



March 1, 2024

ENGROSSED

HOUSE BILL No. 1004

DIGEST OF HB 1004 (Updated February 29, 2024 1:03 pm - DI 120)

Citations Affected: IC 5-10; IC 5-10.2; IC 5-10.5; IC 5-11; IC 10-12; IC 36-8.

Synopsis: Pension matters. Provides that a state employee may affirmatively elect to enroll in the deferred compensation plan prior to the auto enroll date on day 31 of the state employee's employment.
(Continued next page)

Effective: Upon passage; July 1, 2024; July 1, 2025.

Cherry, Porter, Karickhoff, Meltzer, Abbott, Andrade, Aylesworth, Baird, Barrett, Bartels, Bartlett, Bauer M, Behning, Borders, Boy, Campbell, Carbaugh, Cash, Clere, Criswell, Davis, DeLaney, DeVon, Dvorak, Engleman, Errington, Fleming, Garcia Wilburn, Genda, GiaQuinta, Goodrich, Gore, Goss-Reaves, Greene, Haggard, Hall, Hamilton, Harris, Hatcher, Hatfield, Heaton, Heine, Hostettler, Huston, Jackson, Jeter, Johnson B, Jordan, Judy, King, Klinker, Lauer, Ledbetter, Lehman, Lindauer, Lucas, Lyness, Manning, May, Mayfield, McGuire, McNamara, Miller K, Moed, Morris, Morrison, Moseley, Negele, O'Brien, Olthoff, Pack, Payne, Pfaff, Pierce K, Pierce M, Prescott, Pressel, Pryor, Rowray, Schaibley, Shackelford, Slager, Smaltz, Smith V, Snow, Soliday, Speedy, Steuerwald, Summers, Sweet, Teshka, Thompson, Torr, VanNatter, Wesco, Zent, Zimmerman

(SENATE SPONSORS — BUCHANAN, CRIDER, NIEZGODSKI, BOHACEK, DERNULC)

January 8, 2024, read first time and referred to Committee on Ways and Means.
January 16, 2024, reported — Do Pass.
January 18, 2024, read second time, ordered engrossed.
January 19, 2024, engrossed.
January 22, 2024, read third time, passed. Yeas 97, nays 0.

SENATE ACTION

February 5, 2024, read first time and referred to Committee on Appropriations.
February 29, 2024, amended, reported favorably — Do Pass.

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Digest Continued

Removes a provision that sets a maximum employer surcharge for the legislators' defined benefit plan, state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan, public employees' retirement fund, and Indiana state teachers' retirement fund (fund). Requires the board of trustees of the Indiana public retirement system (board) to develop the technological and administrative capabilities sufficient to categorize fund members into separate groups in which: (1) certain members receive a service based thirteenth check; and (2) certain members receive a cost of living adjustment. Requires the board to set the surcharge rates at a level to actuarially prefund: (1) annual indexed thirteenth checks for all current retired members and beneficiaries retired before July 1, 2025; and (2) 1% annual cost of living adjustments to future in-payment members and beneficiaries retired on or after July 1, 2025. Provides that the board shall not reduce the surcharge rates from the prior year. Allows the board to increase the surcharge rates by not more than 0.1% of payroll from the prior year. Requires certain political subdivisions to present to the interim study committee on pension management oversight regarding a delinquent employee retirement plan offered by the political subdivision. Requires, effective July 1, 2025, the trustee of the state police pension trust to maintain a supplemental allowance reserve account for the purpose of paying postretirement benefit adjustments. Increases the maximum date that a member or participant of certain retirement funds can participate in the deferred retirement option plan from 36 to 60 months. Requires the member or participant to notify their employer if the member or participant elects to enter or extend the deferred retirement option plan.



March 1, 2024

Second Regular Session of the 123rd General Assembly (2024)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2023 Regular Session of the General Assembly.

ENGROSSED HOUSE BILL No. 1004

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 5-10-1.1-3.5, AS AMENDED BY THE
2 TECHNICAL CORRECTIONS BILL OF THE 2024 GENERAL
3 ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
4 UPON PASSAGE]: Sec. 3.5. (a) This section applies to an individual
5 who becomes an employee of the state after June 30, 2007.
6 (b) Unless an employee notifies the state that the employee does not
7 want to enroll in the deferred compensation plan **or makes an**
8 **affirmative election under subsection (h)**, on day thirty-one (31) of
9 the employee's employment:
10 (1) the employee is automatically enrolled in the deferred
11 compensation plan; and
12 (2) the state is authorized to begin deductions as otherwise
13 allowed under this chapter.
14 (c) The ~~auditor~~ of state **comptroller** shall provide notice to an
15 employee of the provisions of this chapter. The notice provided under
16 this subsection must:
17 (1) contain a statement concerning:

