ~~(e)~~ **(g) This subsection applies to a member who retires before**
 3 **January 1, 2028.** Compensation of not more than two thousand dollars
 4 (\$2,000) received from the employer in contemplation of the member's
 5 retirement, including severance pay, termination pay, retirement bonus,
 6 or commutation of unused sick leave or personal leave, may be
 7 included in the total annual compensation from which the average of
 8 the annual compensation is determined, if it is received:

- 9 (1) before the member ceases service; or
 10 (2) within twelve (12) months after the member ceases service.

11 ~~(f)~~ **(h) This subsection applies to a member of the general**
 12 **assembly:**

- 13 (1) who is a participant in the legislators' retirement system
 14 established under IC 2-3.5;
 15 (2) who is also a member of the public employees' retirement
 16 fund or the Indiana state teachers' retirement fund; and
 17 (3) whose years of service in the general assembly may not be
 18 considered in determining the average of the annual
 19 compensation under this section, as provided in
 20 IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).

21 The board shall use the board's actuarial salary increase assumption to
 22 project the salary for any previous year needed to determine the
 23 average of the annual compensation.

24 SECTION 3. IC 5-10.2-4-3.2 IS ADDED TO THE INDIANA
 25 CODE AS A NEW SECTION TO READ AS FOLLOWS
 26 [EFFECTIVE JULY 1, 2026]: **Sec. 3.2. (a) This section applies to the**
 27 **calculation of the average of the annual compensation under**
 28 **section 3 of this chapter for members who retire after December**
 29 **31, 2027.**

30 **(b) For purposes of this section, "compensation received in**
 31 **contemplation of retirement" means compensation that:**

- 32 **(1) a member received:**
 33 **(A) during the member's last year of service; and**
 34 **(B) after the member's last year of service; and**
 35 **(2) is greater than one hundred twenty percent (120%) of the**
 36 **compensation the member received during the year**
 37 **immediately before the member's last year of service.**

38 **(c) For a member who:**

- 39 **(1) retires after December 31, 2027; and**
 40 **(2) served in a covered position during the entire year before**
 41 **the member's last year of service;**

42 **compensation received in contemplation of retirement is excluded**

SB 14—LS 6135/DI 144



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1 **from the average of the annual compensation.**

2 **(d) For purposes of this section, a year must begin on January**
 3 **1 or July 1 on the same basis as the average of the annual**
 4 **compensation.**

5 SECTION 4. IC 5-10.3-7-1, AS AMENDED BY P.L.92-2019,
 6 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 7 JULY 1, 2026]: Sec. 1. (a) This section does not apply to:

- 8 (1) members of the general assembly; or
 9 (2) employees covered by section 3 of this chapter.

10 (b) As used in this section, "employees of the state" includes:

- 11 (1) employees of the judicial circuits whose compensation is
 12 paid from state funds;
 13 (2) elected and appointed state officers;
 14 (3) prosecuting attorneys and deputy prosecuting attorneys of the
 15 judicial circuits, whose compensation is paid in whole or in part
 16 from state funds, including participants in the prosecuting
 17 attorneys retirement fund established under IC 33-39-7;
 18 (4) employees in the classified service;
 19 (5) employees of any state department, institution, board,
 20 commission, office, agency, court, or division of state
 21 government receiving state appropriations and having the
 22 authority to certify payrolls from appropriations or from a trust
 23 fund held by the treasurer of state or by any department;
 24 (6) employees of any state agency that is a body politic and
 25 corporate;
 26 (7) except as provided under IC 5-10.5-7-4, employees of the
 27 board of trustees of the Indiana public retirement system;
 28 (8) persons who:
 29 (A) are employed by the state;
 30 (B) have been classified as federal employees by the United
 31 States Secretary of Agriculture; and
 32 (C) are excluded from coverage as federal employees by the
 33 federal Social Security program under 42 U.S.C. 410;
 34 (9) the directors and employees of county offices of family and
 35 children; and
 36 (10) members and employees of the state lottery commission.

