

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

LS 6341
BILL NUMBER: SB 69

NOTE PREPARED: Jan 8, 2026
BILL AMENDED: Jan 8, 2026

SUBJECT: 1977 Pension and Disability Fund.

FIRST AUTHOR: Sen. Rogers
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill increases the basic monthly pension benefit payable to a member of the 1977 Police Officers' and Firefighters' Pension and Disability Fund ('77 Fund) who retires after December 31, 2026, with 20 years of service. It increases the contribution rate of '77 Fund members. It increases the lump sum death benefit payable to the heirs or estate of a '77 Fund member. The bill provides that a '77 Fund member may extend their deferred retirement option plan (DROP) retirement date up to 60 months after the member entered the DROP. It makes conforming changes.

Effective Date: (Amended) July 1, 2026; January 1, 2027.

Explanation of State Expenditures: *Indiana Public Retirement System (INPRS):* INPRS administers the '77 Fund and would have increased workload to make administrative changes to provide for increased benefits to members. The administrative costs of the '77 Fund are paid from the fund.

Explanation of State Revenues:

Explanation of Local Expenditures: *'77 Fund Benefits:* The bill would increase expenditures from the '77 Fund for pension benefits and death benefits. The proposal would increase the present value of future benefits for the '77 Fund by an estimated \$482.7 M. This would increase the unfunded liability of the '77 Fund by \$367.0 M and would reduce the funded status of the '77 Fund by 3 percentage points from 88.1% funded to 85.1% funded. See Table 1.

(Revised) *Employer and Employee Contributions:* The bill would also increase expenditures for local employers. The bill would increase the employer contribution rate by an estimated 1.43% 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, 1.43% of salary is \$17.7 M. The actual increase in expenditures for local employers will depend on future covered payroll and will increase annually as payroll increases over time.

Employers that choose to pay the employee contribution for employees may have increased costs as the

employee contribution rate increases from 6% to 8.65% of salary. However, under the bill, an employer may only choose to pay up to 6% of the employee contribution before July 1, 2029 for employee agreements entered into after December 31, 2026 and before July 1, 2029.

Table 1. Fiscal Impact of Proposed Changes to ‘77 Fund Benefits (\$ in Millions)

	‘77 Fund Retirement Benefit	Member Contribution	Death Benefit	Total
Proposal	‘77 Benefit Increase to 53% of first-class patrolman or firefighter salary plus 1.25% for every six months of service beyond 20 years. Maximum benefit with 32 years of service is 83% of first-class salary.	8.65% member contribution for first 32 years of service.	\$15,000 Funeral Benefit indexed by CPI	
Current Law	‘77 Retirement Benefit is equal to 52% of first-class patrolman or firefighter salary plus 1% for every six months of service beyond 20 years. Maximum benefit with 32 years of service is 76% of first-class salary.	6% member contribution for first 32 years of service.	\$12,000 Funeral Benefit	
Change in Present Value of Future Benefits	\$440.4 M	\$14.5 M	\$27.7 M	\$482.7 M
Change in Unfunded Actuarial Accrued Liability	\$336.1 M	\$4.7 M	\$26.2 M	\$367.0 M
Change in Funded Status	-2.77%	-0.04%	-0.22%	-3.02%
Change in Actuarially Determined Contribution Rate	3.62%	-2.41%	0.22%	1.43%

Source: CavMac Actuarial Consulting Services. Fiscal impact as of June 30, 2025.

Additional Information - 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 less than 20 years of service are not eligible for this benefit.

Member contributions plus interest is refunded to members who do not vest in the pension plan. Increasing the employee contribution rate would increase the cost of refunding benefits. This would increase the cost

of the legislation.

The fiscal impact of extending the DROP period up to 60 months after the date the member entered the DROP would likely be minimal.

The employer contribution rate is set as a percentage of salary sufficient to cover the actuarially determined contribution rate determined by fund actuaries. Actuaries do this by computing the present value of future benefits. This is the amount required to fund the normal cost (the cost for new service and new pay earned in the current year) as well as an amount to cover any unfunded liability of the fund. The unfunded liability is paid for (amortized) over 20 years through higher employer and employee contributions to the fund.

Explanation of Local Revenues: (Revised) *'77 Fund Benefit:* The bill will increase annual revenue to the '77 Fund from employee and employer contributions.

The employee contribution rate will increase from 6% to 8.65% of salary for active members with up to 32 years of service beginning July 1, 2026. Based on FY 2025 covered payroll of \$1.24 B, a 2.65% increase in the employee contribution would be \$32.3 M. Employers may pay some or all of the employee contribution for employees. See the *Explanation of Local Expenditures*.

The bill will increase the employer contribution rate by an estimated 1.43% of salary—likely beginning in calendar year 2028 since the INPRS board has already set the employer contribution rate for calendar years 2026 and 2027. Based on covered payroll for FY 2025 of \$1.24 B, 1.43% of salary would equal \$17.7 M.

The actual increase in annual revenue to the '77 Fund from employee and employer contributions will depend on future covered payroll and will increase annually as payroll increases over time.

State Agencies Affected: Indiana Public Retirement System.

Local Agencies Affected: Local units with police and fire departments with members in the '77 Fund.

Information Sources: CavMac Actuarial Consulting Services, LLC. (2025, October 23.) PD 3152 – 1977 Police Officers' and Firefighters' Retirement Fund Provisions and the Indiana Local Public Safety Pension Relief Fund Funeral Benefits; INPRS.

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