EH 1004—LS 7009/DI 144



- 1 (A) the purposes of;
- 2 (B) procedures for notifying the state that the employee does
- 3 not want to enroll in;
- 4 (C) the tax consequences of; and
- 5 (D) the details of the state match for employee contribution to;
- 6 the deferred compensation plan; and
- 7 (2) list the telephone number, electronic mail address, and other
- 8 contact information for the plan administrator.
- 9 (d) This subsection applies to contributions made before July 1,
- 10 2011. Notwithstanding IC 22-2-6, except as provided by subsection (h),
- 11 the state shall deduct from an employee's compensation as a
- 12 contribution to the deferred compensation plan established by the state
- 13 under this chapter an amount equal to the maximum amount of any
- 14 match provided by the state on behalf of the employee to a defined
- 15 contribution plan established under section 1.5(a) of this chapter.
- 16 (e) This subsection applies to contributions made after June 30,
- 17 2011, and before July 1, 2013. Notwithstanding IC 22-2-6 and except
- 18 as provided by subsection (h), during the first year an employee is
- 19 enrolled under subsection (b) in the deferred compensation plan, the
- 20 state shall deduct each pay period from the employee's compensation
- 21 as a contribution to the deferred compensation plan an amount equal
- 22 to the greater of the following:
- 23 (1) The maximum amount of any match provided by the state on
- 24 behalf of the employee to a defined contribution plan established
- 25 under section 1.5(a) of this chapter.
- 26 (2) One-half percent (0.5%) of the employee's base salary.
- 27 (f) This subsection applies to contributions made after June 30,
- 28 2013. Notwithstanding IC 22-2-6 and except as provided by subsection
- 29 (h), during the first year an employee is enrolled under subsection (b)
- 30 in the deferred compensation plan, the state shall deduct each pay
- 31 period from the employee's compensation as a contribution to the
- 32 deferred compensation plan an amount equal to the greater of the
- 33 following:
- 34 (1) The maximum amount of any match provided by the state on
- 35 behalf of the employee to a defined contribution plan established
- 36 under section 1.5(a) of this chapter.
- 37 (2) Two percent (2%) of the employee's base salary.
- 38 (g) This subsection applies to a year:
- 39 (1) after the first year in which an employee is enrolled in the
- 40 deferred compensation plan; and
- 41 (2) in which the employee does not affirmatively choose a
- 42 contribution amount under subsection (h).



1 The percentage of the employee's base salary used for the year in
 2 subsection (e)(2) or (f)(2) to determine the employee's contribution
 3 increases by one-half percent (0.5%) from the percentage determined
 4 in the immediately preceding year. The maximum percentage of an
 5 employee's base salary that may be deducted under this subsection is
 6 five percent (5%). The contribution increase occurs on the anniversary
 7 date of the employee's enrollment in the deferred compensation plan.

8 **(h) An employee may affirmatively elect to enroll in the deferred**
 9 **compensation plan in the amount described in subsections (d)**
 10 **through (g).** An employee may contribute to the deferred
 11 compensation plan established by the state under this chapter an
 12 amount other than the amount described in subsections (d) through (g)
 13 by affirmatively choosing to contribute:

- 14 (1) a higher amount;
 15 (2) a lower amount; or
 16 (3) zero (0).

17 SECTION 2. IC 5-10-5.5-22, AS AMENDED BY P.L.145-2020,
 18 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 19 JULY 1, 2024]: Sec. 22. (a) As used in this section, "DROP" refers to
 20 a deferred retirement option plan established under this section.

21 (b) As used in this section, "DROP entry date" means the date that
 22 a participant's election to enter a DROP becomes effective.

23 (c) As used in this section, "DROP frozen benefit" refers to an
 24 annual retirement allowance computed under section 10 of this chapter
 25 based on a participant's:

- 26 (1) average annual salary; and
 27 (2) years of creditable service;

28 on the date the participant enters the DROP.

29 (d) As used in this section, "DROP retirement date" means the
 30 future retirement date selected by a participant at the time the
 31 participant elects to enter the DROP.

32 (e) Only a participant who is eligible to receive an unreduced annual
 33 retirement allowance immediately upon termination of employment
 34 may elect to enter a DROP. A participant who elects to enter the DROP
 35 **must shall do the following:**

36 **(1) Agree to the following:**

37 ~~(1)~~ **(A)** The participant shall execute an irrevocable election to
 38 retire on the DROP retirement date and must remain in active
 39 service until that date.

40 ~~(2)~~ **(B)** While in the DROP, the participant shall continue to
 41 make contributions under section 8 of this chapter.

42 ~~(3)~~ **(C)** The participant shall select a DROP retirement date not



1 less than twelve (12) months and not more than:

2 (i) thirty-six (36) months after the participant's DROP entry
3 date, **for a participant who executes an election described
4 in clause (A) before July 1, 2024; or**

5 (ii) sixty (60) months after the participant's DROP entry
6 date, **for a participant who executes an election
7 described in clause (A) after June 30, 2024.**

8 ~~(4)~~ **(D)** The participant may not remain in the DROP after the
9 date the participant reaches the mandatory retirement age
10 under section 9 of this chapter.

11 ~~(5)~~ **(E)** The participant may make an election to enter the
12 DROP only once in the participant's lifetime.

13 **(2) Notify the participant's employer of the DROP election
14 within thirty (30) days of the election.**

15 **(f) Notwithstanding subsection (e), a participant that entered the
16 DROP before July 1, 2024, and that has not exited the DROP may
17 elect to extend the participant's DROP retirement date up to sixty
18 (60) months after the participant's DROP entry date.**

19 **(g) A participant that makes the election described in subsection
20 (f) shall notify the participant's employer within thirty (30) days of
21 the election.**

22 ~~(h)~~ **(h)** Contributions or payments provided by the general assembly
23 under section 4(b)(4) of this chapter continue for a participant while
24 the participant is in the DROP.

25 ~~(g)~~ **(i)** A participant shall exit the DROP on the earliest of the
26 following:

27 (1) The participant's DROP retirement date.

28 (2) **Either:**

29 **(A) thirty-six (36) months after the participant's DROP entry
30 date, if the participant:**

31 **(i) executes an election described in subsection (e) before
32 July 1, 2024; and**

33 **(ii) does not execute an extension described in subsection
34 (f); or**

35 **(B) sixty (60) months after the participant's DROP entry
36 date, if the participant:**

37 **(i) executes an election described in subsection (e) after
38 June 30, 2024; or**

39 **(ii) executes an extension described in subsection (f).**

40 (3) The participant's mandatory retirement age.