37 (c) An employee of the state or of a participating political
 38 subdivision who:

- 39 (1) became a full-time employee of the state or of a participating
 40 political subdivision in a covered position; and
 41 (2) had not become a member of the fund;

42 before April 1, 1988, shall on April 1, 1988, become a member of the

SB 14—LS 6135/DI 144



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1 fund unless the employee is excluded from membership under section
 2 2 of this chapter.

3 (d) Except as otherwise provided, any individual who becomes a
 4 full-time employee of the state or of a participating political
 5 subdivision in a covered position after March 31, 1988, becomes a
 6 member of the fund on the date the individual's employment begins
 7 unless the individual is excluded from membership under section 2 of
 8 this chapter.

9 (e) An individual:
 10 (1) who becomes a full-time employee of a political subdivision
 11 in a covered position after June 30, 2015;
 12 (2) who is employed by a political subdivision that has elected
 13 in an ordinance or resolution adopted under IC 5-10.3-6-1 and
 14 approved by the board to require an employee in the covered
 15 position to become a member of the fund; and
 16 (3) who is not excluded from membership under section 2 of this
 17 chapter;
 18 becomes a member of the fund on the date the individual's employment
 19 begins.

20 (f) An individual:
 21 (1) who becomes a full-time employee of a political subdivision
 22 in a covered position after an ordinance or resolution described
 23 in subdivision (2) that is adopted by the political subdivision has
 24 been approved by the board;
 25 (2) who is employed by a political subdivision that has elected
 26 in an ordinance or resolution adopted under IC 5-10.3-6-1 and
 27 approved by the board:
 28 (A) to allow an employee in the covered position to become
 29 a member of the fund or a member of the public employees'
 30 defined contribution plan at the discretion of the employee;
 31 and
 32 (B) to require an employee in a covered position to make an
 33 election under IC 5-10.3-12-20.5 in order to become a
 34 member of the plan;
 35 (3) who does not make an election under IC 5-10.3-12-20.5 to
 36 become a member of the public employees' defined contribution
 37 plan; and
 38 (4) who is not excluded from membership under section 2 of this
 39 chapter;
 40 becomes a member of the fund on the date the individual's employment
 41 begins.

42 (g) An individual:

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SB 14—LS 6135/DI 144



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- 1 (1) who becomes a full-time employee of a political subdivision
- 2 in a covered position after an ordinance or resolution described
- 3 in subdivision (2) that is adopted by the political subdivision has
- 4 been approved by the board;
- 5 (2) who is employed by a political subdivision that has elected
- 6 in an ordinance or resolution adopted under IC 5-10.3-6-1 and
- 7 approved by the board:
- 8 (A) to allow an employee in the covered position to become
- 9 a member of the fund or the public employees' defined
- 10 contribution plan at the discretion of the employee; and
- 11 (B) to require an employee to make an election under
- 12 section 1.1 of this chapter in order to become a member of
- 13 the fund;
- 14 (3) who does make an election under section 1.1 of this chapter
- 15 to become a member of the fund; and
- 16 (4) who is not excluded from membership under section 2 of this
- 17 chapter;

18 becomes a member of the fund on the date the individual's employment
19 begins.

20 **(h) An individual who makes an election to participate in the**
21 **fund under IC 5-10.3-12-33 becomes a member of the fund on the**
22 **date the board receives the election.**

23 SECTION 5. IC 5-10.3-7-4.3, AS ADDED BY P.L.209-2016,
24 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
25 JULY 1, 2026]: Sec. 4.3. (a) A member of the fund who is also a
26 member of the public employees' defined contribution plan may
27 purchase and claim years of service credit in the fund subject to the
28 following requirements:

- 29 (1) The member has at least one (1) year of credited service in
- 30 the fund.
- 31 (2) The member has at least ten (10) years ~~of~~ **combined in:**
- 32 **(A) credited service in a covered position in the fund; and**
- 33 **(B) years of participation in a covered position in the**
- 34 **plan;**
- 35 before the member may claim the years of service credit.
- 36 (3) After acquiring one (1) year of credited service in the fund
- 37 and before the member retires, the member must make the
- 38 following contributions to the fund:
- 39 (A) Contributions that are equal to the product of the
- 40 following:
- 41 (i) The member's salary at the time the member makes
- 42 a contribution for the service credit.

