

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 3375**

March 2, 2021

SPONSOR (S): Sosnowski

SYSTEM(S): All State Systems

FISCAL IMPACT: The defined contribution plan created by HB 3375 is optional and does not replace the traditional defined benefit plans offered by the 5 State retirement systems. Therefore, State contributions to the five State systems will not be altered, and there will be no fiscal impact to the systems beyond the minimal fees necessary to establish the voluntary DC plans.

SUBJECT MATTER: HB 3375 amends the General Assembly, State Employees, State Universities, Downstate Teachers, and Judges Articles of the Illinois Pension Code. The proposed legislation would require the board of each system to establish and maintain a voluntary defined contribution (DC) plan to address the lack of retirement preparedness of members who are not on track to maintain their standard of living in retirement. This defined contribution plan would be separate and distinct from the existing DB plans maintained by each of the five State systems.

COMMENT: HB 3375 mandates that the boards of trustees of each of the 5 State systems establish and maintain a voluntary defined contribution (DC) plan to address the lack of retirement preparedness of members who are not on track to maintain their standard of living in retirement. The DC plan must be established by the pertinent fund no later than one year after the effective date of the legislation. Tier 1 and Tier 2 members who are already participating in the State systems on the effective date will have the opportunity to opt into the newly created DC plan. Tier 2 participants who enter service after the bill's effective date would automatically be enrolled in the optional DC plan, unless they opt out within 60 days of entering service.

The plan would allow members to set up a default investment option that is automatically invested to generate a stream of income to replace their pre-retirement income. Contribution rates for the DC plan are not specified in the legislation, but are to be established by each system's board of trustees. The plan would provide a variety of options for distributions consistent with federal law.

DH:bs

LRB102 17001 RPS 22422 b