

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 101ST GENERAL ASSEMBLY

BILL NO: **SB 1586**

March 1, 2019

SPONSOR (S): Aquino

SYSTEM(S): SERS

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**FISCAL IMPACT:** According to SERS, there are a total of 63 employees at the State Board of Elections. ISBE employees are not allowed to participate in unions since they regulate campaign contributions, so all ISBE employees would qualify for this new schedule of voluntary defined contribution retirement benefits. The fiscal impact to SERS would depend on the number of participants, but it is expected to be very minor.

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**SUBJECT MATTER:** SB 1586 amends the State Employee Article of the Illinois Pension Code by requiring the System to implement a voluntary defined contribution retirement plan for employees of the Illinois State Board of Elections who are not covered by a collective bargaining agreement by July 1, 2020, the provisions of which are defined below in the Comment section. The purpose of the proposed legislation is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan.

**COMMENT:** SB 1586 would require the System to prepare and implement a voluntary defined contribution plan that aggregates State and employee contributions in individual participant accounts by July 1, 2020. This bill would require a participant to pay employee contributions at a rate of 3% of salary. State contributions would be paid into the accounts of all participants at a rate of 3% of salary. Participants in the defined contribution plan may be eligible for the defined disability benefits available to other participants in the System. If a participant receives defined disability benefits, his or her employee contributions would be reduced to cover the cost of the benefits.

The defined contribution plan would provide a variety of options for investment, administered by the Illinois State Board of Investment as well as private sector investment options. The plan would provide a variety of options for payouts to participants who are no longer active in the System and their survivors. The plan would allow participants to transfer or roll over employee and State contributions from the

defined contribution plan into other qualified retirement plans, to the extent permitted by law and the System's authorization.

The proposed legislation provides that eligible employees can elect, in writing, to stop accruing benefits in the defined benefit plan and begin accruing benefits in the defined contribution plan. This voluntary election into the defined contribution plan is irrevocable. If a member elects to participate in the defined contribution plan after being a member of the defined benefit plan, an amount equal to the amount of contribution refund that the member would be eligible to receive if the member terminated employment on that date and elected a refund of contributions, including interest, will be transferred into the member's individual account in the defined contribution plan.

LV:bj

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