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SB 14—LS 6135/DI 144



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(ii) A percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.

(iii) The number of years of service credit that the member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made by the member.

(b) A member **who:**

- (1) ~~who~~ terminates employment before becoming eligible to receive a monthly allowance; or
- (2) ~~who~~ receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act;

may withdraw the personal contributions made under this section plus accumulated interest after submitting an application for a refund to the fund in the manner prescribed by the board.

(c) The following apply to the purchase of service credit under this section:

- (1) The board may allow a member to make periodic payments of the contributions required for the purchase of service credit in the fund.
- (2) A member may elect to make a transfer of the vested portion of the member's annuity savings account balance attributable to participation in the public employees' defined contribution plan to purchase service credit in the fund.
- (3) The board may deny an application for the purchase of service credit in the fund if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.
- (4) A member may not claim the service credit for the purpose of determining eligibility or computing benefits unless the member has made all the payments required for the purchase of the service credit.

(d) To the extent permitted by the Internal Revenue Code and applicable regulations, the fund may accept, on behalf of a fund member who is purchasing service credit under this section, a rollover of a distribution from any of the following:

- (1) A qualified plan described in Section 401(a) or 403(a) of

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- 1 **the Internal Revenue Code.**
- 2 **(2) An annuity contract or account described in Section**
- 3 **403(b) of the Internal Revenue Code.**
- 4 **(3) An eligible plan that is maintained by a state, a political**
- 5 **subdivision of a state, or an agency or instrumentality of a**
- 6 **state or a political subdivision of a state under Section 457(b)**
- 7 **of the Internal Revenue Code.**
- 8 **(4) An individual retirement account or annuity described in**
- 9 **Section 408(a) or 408(b) of the Internal Revenue Code.**
- 10 **(e) To the extent permitted by the Internal Revenue Code and**
- 11 **applicable regulations, the fund may accept, on behalf of a member**
- 12 **who is purchasing service credit under this section, a trustee to**
- 13 **trustee transfer from any of the following:**
- 14 **(1) An annuity contract or account described in Section**
- 15 **403(b) of the Internal Revenue Code.**
- 16 **(2) An eligible deferred compensation plan under Section**
- 17 **457(b) of the Internal Revenue Code.**
- 18 **(f) The member's employer may pay all or a part of the**
- 19 **member's contributions required for purchase of service credit**
- 20 **under this section. In that event, the actuary shall determine the**
- 21 **amortization, and subsections (b), (c)(1), (c)(4), and (d) do not**
- 22 **apply.**
- 23 SECTION 6. IC 5-10.3-11-3, AS AMENDED BY P.L.27-2019,
- 24 SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
- 25 JULY 1, 2026]: Sec. 3. The pension relief fund may be used only for
- 26 making payments to cities, counties, towns, and townships, referred to
- 27 as "units of local government" in this chapter, having pension funds[
- 28]established under ~~IC 18-1-12, IC 19-1-18, IC 19-1-24, IC 19-1-25-4,~~
- 29 ~~IC 19-1-30, IC 19-1-37, or IC 19-1-44 (all before their repeal),~~
- 30 IC 36-8-6, IC 36-8-7, or IC 36-8-7.5, and paying reasonable
- 31 administrative expenses approved by the state board. Payments
- 32 received by the units may be used only for
- 33 ~~(1) pension payments from a pension fund listed in this section. [~~
- 34 ~~]or~~
- 35 ~~(2) withdrawals under section 6 of this chapter.~~
- 36 SECTION 7. IC 5-10.3-11-6 IS REPEALED [EFFECTIVE JULY
- 37 1, 2026]. Sec. 6: (a) The state board shall maintain separate accounts
- 38 for each unit of local government for purposes of this section. The
- 39 accounts are separate and distinct accounts within the public
- 40 employees' retirement fund and the pension relief fund:
- 41 ~~(b) A unit of local government may do the following:~~
- 42 ~~(1) Make deposits at any time to the separate account established~~

