

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 2103, as engrossed** May 7, 2021  
SPONSOR (S): Martwick – Villa, et al.  
SYSTEM(S): SURS, TRS, State Board of Investment Article

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**FISCAL IMPACT:** There is no discernible fiscal impact associated with SB 2103, as engrossed. The bill does not change employer contributions to any of the pension funds impacted by this bill.

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**SUBJECT MATTER:** SB 2103, as engrossed, amends the SURS and TRS articles of the Pension Code to make technical changes to provide for the implementation of the optional defined contribution (DC) plan that was mandated by P.A. 100-0769. The engrossed bill also provides that newly hired members in SURS may not participate in the State Employees' Deferred Compensation Program on or after July 1, 2023, unless that person has made an election to participate in the plan and the agreement to participate is in effect as of June 20, 2023.

### COMMENT:

#### *Deferred Compensation Plan for SURS*

P.A. 100-0769 contained a mandate that SURS provide a new optional defined contribution (DC) plan for the State Universities Retirement System. SB 2103, as engrossed, is a trailer bill to the aforementioned Act. The bill defaults newly hired SURS members into the optional DC plan on or after July 1, 2023, while existing participants may opt in once the plan is operational. Regardless of the means of enrollment, members will retain the ability to opt out at any time. Participating employees will contribute 3% of compensation into the optional DC plan. Employer contributions are optional for the employing university or community college; there would be no State contributions toward the optional DC plan. The engrossed bill provides that SURS employers shall adopt the optional DC plan no later than September 1, 2021.

#### *Deferred Compensation Plan for TRS*

SB 2103, as engrossed, makes technical changes to the TRS article of the Pension Code for the implementation of the optional DC plan mandated by P.A. 100-0769. The engrossed bill allows TRS to use regular State contributions to the system to defray any and all costs of creating and maintaining the optional DC plan, but will reimburse those

costs from funds received from participating employees and school districts. The engrossed bill defaults newly hired TRS members into the optional DC plan as soon as practicable on or after January 1, 2022, while existing participants may opt in once the plan is operational. Members who are automatically enrolled will have 90 days to opt out after auto-enrollment. SB 2103, as engrossed, allows TRS to elect to increase the automatic annual employee contributions to the optional DC plan, but not by more than 2% of the member's pre-tax gross compensation per year.

*SURS Member Participation in the State Employees' Deferred Compensation Plan*

SB 2103, as engrossed, amends the State Employees' Deferred Compensation Article of the Pension Code to specify that the term "employee" does not include a person who first becomes employed under the SURS article on or after July 1, 2023, unless that person has made an election to defer compensation into the State Employees' Deferred Compensation Plan under a written agreement and the deferral election is in effect as of June 30, 2023.

DH:bs

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