## COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

## 101ST GENERAL ASSEMBLY

BILL NO: **SB 2795** February 7, 2020

SPONSOR (S): Martwick

SYSTEM(S): Illinois Municipal Retirement Fund, State Universities, Downstate

Teacher Articles

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FISCAL IMPACT: According to IMRF and SURS, SB 2795 is needed to bring these systems into compliance with federal tax law pertaining to the age at which mandatory distributions must be made. The bill will not have any substantive fiscal impact. More detail is provided in the comment section below.

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<u>SUBJECT MATTER</u>: SB 2795 amends the Illinois Municipal Retirement Fund, State Universities, and Downstate Teacher Articles to make various changes to the mandatory distribution age to comply with federal tax law.

COMMENT: Under current law in the IMRF and SURS Articles of the Pension Code, mandatory payments of retirement annuities must commence upon attainment of age 70 ½ if the member is no longer in service and otherwise entitled to an annuity under the Article. SB 2795 provides that the mandatory distribution age for these two systems will be tied to Section 401(a)(9) of the Internal Revenue Code of 1986, as amended. According to IMRF and SURS, the U.S. Congress passed the SECURE Act, which became effective January 1, 2020. The new law states that anyone separated from service must begin taking a distribution from a qualified plan beginning at age 72. IMRF and SURS hold that this change is necessary to comply with federal tax law.

Under the Pension Code, the mandatory distribution age for a survivor's annuity under TRS becomes payable no later than age age 70  $\frac{1}{2}$ . SB 2795 changes the mandatory benefit distribution age from 70  $\frac{1}{2}$  to age 72, in order to comply with the aforementioned SECURE Act passed by the U.S. Congress.

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