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SB 14—LS 6135/DI 144



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for the unit under this section.
(2) Withdraw once each year from the unit's separate account all or a part of the balance in the account to pay pension benefits under IC 36-8-6, IC 36-8-7, or IC 36-8-7.5.
(3) Direct the state board at any time to pay from the unit's separate account all or a part of either or both of the following:
(A) The unit's employer contributions under IC 36-8-8-6.
(B) The contributions paid by the unit for a member under IC 36-8-8-8(a).

SECTION 8. IC 5-10.3-12-25, AS AMENDED BY P.L.241-2015, SECTION 35, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 25. (a) Member contributions and net earnings on the member contributions in the member contribution subaccount belong to the member at all times and do not belong to any employer.

(b) A member is vested in the employer contribution subaccount in accordance with the following schedule:

- \longleftrightarrow [] Years of participation in the \leftarrow
- \rightarrow [] Vested percentage of
- \longleftrightarrow [] plan \longleftrightarrow [] employer contributions
- \longleftrightarrow [] and earnings
- \longleftrightarrow [] 1 \longleftrightarrow [] 20%
- \longleftrightarrow [] 2 \longleftrightarrow [] 40%
- \longleftrightarrow [] 3 \longleftrightarrow [] 60%
- \longleftrightarrow [] 4 \longleftrightarrow [] 80%
- \longleftrightarrow [] 5 \longleftrightarrow [] 100%

For purposes of vesting in the employer contribution subaccount, only a member's full years of participation in the plan may be counted.

(c) The amount that a member may withdraw from the member's account is limited to the vested portion of the account.

(d) A member who attains normal retirement age is fully vested in all amounts in the member's account.

(e) If a member separates from service with the member's employer before the member is fully vested in the employer contribution subaccount, the amount in the employer contribution subaccount that is not vested is forfeited as of the date the member separates from service.

(f) Amounts forfeited under subsection (e) must be used to ~~reduce the unfunded accrued liability of the fund as determined under IC 5-10.2-2-11(a)(3) and IC 5-10.2-2-11(a)(4): as determined by the board.~~

(g) A member may not earn creditable service (as defined in

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SB 14—LS 6135/DI 144



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IC 5-10.2-3-1(a) under the plan.

SECTION 9. IC 5-10.3-12-33 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 33. (a) This section applies notwithstanding sections 20, 20.3, 20.5, and 31 of this chapter.**

(b) An employer that participates in the fund may allow a member who is fully vested in the employer contribution subaccount under section 25(b) of this chapter to make an election to participate in the fund.

(c) The following apply to an election made under subsection (b):

(1) The election must be made:

(A) within a time; and

(B) in a form and manner;

approved by the board.

(2) An employee who makes an election becomes a member of the fund on the date described in IC 5-10.3-7-1(h).

(3) The election is irrevocable.

(d) A member who does not make an election under subsection (b) remains a member of the plan. The failure to make an election under subsection (b) is irrevocable.

SECTION 10. IC 5-10.4-4-1, AS AMENDED BY P.L.104-2022, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 1. (a) The members of the fund include:**

(1) legally qualified and regularly employed teachers in the public schools;

(2) persons employed by a governing body, who were qualified before their election or appointment;

(3) legally qualified and regularly employed teachers at Ball State University, Indiana State University, University of Southern Indiana, and Vincennes University;

(4) legally qualified and regularly employed teachers in a state educational institution whose teachers devote their entire time to teaching;

(5) legally qualified and regularly employed teachers in state benevolent, charitable, or correctional institutions;

(6) legally qualified and regularly employed teachers in an experimental school in a state university who teach elementary or high school students;

(7) as determined by the board, certain instructors serving in a state educational institution extension division not covered by a state retirement law;

