

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **SB 1801**

February 15, 2017

SPONSOR (S): Brady

SYSTEM(S): All State Systems

FISCAL IMPACT: The fiscal impact of SB 1801 is not known. An actuarial study would be required to assess future State contributions and unfunded liabilities under the new DC plan.

SUBJECT MATTER: SB 1801 mandates the creation of a defined contribution plan in all 5 State systems. The DC plan would be optional for Tier 1 and Tier 2 members in service before the establishment of the plan. Newly hired members would be automatically enrolled, unless they choose to opt out.

COMMENT: SB 1801 amends the State System Articles of the Illinois Pension Code (SERS, SURS, TRS, JRS, and GARS). The bill requires each system to establish and maintain a defined contribution plan “to address the retirement preparedness gap for participants in a defined benefit plan...” The State systems are required to establish this DC plan no later than one year after the effective date of this bill. Tier 1 and Tier 2 members who began participation before the establishment of the new DC plan would be allowed to voluntarily opt into the DC plan, and newly hired members would be automatically enrolled in the DC plan, unless they choose to opt out within 60 days of becoming a participant. SB 1801 provides that employee contribution rates in the DC plan will be established by the board of directors of the relevant system. The bill does not specify the level of State contributions, or, more specifically, does not amend the 90% by 2045 funding requirement set forth by P.A. 88-593.

DH:dkb

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