



January 26, 2024

SENATE BILL No. 275

DIGEST OF SB 275 (Updated January 24, 2024 10:43 am - DI 140)

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

Synopsis: Pension matters. 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 a date to be determined by the general assembly; and (2) 1% annual cost of living adjustments to future in-payment members
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Effective: Upon passage; July 1, 2024.

**Buchanan, Rogers, Niezgodski,
Walker G**

January 11, 2024, read first time and referred to Committee on Pensions and Labor.
January 25, 2024, reported favorably — Do Pass; reassigned to Committee on Appropriations.

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Digest Continued

and beneficiaries retired after a date to be determined by the general assembly. 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. 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. 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.

SB 275—LS 6960/DI 144



January 26, 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.

SENATE BILL No. 275

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 5-10-5.5-22, AS AMENDED BY P.L.145-2020,
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2024]: Sec. 22. (a) As used in this section, "DROP" refers to
4 a deferred retirement option plan established under this section.
5 (b) As used in this section, "DROP entry date" means the date that
6 a participant's election to enter a DROP becomes effective.
7 (c) As used in this section, "DROP frozen benefit" refers to an
8 annual retirement allowance computed under section 10 of this chapter
9 based on a participant's:
10 (1) average annual salary; and
11 (2) years of creditable service;
12 on the date the participant enters the DROP.
13 (d) As used in this section, "DROP retirement date" means the
14 future retirement date selected by a participant at the time the
15 participant elects to enter the DROP.
16 (e) Only a participant who is eligible to receive an unreduced annual
17 retirement allowance immediately upon termination of employment

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1 may elect to enter a DROP. A participant who elects to enter the DROP
 2 ~~must~~ **shall do the following:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (2) **Either:**

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

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

42 **(ii) does not execute an extension described in subsection**



- 1 **(f); or**
 2 **(B) sixty (60) months after the participant's DROP entry**
 3 **date, if the participant:**
 4 **(i) executes an election described in subsection (e) after**
 5 **June 30, 2024; or**
 6 **(ii) executes an extension described in subsection (f).**
 7 (3) The participant's mandatory retirement age.
 8 (4) The date the participant retires because of a disability as
 9 provided by subsection ~~(k)~~: **(m)**.
 10 ~~(h)~~ **(j)** A participant who retires on the participant's DROP
 11 retirement date or on the date the participant retires because of a
 12 disability as provided by subsection ~~(k)~~ **(m)** may elect to receive an
 13 annual retirement allowance:
 14 (1) computed under section 10 of this chapter as if the participant
 15 had never entered the DROP; or
 16 (2) consisting of:
 17 (A) the DROP frozen benefit; plus
 18 (B) an additional amount, paid as the participant elects under
 19 subsection ~~(h)~~; **(k)**, determined by multiplying:
 20 (i) the DROP frozen benefit; by
 21 (ii) the number of months the participant was in the DROP.
 22 ~~(i)~~ **(k)** The participant shall elect, at the participant's retirement, to
 23 receive the additional amount calculated under subsection ~~(h)~~~~(2)~~~~(B)~~
 24 **(j)(2)(B)** in one (1) of the following ways:
 25 (1) A lump sum paid on:
 26 (A) the participant's DROP retirement date; or
 27 (B) the date the participant retires because of a disability as
 28 provided by subsection ~~(k)~~: **(m)**.
 29 (2) Three (3) equal annual payments:
 30 (A) commencing on:
 31 (i) the participant's DROP retirement date; or
 32 (ii) the date the participant retires because of a disability as
 33 provided by subsection ~~(k)~~; **(m)**; and
 34 (B) thereafter paid on:
 35 (i) the anniversary of the participant's DROP retirement
 36 date; or
 37 (ii) the date the participant retires because of a disability as
 38 provided by subsection ~~(k)~~: **(m)**.
 39 ~~(j)~~ **(l)** A cost of living increase determined under section 21(c) of
 40 this chapter does not apply to the additional amount calculated under
 41 subsection ~~(h)~~~~(2)~~~~(B)~~ **(j)(2)(B)** at the participant's DROP retirement date
 42 or the date the participant retires because of a disability as provided by



1 subsection ~~(k)~~ **(m)**. No cost of living increase is applied to a DROP
 2 frozen benefit while the participant is in the DROP. After the
 3 participant's DROP retirement date or the date the participant retires
 4 because of a disability as provided by subsection ~~(k)~~ **(m)**, cost of living
 5 increases determined under section 21(c) of this chapter apply to the
 6 participant's annual retirement allowance computed under this section.

