

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 96TH GENERAL ASSEMBLY

BILL NO: **SB 3404** March 2, 2010

SPONSOR(S): Raoul

SYSTEM(S): State Universities Retirement System

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**FISCAL IMPACT:** There is no discernable fiscal impact associated with SB 3404.

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**SUBJECT MATTER:** SB 3404 amends the State Employees Group Insurance Act of 1971 to provide that eligibility to participate in the program of health benefits for community college benefit recipients and dependent beneficiaries shall be determined by the appropriate community college rather than by SURS. SB 3404 amends the Illinois Pension Code to require that all pension funds and retirement systems established under the Code be administered in a manner required to satisfy the applicable qualification requirements for a qualified governmental plan, as provided by the U.S. Internal Revenue Code. SB 3404 specifies that provisions concerning approval of travel or educational missions do not apply to expenses incurred in the State of Illinois for attending board or board committee meetings or for carrying out duties as a trustee of the retirement system, pension fund, or investment board. SB 3404 also makes changes concerning the appointment and election of trustees of the Board of Trustees of SURS.

**FISCAL IMPACT:** There is no discernable fiscal impact associated with SB 3404.

**COMMENT:**

**Health Benefits for Community College Benefit Recipients and Dependent Beneficiaries**  
Currently, eligibility to participate in the program of health benefits for community college benefit recipients and community college dependent beneficiaries is determined by the State Universities Retirement System. SB 3404 provides that eligibility will no longer be determined by SURS, but eligibility will be determined by the appropriate community college. Once eligibility has been determined, the determination will be provided to SURS. SB 3404 states that SURS may rely on this information in making deductions from annuity payments for premiums.

In addition, SB 3404 clarifies that the State Universities Retirement System has no required duty to certify, verify, audit, or otherwise ensure the appropriateness or

adequacy of the information received from the community colleges on matters relating to the health benefits for community college benefit recipients and community college dependent beneficiaries.

#### Contributions to the Community College Health Insurance Security Fund

In matters concerning contributions to the Community College Health Insurance Security Fund, SB 3404 clarifies that the State Universities Retirement System has no required duty to certify, verify, audit, or otherwise ensure the appropriateness or adequacy of the contributions made by or information received from the community colleges.

#### Qualified Governmental Plans

SB 3404 adds a new Section to the Illinois Pension Code concerning a qualified governmental plan. SB 3404 provides that all pension funds and retirement systems established under the Illinois Pension Code are to be administered in a manner that will satisfy the qualification requirements for a qualified governmental plan, as provided by the U.S. Internal Revenue Code. If a statutory provision affecting a pension fund or retirement system conflicts with a qualification requirement under the U.S. Internal Revenue Code with consequent federal regulations, then the provision is either ineffective or it must be interpreted to conform with the federal qualification requirements to allow the pension fund or retirement system plan to retain its qualified status.

#### Approval of Travel or Educational Missions

Currently, the expenses for travel or educational missions of a board member of a retirement system, pension fund, or investment board created under the Illinois Pension Code must be approved by a majority of the board prior to the travel or mission. SB 3404 states that this does not apply to any expenses incurred in Illinois for attending board or board committee meetings or for carrying out duties as a trustee of the retirement system, pension fund, or investment board.

#### Economic Opportunity Investments

As of 2009, each pension fund, except Downstate police and fire pension funds, must submit a report to the Governor and the General Assembly by September 1 of each year. The report must identify the economic opportunity investments made by the fund, the primary location of the business or project, the percentage of the fund's assets in economic opportunity investments, and the actions that the fund has undertaken to increase the use of economic opportunity investments. SB 3404 provides that beginning in 2011, each pension fund, except Downstate police and Downstate fire pension funds, must submit a report to the Governor and the General Assembly by January 1 of each year. This report must identify the economic opportunity investments made by the fund, the primary location of the business or project, the percentage of the fund's assets in economic opportunity investments, and the actions that the fund has undertaken to use economic opportunity investments to the greatest extent feasible within the bounds of financial and fiduciary discretion.

Appointment and Election of Board of Trustees of SURS

SB 3404 makes various changes concerning the appointment and election of trustees of the Board of Trustees of the State Universities Retirement System. Under SB 3404, the Chairperson of the Board of Higher Education shall act as president of this Board; out of the four trustees appointed by the Governor, two will serve for a term of 3 years, expiring on June 30, 2012, and two will service for a term of 6 years, expiring on June 30, 2015; the six elected trustees are to be elected for a 6-year term beginning on July 1 next following their election (which must be concluded on May 1, or May 2 if May 1 falls on a Sunday); the secret ballot election that must be conducted in there is more than one qualified nominee for each elected trustee position will not be done by mail; a vacancy occurring in the elective membership of the board will be filled with a qualified person for the remainder of the unexpired term by the elected trustees serving on the board; and a vacancy occurring in the appointed membership of the board of trustees caused by resignation, death, expiration of term of office, or any other reason shall be filled by a qualified person appointed by the Governor for the remainder of the unexpired term.

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