41 (4) The date the participant retires because of a disability as
42 provided by subsection ~~(k)~~ **(m).**



1 ~~(h)~~ **(j)** A participant who retires on the participant's DROP
 2 retirement date or on the date the participant retires because of a
 3 disability as provided by subsection ~~(k)~~ **(m)** may elect to receive an
 4 annual retirement allowance:

5 (1) computed under section 10 of this chapter as if the participant
 6 had never entered the DROP; or

7 (2) consisting of:

8 (A) the DROP frozen benefit; plus

9 (B) an additional amount, paid as the participant elects under
 10 subsection ~~(i)~~; **(k)**, determined by multiplying:

11 (i) the DROP frozen benefit; by

12 (ii) the number of months the participant was in the DROP.

13 ~~(i)~~ **(k)** The participant shall elect, at the participant's retirement, to
 14 receive the additional amount calculated under subsection ~~(h)~~~~(2)~~~~(B)~~

15 **(j)**~~(2)~~~~(B)~~ in one (1) of the following ways:

16 (1) A lump sum paid on:

17 (A) the participant's DROP retirement date; or

18 (B) the date the participant retires because of a disability as
 19 provided by subsection ~~(k)~~; **(m)**.

20 (2) Three (3) equal annual payments:

21 (A) commencing on:

22 (i) the participant's DROP retirement date; or

23 (ii) the date the participant retires because of a disability as
 24 provided by subsection ~~(k)~~; **(m)**; and

25 (B) thereafter paid on:

26 (i) the anniversary of the participant's DROP retirement
 27 date; or

28 (ii) the date the participant retires because of a disability as
 29 provided by subsection ~~(k)~~; **(m)**.

30 ~~(j)~~ **(l)** A cost of living increase determined under section 21(c) of
 31 this chapter does not apply to the additional amount calculated under
 32 subsection ~~(h)~~~~(2)~~~~(B)~~ **(j)**~~(2)~~~~(B)~~ at the participant's DROP retirement date
 33 or the date the participant retires because of a disability as provided by
 34 subsection ~~(k)~~; **(m)**. No cost of living increase is applied to a DROP
 35 frozen benefit while the participant is in the DROP. After the
 36 participant's DROP retirement date or the date the participant retires
 37 because of a disability as provided by subsection ~~(k)~~; **(m)**, cost of living
 38 increases determined under section 21(c) of this chapter apply to the
 39 participant's annual retirement allowance computed under this section.

40 ~~(k)~~ **(m)** If a participant becomes disabled, in the line of duty or other
 41 than in the line of duty while in the DROP, the participant's annual
 42 retirement allowance is computed as follows:



1 (1) If the participant retires because of a disability less than
 2 twelve (12) months after the date the participant enters the DROP,
 3 the participant's annual retirement allowance is calculated as if
 4 the participant had never entered the DROP.

5 (2) If the participant retires because of a disability at least twelve
 6 (12) months after the date the participant enters the DROP, the
 7 participant's annual retirement allowance is calculated under this
 8 section, and the participant's retirement date is the date the
 9 member retires because of a disability rather than the participant's
 10 DROP retirement date.

11 ~~(h)~~ **(n)** If, before payment of the participant's annual retirement
 12 allowance begins, the participant dies in the line of duty or other than
 13 in the line of duty, death benefits are payable to the participant's
 14 surviving spouse. If there is no surviving spouse, the death benefits
 15 must be divided equally among the participant's surviving children. If
 16 there are no surviving children, the death benefits are paid to the
 17 participant's parents. If there are no surviving parents, the death
 18 benefits are paid to the participant's estate. The death benefits are
 19 determined as follows:

20 (1) If the participant dies less than twelve (12) months after the
 21 date the participant enters the DROP, the death benefits are
 22 calculated as if the participant had never entered the DROP.

23 (2) If the participant dies at least twelve (12) months after the date
 24 the participant enters the DROP, the death benefits consist of both
 25 of the following:

26 (A) At the election of the survivor or survivors to whom the
 27 benefit is payable, the benefit calculated under subsection
 28 ~~(h)(2)(B)~~ **(j)(2)(B)** is paid in either:

29 (i) a lump sum; or

30 (ii) three (3) equal annual payments, the first as soon as
 31 practicable after the date of the participant's death, the
 32 second on the first anniversary of the participant's death, and
 33 the third on the second anniversary of the participant's death.

34 (B) A benefit is paid on the DROP frozen benefit under the
 35 terms of the retirement plan created by this chapter.

36 ~~(m)~~ **(o)** Except as provided under subsections ~~(k)~~ **(m)** and ~~(l)~~ **(n)**,
 37 the annual retirement allowance for a participant who exits the DROP
 38 for any reason other than retirement on the participant's DROP
 39 retirement date is calculated as if the participant had never entered the
 40 DROP.

41 SECTION 3. IC 5-10.2-12-3, AS ADDED BY P.L.127-2018,
 42 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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1 UPON PASSAGE]: Sec. 3. (a) For 2019 and each year thereafter, the
 2 contribution rate established by the board for each employer shall
 3 include a surcharge determined by the board

4 (†) that is paid to the supplemental allowance reserve account of
 5 the applicable fund or plan. ~~and~~

6 (2) that does not exceed one percent (1%) of the employer's
 7 payroll that is attributable to employees who are:

8 (A) members of the public employees' retirement fund;

9 (B) members of the 1996 account of the Indiana state teachers'
 10 retirement fund; and

11 (C) participants in the state excise police, gaming agent,
 12 gaming control officer, and conservation enforcement officers'
 13 retirement plan.