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

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

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

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

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

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

35 (A) At the election of the survivor or survivors to whom the
 36 benefit is payable, the benefit calculated under subsection

37 ~~(h)(2)(B)~~ **(j)(2)(B)** is paid in either:

38 (i) a lump sum; or

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



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

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

8 SECTION 2. IC 5-10.2-12-3, AS ADDED BY P.L.127-2018,
9 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
10 UPON PASSAGE]: Sec. 3. (a) For 2019 and each year thereafter, the
11 contribution rate established by the board for each employer shall
12 include a surcharge determined by the board

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

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

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

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

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

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

28 (b) The surcharge described in subsection (a) shall be paid in the
29 same manner as other employer contributions required under
30 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.

31 SECTION 3. IC 5-10.5-4-7 IS ADDED TO THE INDIANA CODE
32 AS A **NEW SECTION** TO READ AS FOLLOWS [EFFECTIVE
33 UPON PASSAGE]: **Sec. 7. (a) For purposes of this section, "fund"**
34 **means the public employees' retirement fund, Indiana state**
35 **teachers' retirement fund, legislators' defined benefit plan, and**
36 **state excise police, gaming agent, gaming control officer, and**
37 **conservation enforcement officers' retirement plan.**

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

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



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

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

6 **(1) annual indexed thirteenth checks for all current retired**
7 **members and beneficiaries retired before a date to be**
8 **determined by the general assembly; and**

9 **(2) one percent (1%) annual cost of living adjustments to**
10 **future in-payment members and beneficiaries retired after at**
11 **a date to be determined by the general assembly.**

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

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

17 **(d) This section expires December 31, 2029.**

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

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

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

31 SECTION 6. IC 5-11-20-2.5 IS ADDED TO THE INDIANA CODE
32 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE**
33 **UPON PASSAGE]: Sec. 2.5. As used in this chapter, "system"**
34 **refers to the Indiana public retirement system established by**
35 **IC 5-10.5-2-1.**

36 SECTION 7. IC 5-11-20-6 IS ADDED TO THE INDIANA CODE
37 AS A **NEW SECTION TO READ AS FOLLOWS [EFFECTIVE**
38 **UPON PASSAGE]: Sec. 6. (a) On June 15 of each year, the system**
39 **shall send a delinquency notice to a delinquent political**
40 **subdivision. The delinquency notice must inform the delinquent**
41 **political subdivision that:**

42 **(1) an employee retirement plan offered by the delinquent**



1 **political subdivision:**

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

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

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

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

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

19 (1) Agree to the following:

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

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

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

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

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

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

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

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

41 SECTION 9. IC 36-8-8.5-10.5 IS ADDED TO THE INDIANA
42 CODE AS A NEW SECTION TO READ AS FOLLOWS



1 [EFFECTIVE JULY 1, 2024]: **Sec. 10.5. (a) Notwithstanding section**
 2 **10 of this chapter, a member that entered the DROP before July 1,**
 3 **2024 and that has not exited the DROP may elect to extend the**
 4 **member's DROP retirement date up to sixty (60) months after the**
 5 **member's DROP entry date.**

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

9 SECTION 10. IC 36-8-8.5-14, AS AMENDED BY P.L.156-2020,
 10 SECTION 147, IS AMENDED TO READ AS FOLLOWS
 11 [EFFECTIVE JULY 1, 2024]: Sec. 14. (a) Subject to subsection (b), a
 12 member who enters the DROP established by this chapter shall exit the
 13 DROP at the earliest of:

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

15 (2) **either:**

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

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

20 **(ii) does not execute an extension described in section**
 21 **10.5 of this chapter; or**

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

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

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

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

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

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

38 SECTION 11. **An emergency is declared for this act.**



COMMITTEE REPORT

Madam President: The Senate Committee on Pensions and Labor, to which was referred Senate Bill No. 275, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS and be reassigned to the Senate Committee on Appropriations.

(Reference is to SB 275 as introduced.)

ROGERS, Chairperson

Committee Vote: Yeas 10, Nays 0

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