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SB 14—LS 6135/DI 144



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- 1 (8) employees and officers of the department of education and of
- 2 the fund who were qualified before their election or appointment;
- 3 (9) a person who:
- 4 (A) is employed as a nurse appointed under IC 20-34-3-6 by a
- 5 school corporation located in a city having a population of more
- 6 than sixty-nine thousand (69,000) and less than sixty-nine
- 7 thousand five hundred (69,500); and
- 8 (B) participated in the fund before December 31, 1991, in the
- 9 position described in clause (A); and
- 10 (10) persons who are employed by the fund.
- 11 (b) Teachers in any state institution who accept the benefits of a
- 12 state supported retirement benefit system comparable to the fund's
- 13 benefits may not come under the fund unless permitted by law or the
- 14 rules of the board.
- 15 (c) The members of the fund do not include substitute teachers who
- 16 have not obtained an associate degree or a baccalaureate degree.
- 17 (d) **Except as provided in IC 5-10.4-8-18**, the members of the fund
- 18 do not include individuals who participate in the teachers' defined
- 19 contribution plan under IC 5-10.4-8.
- 20 (e) **An individual who makes an election to participate in the**
- 21 **fund under IC 5-10.4-8-18 becomes a member of the fund on the**
- 22 **date the board receives the election.**
- 23 SECTION 11. IC 5-10.4-4-2.3 IS ADDED TO THE INDIANA
- 24 CODE AS A NEW SECTION TO READ AS FOLLOWS
- 25 [EFFECTIVE JULY 1, 2026]: **Sec. 2.3. (a) A member of the fund**
- 26 **who is also a member of the teachers' defined contribution plan**
- 27 **may purchase and claim years of service credit in the fund subject**
- 28 **to the following requirements:**
- 29 (1) **The member has at least one (1) year of credited service in**
- 30 **the fund.**
- 31 (2) **The member has at least ten (10) years combined in:**
- 32 (A) **credited service in a covered position in the fund; and**
- 33 (B) **years of participation in a covered position in the plan;**
- 34 **before the member may claim the years of service credit.**
- 35 (3) **Before the member retires, the member must make the**
- 36 **following contributions to the fund:**
- 37 (A) **Contributions that are equal to the product of the**
- 38 **following:**
- 39 (i) **The member's salary at the time the member makes a**
- 40 **contribution for the service credit.**
- 41 (ii) **A percentage rate, as determined by the actuary of the**
- 42 **fund, based on the age of the member at the time the**

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SB 14—LS 6135/DI 144



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member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.

(iii) The number of years of service credit that the member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary of the fund, for the period from the member's initial membership in the fund to the date payment is made by the member.

(b) A member who:

(1) terminates employment before becoming eligible to receive a monthly allowance; or

(2) receives a monthly allowance for the same service from another tax supported public employee retirement plan other than under the federal Social Security Act;

may withdraw the personal contributions made under this section plus accumulated interest after submitting an application for a refund to the fund in the manner prescribed by the board.

(c) The following apply to the purchase of service credit under this section:

(1) The board may allow a member to make periodic payments of the contributions required for the purchase of service credit in the fund.

(2) A member may elect to make a transfer of the vested portion of the member's annuity savings account balance attributable to participation in the public employees' defined contribution plan to purchase service credit in the fund.

(3) The board may deny an application for the purchase of service credit in the fund if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(4) A member may not claim the service credit for the purpose of determining eligibility or computing benefits unless the member has made all the payments required for the purchase of the service credit.

(d) To the extent permitted by the Internal Revenue Code and applicable regulations, the fund may accept, on behalf of a fund member who is purchasing service credit under this section, a rollover of a distribution from any of the following:

(1) A qualified plan described in Section 401(a) or 403(a) of the Internal Revenue Code.

(2) An annuity contract or account described in Section 403(b)

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of the Internal Revenue Code.

(3) An eligible plan that is maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state under Section 457(b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or 408(b) of the Internal Revenue Code.