14 The board shall determine an equivalent amount to be included in the
 15 general fund appropriations for the supplemental allowance reserve
 16 accounts of the legislators' defined benefit plan and, subject to
 17 IC 5-10.4-2-5, the pre-1996 account of the Indiana state teachers'
 18 retirement fund.

19 (b) The surcharge described in subsection (a) shall be paid in the
 20 same manner as other employer contributions required under
 21 IC 5-10-5.5-4, IC 5-10.2-2-12.5, IC 5-10.3-7-12.5, and IC 5-10.4-7-6.

22 SECTION 4. IC 5-10.5-4-7 IS ADDED TO THE INDIANA CODE
 23 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE**
 24 **UPON PASSAGE]: Sec. 7. (a) For purposes of this section, "fund"**
 25 **means the Indiana public employees' retirement fund, Indiana**
 26 **state teachers' retirement fund, legislators' defined benefit plan,**
 27 **and state excise police, gaming agent, gaming control officer, and**
 28 **conservation enforcement officers' retirement plan.**

29 (b) **The board shall develop the technological and administrative**
 30 **capabilities sufficient to categorize fund members into separate**
 31 **groups in which:**

32 (1) **certain members receive a service based thirteenth check;**
 33 **and**

34 (2) **certain members receive a cost of living adjustment.**

35 SECTION 5. IC 5-10.5-4-8 IS ADDED TO THE INDIANA CODE
 36 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY**
 37 **1, 2025]: Sec. 8. (a) The board shall set the surcharge rates under**
 38 **IC 5-10.2-12-3 at a level to actuarially prefund:**

39 (1) **annual indexed thirteenth checks for all current retired**
 40 **members and beneficiaries retired before July 1, 2025; and**

41 (2) **one percent (1%) annual cost of living adjustments to**
 42 **future in-payment members and beneficiaries retired on or**



1 after July 1, 2025.

2 (b) The board shall not reduce the surcharge rates under
3 IC 5-10.2-12-3 from the prior year.

4 (c) The board may increase the surcharge rates under
5 IC 5-10.2-12-3 by not more than one-tenth percent (0.1%) of
6 payroll from the prior year.

7 (d) This section expires December 31, 2029.

8 SECTION 6. IC 5-11-20-1.5 IS ADDED TO THE INDIANA CODE
9 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
10 UPON PASSAGE]: Sec. 1.5. As used in this chapter, "delinquent
11 political subdivision" means a political subdivision offering an
12 employee retirement plan described in section 3(b) of this chapter
13 that:

14 (1) received less than ninety-five percent (95%) of the
15 actuarially determined contribution for the immediately
16 preceding fiscal year, as determined by the system or its
17 agent; or

18 (2) was less than fifty percent (50%) funded at any time
19 during the immediately preceding fiscal year, as determined
20 by the system or its agent.

21 SECTION 7. IC 5-11-20-2.5 IS ADDED TO THE INDIANA CODE
22 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
23 UPON PASSAGE]: Sec. 2.5. As used in this chapter, "system"
24 refers to the Indiana public retirement system established by
25 IC 5-10.5-2-1.

26 SECTION 8. IC 5-11-20-6 IS ADDED TO THE INDIANA CODE
27 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE
28 UPON PASSAGE]: Sec. 6. (a) On June 15 of each year, the system
29 shall send a delinquency notice to a delinquent political
30 subdivision. The delinquency notice must inform the delinquent
31 political subdivision that:

32 (1) an employee retirement plan offered by the delinquent
33 political subdivision:

34 (A) received less than ninety-five percent (95%) of the
35 actuarially determined contribution for the immediately
36 preceding fiscal year, as determined by the system or its
37 agent; or

38 (B) was less than fifty percent (50%) funded at any time
39 during the immediately preceding fiscal year, as
40 determined by the system or its agent; and

41 (2) the delinquent political subdivision must take the steps
42 described in subsection (b).



1 (b) After receiving the notice described in subsection (a), a
 2 political subdivision shall make a presentation that includes a
 3 remediation plan to the interim study committee on pension
 4 management oversight (established by IC 2-5-1.3-4) regarding the
 5 delinquent employee retirement plan described in subsection (a).

6 SECTION 9. IC 10-12-7 IS ADDED TO THE INDIANA CODE AS
 7 A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY
 8 1, 2025]:

9 **Chapter 7. Supplemental Allowance Reserve Account**

10 **Sec. 0.5.** This chapter applies to the state police pre-1987 benefit
 11 system covered by IC 10-12-3 and the state police 1987 benefit
 12 system covered by IC 10-12-4.

13 **Sec. 1.** For purposes of this chapter, "account" means the
 14 supplemental allowance reserve account described in section 2 of
 15 this chapter.

16 **Sec. 2. (a)** The trustee shall maintain a supplemental allowance
 17 reserve account for the purpose of paying postretirement benefit
 18 adjustments, including:

- 19 (1) postretirement benefit increases;
- 20 (2) thirteenth checks; and
- 21 (3) other benefit changes or adjustments;

22 granted by the general assembly to employee beneficiaries after
 23 June 30, 2025.

24 (b) For purposes of subsection (a), "postretirement benefit
 25 adjustments" does not include a supplemental pension benefit
 26 under IC 10-12-5.

27 **Sec. 3.** The account consists of amounts appropriated or
 28 transferred to the account by the general assembly.

