COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 2103, as amended by SA 3** April 22, 2021

SPONSOR (S): Martwick

SYSTEM(S): SURS, TRS, State Board of Investment Article

FISCAL IMPACT: There is no discernible fiscal impact associated with SB 2103, as amended by SA 3. The bill does not change employer contributions to any of the pension funds impacted by this bill.

SUBJECT MATTER: SB 2103, as amended by SA 3, 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 amended bill also provides for a prohibition on the distribution of informational pamphlets regarding the State Deferred Compensation Plan on the part of the State Board of Investment beyond those members eligible for participation in the plan.

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 amended by SA 3, is a trailer bill to the aforementioned Act. SA 3 to SB 2103 defaults newly hired SURS members into the optional DC plan on or after July 1, 2022, 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 bill, as amended, provides that SURS employers shall adopt the optional DC plan no later than September 1, 2021.

Deferred Compensation Plan for TRS
SB 2103, as amended by SA 3, 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 amended 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 bill, as amended, 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. SA 3 to SB 2103 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.

The retirement system says that State funds will be used to support the administrative costs until the optional DC plan can sustain itself. Participation fees paid as members register will be the source of funds used to reimburse any administrative costs met using State funds. There is no dollar projection associated with the usage of State funds for this purpose.

State Board of Investment Deferred Compensation Pamphlets
Currently, the Illinois State Board of Investment is mandated to provide for the periodic preparation and distribution of pamphlets describing the State Deferred Compensation Plan to all eligible State employees. SA 3 to SB 2103 states that such pamphlets shall not be distributed to employees covered under IMRF, TRS, or SURS.

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