(e) To the extent permitted by the Internal Revenue Code and applicable regulations, the fund may accept, on behalf of a member who is purchasing service credit under this section, a trustee to trustee transfer from any of the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

(f) The member's employer may pay all or a part of the member's contributions required for purchase of service credit under this section. In that event, the actuary shall determine the amortization, and subsections (b), (c)(1), (c)(4), and (d) do not apply.

SECTION 12. IC 5-10.4-8-18 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: **Sec. 18. (a) This section applies notwithstanding sections 6 and 17 of this chapter.**

(b) A member who is fully vested in the employer contribution subaccount under section 11 of this chapter may make an election to participate in the fund.

(c) The following apply to an election made under subsection (b):

(1) The election must be made:

(A) within a time; and

(B) in a form and manner;

approved by the board.

(2) An employee who makes an election under subsection (b) becomes a member of the fund on the date described in IC 5-10.4-4-1(e).

(3) The election is irrevocable.

(d) A member who does not make an election under subsection (b) remains a member of the plan. The failure to make an election under subsection (b) is irrevocable.

SECTION 13. IC 5-11-20-6, AS ADDED BY P.L.129-2024, SECTION 8 AND P.L.136-2024, SECTION 5, IS AMENDED TO

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SB 14—LS 6135/DI 144



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1 READ AS FOLLOWS [EFFECTIVE JULY 1, 2026]: Sec. 6. (a) On or
 2 before June 15 of each year, the system shall send a delinquency notice
 3 to a delinquent political subdivision. The delinquency notice must
 4 inform the delinquent political subdivision ~~that:~~ **of the following:**
 5 (1) An employee retirement plan offered by the delinquent
 6 political subdivision:
 7 (A) received less than ~~ninety-five percent (95%)~~ of the
 8 actuarially determined contribution for **at least three (3) out**
 9 **of [] the last five (5)** immediately preceding fiscal ~~year,~~ **years,**
 10 as determined by the system or its agent; or
 11 (B) was less than fifty percent (50%) funded at any time during
 12 the immediately preceding fiscal year, as determined by the
 13 system or its agent. ~~and~~
 14 (2) **That** the delinquent political subdivision must ~~take the steps~~
 15 **described in comply with** subsection (b).
 16 (b) After receiving the notice described in subsection (a), a political
 17 subdivision shall make a presentation that includes a remediation plan
 18 to the interim study committee on pension management oversight
 19 (established by IC 2-5-1.3-4) regarding the delinquent employee
 20 retirement plan described in subsection (a).
 21 SECTION 14. IC 22-2-6-2, AS AMENDED BY P.L.147-2019,
 22 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 23 JULY 1, 2026]: Sec. 2. (a) Any assignment of the wages of an
 24 employee is valid only if all of the following conditions are satisfied:
 25 (1) The assignment is:
 26 (A) in writing;
 27 (B) signed by the employee personally;
 28 (C) by its terms revocable at any time by the employee upon
 29 written notice to the employer; and
 30 (D) agreed to in writing by the employer.
 31 (2) An executed copy of the assignment is delivered to the
 32 employer within ten (10) days after its execution.
 33 (3) The assignment is made for a purpose described in subsection
 34 (b).
 35 (b) A wage assignment under this section may be made for the
 36 purpose of paying any of the following:
 37 (1) Premium on a policy of insurance obtained for the employee
 38 by the employer.
 39 (2) Pledge or contribution of the employee to a charitable or
 40 nonprofit organization.
 41 (3) Purchase price of bonds or securities, issued or guaranteed by
 42 the United States.