29 **Sec. 4.** The trustee may not:

- 30 (1) deposit money in the account; or
- 31 (2) transfer money to the account.

32 SECTION 10. IC 36-8-8.5-10 IS AMENDED TO READ AS
 33 FOLLOWS [EFFECTIVE JULY 1, 2024]: Sec. 10. A member who
 34 elects to enter the DROP shall **do the following**:

35 (1) Agree to the following:

36 (†) (A) The member shall execute an irrevocable election to
 37 retire on the DROP retirement date and shall remain in active
 38 service until that date.

39 (‡) (B) While in the DROP, the member shall continue to
 40 make contributions to the applicable fund under the provisions
 41 of that fund.

42 (‡) (C) The member shall elect a DROP retirement date not



1 less than twelve (12) months and not more than:

2 (i) thirty-six (36) months after the member's DROP entry
3 date, **for a member who executes an election described in**
4 **clause (A) before July 1, 2024; or**

5 (ii) sixty (60) months after the member's DROP entry
6 date, **for a member who executes an election described in**
7 **clause (A) after June 30, 2024.**

8 ~~(4)~~ **(D)** The member may not remain in the DROP after the
9 date the member reaches any mandatory retirement age that
10 may apply to the member.

11 ~~(5)~~ **(E)** The member may make an election to enter the DROP
12 only once in the member's lifetime.

13 **(2) Notify the member's employer of the DROP election**
14 **within thirty (30) days of the election.**

15 SECTION 11. IC 36-8-8.5-10.5 IS ADDED TO THE INDIANA
16 CODE AS A NEW SECTION TO READ AS FOLLOWS
17 [EFFECTIVE JULY 1, 2024]: **Sec. 10.5. (a) Notwithstanding section**
18 **10 of this chapter, a member that entered the DROP before July 1,**
19 **2024, and that has not exited the DROP may elect to extend the**
20 **member's DROP retirement date up to sixty (60) months after the**
21 **member's DROP entry date.**

22 **(b) A member that makes the election described in subsection**
23 **(a) shall notify the member's employer within thirty (30) days of**
24 **the election.**

25 SECTION 12. IC 36-8-8.5-14, AS AMENDED BY P.L.156-2020,
26 SECTION 147, IS AMENDED TO READ AS FOLLOWS
27 [EFFECTIVE JULY 1, 2024]: Sec. 14. (a) Subject to subsection (b), a
28 member who enters the DROP established by this chapter shall exit the
29 DROP at the earliest of:

30 (1) the member's DROP retirement date;

31 (2) **either:**

32 **(A) thirty-six (36) months after the member's DROP entry**
33 **date, if the member:**

34 **(i) executes an election described in section 10 of this**
35 **chapter before July 1, 2024; and**

36 **(ii) does not execute an extension described in section**
37 **10.5 of this chapter; or**

38 **(B) sixty (60) months after the member's DROP entry date,**
39 **if the member:**

40 **(i) executes an election described in section 10 of this**
41 **chapter after June 30, 2024; or**

42 **(ii) executes an extension described in section 10.5 of this**



1 **chapter;**
2 (3) the mandatory retirement age applicable to the member, if
3 any; or
4 (4) the date the member retires because of a disability as provided
5 under section 16.5(d) of this chapter.
6 (b) A member of the 1925 fund, the 1937 fund, or the 1953 fund
7 who enters the DROP established by this chapter must exit the DROP
8 on the date the authority of the board of trustees of the Indiana public
9 retirement system to distribute from the pension relief fund established
10 under IC 5-10.3-11-1 to units of local government (described in
11 IC 5-10.3-11-3) amounts determined under IC 5-10.3-11-4.7 expires.
12 **SECTION 13. An emergency is declared for this act.**



COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred House Bill 1004, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

(Reference is to HB 1004 as introduced.)

THOMPSON

Committee Vote: Yeas 23, Nays 0

COMMITTEE REPORT

Madam President: The Senate Committee on Appropriations, to which was referred Engrossed House Bill No. 1004, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Page 1, delete lines 1 through 18, begin a new paragraph and insert:

"SECTION 1. IC 5-10-1.1-3.5, AS AMENDED BY THE TECHNICAL CORRECTIONS BILL OF THE 2024 GENERAL ASSEMBLY, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3.5. (a) This section applies to an individual who becomes an employee of the state after June 30, 2007.

(b) Unless an employee notifies the state that the employee does not want to enroll in the deferred compensation plan **or makes an affirmative election under subsection (h)**, on day thirty-one (31) of the employee's employment:

- (1) the employee is automatically enrolled in the deferred compensation plan; and
- (2) the state is authorized to begin deductions as otherwise allowed under this chapter.

(c) The ~~auditor~~ of state **comptroller** shall provide notice to an employee of the provisions of this chapter. The notice provided under this subsection must:

- (1) contain a statement concerning:
 - (A) the purposes of;
 - (B) procedures for notifying the state that the employee does

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- not want to enroll in;
- (C) the tax consequences of; and
- (D) the details of the state match for employee contribution to; the deferred compensation plan; and
- (2) list the telephone number, electronic mail address, and other contact information for the plan administrator.

(d) This subsection applies to contributions made before July 1, 2011. Notwithstanding IC 22-2-6, except as provided by subsection (h), the state shall deduct from an employee's compensation as a contribution to the deferred compensation plan established by the state under this chapter an amount equal to the maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.

(e) This subsection applies to contributions made after June 30, 2011, and before July 1, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

- (1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.
- (2) One-half percent (0.5%) of the employee's base salary.

