

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 2974**

February 22, 2021

SPONSOR (S): Morrison

SYSTEM(S): TRS

FISCAL IMPACT: There is no discernible fiscal impact associated with HB 2974. The amount of member contributions made to TRS will not change with passage of this bill.

SUBJECT MATTER: HB 2974 amends the TRS article of the Pension Code to prohibit school districts from making employee contributions to TRS on behalf of the members, except for those contributions made pursuant to a “pick up” plan for purposes of deferring member income taxation on contributions.

COMMENT: Federal tax law permits public employers to “pick up” employee retirement contributions. Under a pick-up plan, the “picked-up” employee contributions are tax deferred for federal income taxation purposes until the member receives the contributions in the form of a refund or retirement benefit. Under the TRS article of the Pension Code, all employers (school districts) are required to participate in the “pick up” program.

HB 2974 amends the TRS article of the Pension Code to stipulate that no employer shall pay employee contributions on behalf of an employee, except for the sole purpose of allowing the employee to make pre-tax contributions via an employer “pick up” plan as described above. TRS members contribute 9% of salary towards their pensions.

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