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SB 14—LS 6135/DI 144



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- 1 (4) Purchase price of shares of stock, or fractional interests in
- 2 shares of stock, of the employing company, or of a company
- 3 owning the majority of the issued and outstanding stock of the
- 4 employing company, whether purchased from such company, in
- 5 the open market or otherwise. However, if such shares are to be
- 6 purchased on installments pursuant to a written purchase
- 7 agreement, the employee has the right under the purchase
- 8 agreement at any time before completing purchase of such shares
- 9 to cancel said agreement and to have repaid promptly the amount
- 10 of all installment payments which theretofore have been made.
- 11 (5) Dues to become owing by the employee to a labor
- 12 organization of which the employee is a member.
- 13 (6) Purchase price of merchandise, goods, or food offered by the
- 14 employer and sold to the employee, for the employee's benefit,
- 15 use, or consumption, at the written request of the employee.
- 16 (7) Amount of a loan made to the employee by the employer and
- 17 evidenced by a written instrument executed by the employee
- 18 subject to the amount limits set forth in section 4(c) of this
- 19 chapter.
- 20 (8) Contributions, assessments, or dues of the employee to a
- 21 hospital service or a surgical or medical expense plan or to an
- 22 employees' association, trust, or plan existing for the purpose of
- 23 paying pensions or other benefits to said employee or to others
- 24 designated by the employee.
- 25 (9) Payment to any credit union, nonprofit organizations, or
- 26 associations of employees of such employer organized under any
- 27 law of this state or of the United States.
- 28 (10) Payment to any person or organization regulated under the
- 29 Uniform Consumer Credit Code (IC 24-4.5) for deposit or credit
- 30 to the employee's account by electronic transfer or as otherwise
- 31 designated by the employee.
- 32 (11) Premiums on policies of insurance and annuities purchased
- 33 by the employee on the employee's life.
- 34 (12) The purchase price of shares or fractional interest in shares
- 35 in one (1) or more mutual funds.
- 36 (13) A judgment owed by the employee if the payment:
- 37 (A) is made in accordance with an agreement between the
- 38 employee and the creditor; and
- 39 (B) is not a garnishment under IC 34-25-3.
- 40 (14) The purchase, rental, or use of uniforms, shirts, pants, or
- 41 other ~~job-related~~ **job related** clothing at an amount not to exceed
- 42 the direct cost paid by an employer to an external vendor for those

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SB 14—LS 6135/DI 144



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items.

(15) The purchase of equipment or tools necessary to fulfill the duties of employment at an amount not to exceed the direct cost paid by an employer to an external vendor for those items.

(16) Reimbursement for education or employee skills training. However, a wage assignment may not be made if the education or employee skills training benefits were provided, in whole or in part, through an economic development incentive from any federal, state, or local program.

(17) An advance for:

- (A) payroll; or
- (B) vacation;

pay.

(18) The employee's drug education and addiction treatment services under IC 12-23-23.

(19) Voluntary contributions of the employee to a federal tax deferred retirement account for employees of a political subdivision provided the account:

- (A) is in the name of the employee;**
- (B) is under the direction and control of the employee; and**
- (C) immediately vests with the employee.**

(c) The interest rate charged on amounts loaned or advanced to an employee and repaid under subsection (b) may not exceed the bank prime loan interest rate as reported by the Board of Governors of the Federal Reserve System or any successor rate, plus four percent (4%).

(d) The total amount of wages subject to assignment under subsection (b)(14) and (b)(15) may not exceed the lesser of:

- (1) two thousand five hundred dollars (\$2,500) per year; or
- (2) five percent (5%) of the employee's weekly disposable earnings (as defined in IC 24-4.5-5-105(1)(a)).

(e) Except as provided under 29 CFR Parts 1910, 1915, 1917, 1918, and 1926, an employee shall not be charged or subject to a wage assignment under subsection (b)(14) or (b)(15) for protective equipment including personal protective equipment identified under 29 CFR Parts 1910, 1915, 1917, 1918, and 1926.

[(f) A wage assignment may be made for the purpose of paying voluntary contributions described in subsection (b)(19) without meeting the conditions set forth in subsection (a). An employee may opt out of a wage assignment under this subsection at any time by providing written notice to the employer.