(f) This subsection applies to contributions made after June 30, 2013. Notwithstanding IC 22-2-6 and except as provided by subsection (h), during the first year an employee is enrolled under subsection (b) in the deferred compensation plan, the state shall deduct each pay period from the employee's compensation as a contribution to the deferred compensation plan an amount equal to the greater of the following:

- (1) The maximum amount of any match provided by the state on behalf of the employee to a defined contribution plan established under section 1.5(a) of this chapter.
- (2) Two percent (2%) of the employee's base salary.

(g) This subsection applies to a year:

- (1) after the first year in which an employee is enrolled in the deferred compensation plan; and
- (2) in which the employee does not affirmatively choose a contribution amount under subsection (h).

The percentage of the employee's base salary used for the year in subsection (e)(2) or (f)(2) to determine the employee's contribution



increases by one-half percent (0.5%) from the percentage determined in the immediately preceding year. The maximum percentage of an employee's base salary that may be deducted under this subsection is five percent (5%). The contribution increase occurs on the anniversary date of the employee's enrollment in the deferred compensation plan.

(h) An employee may affirmatively elect to enroll in the deferred compensation plan in the amount described in subsections (d) through (g). An employee may contribute to the deferred compensation plan established by the state under this chapter an amount other than the amount described in subsections (d) through (g) by affirmatively choosing to contribute:

- (1) a higher amount;
- (2) a lower amount; or
- (3) zero (0).

SECTION 2. IC 5-10-5.5-22, AS AMENDED BY P.L.145-2020, SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2024]: Sec. 22. (a) As used in this section, "DROP" refers to a deferred retirement option plan established under this section.

(b) As used in this section, "DROP entry date" means the date that a participant's election to enter a DROP becomes effective.

(c) As used in this section, "DROP frozen benefit" refers to an annual retirement allowance computed under section 10 of this chapter based on a participant's:

- (1) average annual salary; and
- (2) years of creditable service;

on the date the participant enters the DROP.

(d) As used in this section, "DROP retirement date" means the future retirement date selected by a participant at the time the participant elects to enter the DROP.

(e) Only a participant who is eligible to receive an unreduced annual retirement allowance immediately upon termination of employment may elect to enter a DROP. A participant who elects to enter the DROP **must shall do the following:**

(1) Agree to the following:

~~(1)~~ **(A)** The participant shall execute an irrevocable election to retire on the DROP retirement date and must remain in active service until that date.

~~(2)~~ **(B)** While in the DROP, the participant shall continue to make contributions under section 8 of this chapter.

~~(3)~~ **(C)** The participant shall select a DROP retirement date not less than twelve (12) months and not more than:

- (i)** thirty-six (36) months after the participant's DROP entry



date, for a participant who executes an election described in clause (A) before July 1, 2024; or

(ii) sixty (60) months after the participant's DROP entry date, for a participant who executes an election described in clause (A) after June 30, 2024.

~~(4)~~ (D) The participant may not remain in the DROP after the date the participant reaches the mandatory retirement age under section 9 of this chapter.

~~(5)~~ (E) The participant may make an election to enter the DROP only once in the participant's lifetime.

(2) Notify the participant's employer of the DROP election within thirty (30) days of the election.

(f) Notwithstanding subsection (e), a participant that entered the DROP before July 1, 2024, and that has not exited the DROP may elect to extend the participant's DROP retirement date up to sixty (60) months after the participant's DROP entry date.

(g) A participant that makes the election described in subsection (f) shall notify the participant's employer within thirty (30) days of the election.

~~(h)~~ (h) Contributions or payments provided by the general assembly under section 4(b)(4) of this chapter continue for a participant while the participant is in the DROP.

~~(g)~~ (i) A participant shall exit the DROP on the earliest of the following:

(1) The participant's DROP retirement date.

(2) Either:

(A) thirty-six (36) months after the participant's DROP entry date, if the participant:

(i) executes an election described in subsection (e) before July 1, 2024; and

(ii) does not execute an extension described in subsection (f); or

(B) sixty (60) months after the participant's DROP entry date, if the participant:

(i) executes an election described in subsection (e) after June 30, 2024; or

(ii) executes an extension described in subsection (f).

(3) The participant's mandatory retirement age.

(4) The date the participant retires because of a disability as provided by subsection ~~(k)~~: (m).

~~(h)~~ (j) A participant who retires on the participant's DROP retirement date or on the date the participant retires because of a



disability as provided by subsection ~~(k)~~ **(m)** may elect to receive an annual retirement allowance:

- (1) computed under section 10 of this chapter as if the participant had never entered the DROP; or
- (2) consisting of:
 - (A) the DROP frozen benefit; plus
 - (B) an additional amount, paid as the participant elects under subsection ~~(i)~~; **(k)**, determined by multiplying:
 - (i) the DROP frozen benefit; by
 - (ii) the number of months the participant was in the DROP.

~~(i)~~ **(k)** The participant shall elect, at the participant's retirement, to receive the additional amount calculated under subsection ~~(h)(2)(B)~~ **(j)(2)(B)** in one (1) of the following ways:

- (1) A lump sum paid on:
 - (A) the participant's DROP retirement date; or
 - (B) the date the participant retires because of a disability as provided by subsection ~~(k)~~; **(m)**.
- (2) Three (3) equal annual payments:
 - (A) commencing on:
 - (i) the participant's DROP retirement date; or
 - (ii) the date the participant retires because of a disability as provided by subsection ~~(k)~~; **(m)**; and
 - (B) thereafter paid on:
 - (i) the anniversary of the participant's DROP retirement date; or
 - (ii) the date the participant retires because of a disability as provided by subsection ~~(k)~~; **(m)**.

~~(j)~~ **(l)** A cost of living increase determined under section 21(c) of this chapter does not apply to the additional amount calculated under subsection ~~(h)(2)(B)~~ **(j)(2)(B)** at the participant's DROP retirement date or the date the participant retires because of a disability as provided by subsection ~~(k)~~; **(m)**. No cost of living increase is applied to a DROP frozen benefit while the participant is in the DROP. After the participant's DROP retirement date or the date the participant retires because of a disability as provided by subsection ~~(k)~~; **(m)**, cost of living increases determined under section 21(c) of this chapter apply to the participant's annual retirement allowance computed under this section.

~~(k)~~ **(m)** If a participant becomes disabled, in the line of duty or other than in the line of duty while in the DROP, the participant's annual retirement allowance is computed as follows:

- (1) If the participant retires because of a disability less than twelve (12) months after the date the participant enters the DROP,



the participant's annual retirement allowance is calculated as if the participant had never entered the DROP.

(2) If the participant retires because of a disability at least twelve (12) months after the date the participant enters the DROP, the participant's annual retirement allowance is calculated under this section, and the participant's retirement date is the date the member retires because of a disability rather than the participant's DROP retirement date.

~~(h)~~ **(n)** If, before payment of the participant's annual retirement allowance begins, the participant dies in the line of duty or other than in the line of duty, death benefits are payable to the participant's surviving spouse. If there is no surviving spouse, the death benefits must be divided equally among the participant's surviving children. If there are no surviving children, the death benefits are paid to the participant's parents. If there are no surviving parents, the death benefits are paid to the participant's estate. The death benefits are determined as follows:

(1) If the participant dies less than twelve (12) months after the date the participant enters the DROP, the death benefits are calculated as if the participant had never entered the DROP.

(2) If the participant dies at least twelve (12) months after the date the participant enters the DROP, the death benefits consist of both of the following:

(A) At the election of the survivor or survivors to whom the benefit is payable, the benefit calculated under subsection ~~(h)(2)(B)~~ **(j)(2)(B)** is paid in either:

(i) a lump sum; or

(ii) three (3) equal annual payments, the first as soon as practicable after the date of the participant's death, the second on the first anniversary of the participant's death, and the third on the second anniversary of the participant's death.

(B) A benefit is paid on the DROP frozen benefit under the terms of the retirement plan created by this chapter.

~~(m)~~ **(o)** Except as provided under subsections ~~(k)~~ **(m)** and ~~(h)~~ **(n)**, the annual retirement allowance for a participant who exits the DROP for any reason other than retirement on the participant's DROP retirement date is calculated as if the participant had never entered the DROP.

SECTION 3. IC 5-10.2-12-3, AS ADDED BY P.L.127-2018, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) For 2019 and each year thereafter, the contribution rate established by the board for each employer shall

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include a surcharge determined by the board

(1) that is paid to the supplemental allowance reserve account of the applicable fund or plan. ~~and~~

(2) that does not exceed one percent (1%) of the employer's payroll that is attributable to employees who are:

(A) members of the public employees' retirement fund;

(B) members of the 1996 account of the Indiana state teachers' retirement fund; and

(C) participants in the state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan.

The board shall determine an equivalent amount to be included in the general fund appropriations for the supplemental allowance reserve accounts of the legislators' defined benefit plan and, subject to IC 5-10.4-2-5, the pre-1996 account of the Indiana state teachers' retirement fund.

(b) The surcharge described in subsection (a) shall be paid in the same manner as other employer contributions required under IC 5-10.5-5-4, IC 5-10.2-2-12.5, IC 5-10.3-7-12.5, and IC 5-10.4-7-6."

Page 2, delete lines 1 through 21, begin a new paragraph and insert:

"SECTION 4. IC 5-10.5-4-7 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. (a) For purposes of this section,**"

Page 2, line 22, delete "SECTION,".

Page 2, line 22, delete "refers to" and insert "**means**".

Page 2, line 23, delete "fund established by IC 5-10.3-2-1." and insert "**fund, Indiana state teachers' retirement fund, legislators' defined benefit plan, and state excise police, gaming agent, gaming control officer, and conservation enforcement officers' retirement plan.**"

(b) **The board shall develop the technological and administrative capabilities sufficient to categorize fund members into separate groups in which:**

(1) **certain members receive a service based thirteenth check; and**

(2) **certain members receive a cost of living adjustment.**

SECTION 5. IC 5-10.5-4-8 IS ADDED TO THE INDIANA CODE AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]: Sec. 8. (a) The board shall set the surcharge rates under IC 5-10.2-12-3 at a level to actuarially prefund:**

(1) **annual indexed thirteenth checks for all current retired members and beneficiaries retired before July 1, 2025; and**



(2) one percent (1%) annual cost of living adjustments to future in-payment members and beneficiaries retired on or after July 1, 2025.

(b) The board shall not reduce the surcharge rates under IC 5-10.2-12-3 from the prior year.

(c) The board may increase the surcharge rates under IC 5-10.2-12-3 by not more than one-tenth percent (0.1%) of payroll from the prior year.

(d) This section expires December 31, 2029.

SECTION 6. IC 5-11-20-1.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 1.5. As used in this chapter, "delinquent political subdivision" means a political subdivision offering an employee retirement plan described in section 3(b) of this chapter that:**

(1) received less than ninety-five percent (95%) of the actuarially determined contribution for the immediately preceding fiscal year, as determined by the system or its agent; or

(2) was less than fifty percent (50%) funded at any time during the immediately preceding fiscal year, as determined by the system or its agent.