] SECTION 15. IC 36-8-8-3, AS AMENDED BY P.L.135-2024, SECTION 10, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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SB 14—LS 6135/DI 144



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1 UPON PASSAGE]: Sec. 3. (a) If a town establishes a board of
 2 metropolitan police commissioners, or if a town becomes a city, the
 3 municipality shall participate in the 1977 fund and shall enroll all
 4 full-time police officers and firefighters in the 1977 fund. However, if
 5 a police officer or former marshal is a member of the public employees'
 6 retirement fund, the police officer or former marshal may continue as
 7 a member of that fund instead of the 1977 fund. Notwithstanding the
 8 age requirements under section 7(a) of this chapter, a police officer or
 9 former marshal employed by a municipality at the time the
 10 municipality enters the 1977 fund under this section shall be a member
 11 of the 1977 fund unless the **municipality elects to require** a police
 12 officer or former marshal ~~elects~~ to continue as a member of the public
 13 employees' retirement fund. A person may become a member of the
 14 1977 fund under this subsection without meeting the age limitation
 15 under section 7(a) of this chapter only if the person satisfies:

- 16 (1) any aptitude, physical agility, or physical and mental standards
 17 established by a local board under IC 36-8-3.2; and
 18 (2) the minimum standards that are:
 19 (A) adopted by the system board under section 19 of this
 20 chapter; and
 21 (B) in effect on the date the person becomes a member of the
 22 1977 fund.

23 Credit for prior service of a person who becomes a member of the 1977
 24 fund under this subsection shall be determined under section 18 or 18.1
 25 of this chapter. No service credit beyond that allowed under section 18
 26 or 18.1 of this chapter may be recognized under the 1977 fund.

27 (b) If a unit did not establish a 1937 fund for its firefighters, the unit
 28 may participate in the public employees' retirement fund or it may
 29 participate in the 1977 fund. If a unit established a 1937 fund for its
 30 firefighters, the unit is and shall remain a participant in the 1977 fund.

31 (c) A unit that:

- 32 (1) has not established a pension fund for its firefighters; or
 33 (2) is participating in the public employees' retirement fund under
 34 subsection (b);

35 may participate in the 1977 fund upon approval by the fiscal body,
 36 notwithstanding IC 5-10.3-6-8. A unit that participates in the 1977 fund
 37 under this subsection must comply with section 21 of this chapter.
 38 However, **if the unit may elect to require** a police officer or firefighter
 39 **who** is a member of the public employees' retirement fund ~~the police~~
 40 ~~officer or firefighter may to~~ continue as a member of that fund instead
 41 of the 1977 fund.

42 (d) If a unit that participates in the 1977 fund provides longevity

SB 14—LS 6135/DI 144



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1 increases, the amount of the longevity increase provided in a year must
 2 be greater than or equal to the amount of the longevity increase
 3 provided in the previous year.

4 (e) An airport authority may participate in the 1977 fund. An airport
 5 authority that participates in the 1977 fund under this subsection must
 6 comply with section 21 of this chapter. However, **if the airport**
 7 **authority may elect to require** a police officer or firefighter **who** is a
 8 member of the public employees' retirement fund ~~the police officer or~~
 9 ~~firefighter may to~~ continue as a member of that fund instead of the
 10 1977 fund.

11 (f) A school corporation or charter school that:
 12 (1) employs a school resource officer; or
 13 (2) enters into a contract or memorandum of understanding with
 14 a:
 15 (A) local law enforcement agency;
 16 (B) private entity; or
 17 (C) nonprofit corporation;
 18 to employ a school resource officer;
 19 may participate in the 1977 fund. A school corporation or charter
 20 school that participates in the 1977 fund under this subsection or
 21 subsection (g) must comply with section 21.5 of this chapter.
 22 However, **if the school corporation or charter school may elect to**
 23 **require** a school resource officer **who** is a member of the public
 24 employees' retirement fund ~~the school resource officer may to~~ continue
 25 as a member of that fund instead of the 1977 fund.

26 (g) A school resource officer hired or rehired after June 30, 2024,
 27 who is a member of the 1977 fund shall remain in the 1977 fund.
 28 **SECTION 16. An emergency is declared for this act.**

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SB 14—LS 6135/DI 144



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