SECTION 7. IC 5-11-20-2.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 2.5. As used in this chapter, "system" refers to the Indiana public retirement system established by IC 5-10.5-2-1.**

SECTION 8. IC 5-11-20-6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: **Sec. 6. (a) On June 15 of each year, the system shall send a delinquency notice to a delinquent political subdivision. The delinquency notice must inform the delinquent political subdivision that:**

(1) an employee retirement plan offered by the delinquent political subdivision:

(A) received less than ninety-five percent (95%) of the actuarially determined contribution for the immediately preceding fiscal year, as determined by the system or its agent; or

(B) was less than fifty percent (50%) funded at any time during the immediately preceding fiscal year, as determined by the system or its agent; and



(2) the delinquent political subdivision must take the steps described in subsection (b).

(b) After receiving the notice described in subsection (a), a political subdivision shall make a presentation that includes a remediation plan to the interim study committee on pension management oversight (established by IC 2-5-1.3-4) regarding the delinquent employee retirement plan described in subsection (a).

SECTION 9. IC 10-12-7 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2025]:

Chapter 7. Supplemental Allowance Reserve Account".

Page 2, delete lines 24 through 42.

Delete page 3.

Page 4, delete lines 1 through 20.

Page 4, line 21, delete "(c) Not later than October 1, 2024, the trustee shall pay from the" and insert "**Sec. 0.5. This chapter applies to**".

Page 4, line 22, delete "trust fund to each employee beneficiary of".

Page 4, line 23, delete "who:".

Page 4, delete lines 24 through 39.

Page 4, line 40, delete "trust fund to each employee beneficiary of" and insert "**and**".

Page 4, line 41, delete "who:" and insert ".".

Page 4, delete line 42, begin a new paragraph and insert:

"Sec. 1. For purposes of this chapter, "account" means the supplemental allowance reserve account described in section 2 of this chapter.

Sec. 2. (a) The trustee shall maintain a supplemental allowance reserve account for the purpose of paying postretirement benefit adjustments, including:

- (1) postretirement benefit increases;
- (2) thirteenth checks; and
- (3) other benefit changes or adjustments;

granted by the general assembly to employee beneficiaries after June 30, 2025.

(b) For purposes of subsection (a), "postretirement benefit adjustments" does not include a supplemental pension benefit under IC 10-12-5.

Sec. 3. The account consists of amounts appropriated or transferred to the account by the general assembly.

Sec. 4. The trustee may not:

- (1) deposit money in the account; or



(2) transfer money to the account.

SECTION 10. IC 36-8-8.5-10 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2024]: Sec. 10. A member who elects to enter the DROP shall **do the following**:

(1) Agree to the following:

~~(1)~~ **(A)** The member shall execute an irrevocable election to retire on the DROP retirement date and shall remain in active service until that date.

~~(2)~~ **(B)** While in the DROP, the member shall continue to make contributions to the applicable fund under the provisions of that fund.

~~(3)~~ **(C)** The member shall elect a DROP retirement date not less than twelve (12) months and not more than:

(i) thirty-six (36) months after the member's DROP entry date, for a member who executes an election described in clause (A) before July 1, 2024; or

(ii) sixty (60) months after the member's DROP entry date, for a member who executes an election described in clause (A) after June 30, 2024.

~~(4)~~ **(D)** The member may not remain in the DROP after the date the member reaches any mandatory retirement age that may apply to the member.

~~(5)~~ **(E)** The member may make an election to enter the DROP only once in the member's lifetime.

(2) Notify the member's employer of the DROP election within thirty (30) days of the election.

SECTION 11. IC 36-8-8.5-10.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2024]: **Sec. 10.5. (a) Notwithstanding section 10 of this chapter, a member that entered the DROP before July 1, 2024, and that has not exited the DROP may elect to extend the member's DROP retirement date up to sixty (60) months after the member's DROP entry date.**

(b) A member that makes the election described in subsection (a) shall notify the member's employer within thirty (30) days of the election.

SECTION 12. IC 36-8-8.5-14, AS AMENDED BY P.L.156-2020, SECTION 147, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2024]: Sec. 14. (a) Subject to subsection (b), a member who enters the DROP established by this chapter shall exit the DROP at the earliest of:

(1) the member's DROP retirement date;



(2) **either:**

(A) thirty-six (36) months after the member's DROP entry date, **if the member:**

(i) **executes an election described in section 10 of this chapter before July 1, 2024; and**

(ii) **does not execute an extension described in section 10.5 of this chapter; or**

(B) **sixty (60) months after the member's DROP entry date, if the member:**

(i) **executes an election described in section 10 of this chapter after June 30, 2024; or**

(ii) **executes an extension described in section 10.5 of this chapter;**

(3) the mandatory retirement age applicable to the member, if any; or

(4) the date the member retires because of a disability as provided under section 16.5(d) of this chapter.

(b) A member of the 1925 fund, the 1937 fund, or the 1953 fund who enters the DROP established by this chapter must exit the DROP on the date the authority of the board of trustees of the Indiana public retirement system to distribute from the pension relief fund established under IC 5-10.3-11-1 to units of local government (described in IC 5-10.3-11-3) amounts determined under IC 5-10.3-11-4.7 expires.

SECTION 13. An emergency is declared for this act."

Page 5, delete lines 1 through 11.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 1004 as printed January 16, 2024.)

MISHLER, Chairperson

Committee Vote: Yeas 7, Nays 6.

