COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 2103** March 19, 2021

SPONSOR (S): Martwick

SYSTEM(S): SURS, IMRF, State Deferred Compensation Program

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

SUBJECT MATTER: SB 2103 amends various articles of the Pension Code. In SURS, the bill provides for automatic enrollment options in the new defined contribution plan. In IMRF, the bill automatically enrolls new employees into the fund's Voluntary Additional Contribution (VAC) program. Lastly, the bill amends the Deferred Compensation Article of the Pension Code to automatically enroll current employees in SERS, TRS, and the Chicago Teachers' Pension Fund.

COMMENT:

Optional DC Plan for SURS Trailer Language
P.A. 100-0769 implemented a new optional defined contribution (DC) plan for the State Universities and Downstate Teachers retirement systems. The new optional DC plan went into operation in SURS on March 1st, 2021. SB 2103 is a trailer bill to the aforementioned Act. The bill requires that under SURS, the DC plan shall provide for one or more automatic contribution arrangements, at least one of which shall be an eligible automatic contribution arrangement that permits a withdrawal of default elective contributions in accordance with the Internal Revenue Code. SURS says that when presented with supplemental savings options, many individuals fail to select a supplemental savings plan. For individuals who fail to make a supplemental savings plan selection, it is an industry recognized best practice to enroll them into a default supplemental savings plan.

Automatic Enrollment in IMRF's Voluntary Savings Plan
Currently, IMRF has a Voluntary Additional Contributions (VAC) program. Employees can make contributions to the VAC program up to 10% of IMRF reportable earnings; these contributions go into a separate individual account. The current rate of interest credited to VAC accounts is 7.25%. No employer contributions are made to the

member's VAC account. Under SB 2103, employees who first begin service on or after 6 months after the bill's effective date shall automatically contribute 3% of each payment of earnings to a VAC account, with the option of contributing up to 10% of earnings. Newly-hired members who are auto-enrolled in VAC can opt out of the program if they so elect. The bill gives IMRF the power to limit the number of VAC withdrawals to an amount not less than once per calendar year, and to charge an administrative fee to cover the costs of processing withdrawals.

Automatic Enrollment in State Deferred Compensation Program

P.A. 101-0277, which became effective on January 1, 2020, directed the Department of Central Management Services to automatically enroll newly-hired members in the General Assembly Retirement System, the State Employees Retirement System, and the Judges Retirement System in the State Deferred Compensation Program on or after July 1, 2020 (6 months after the effective date of P.A. 101-0277). Newly hired members under the Act shall automatically have deducted 3% of their pre-tax gross compensation for contributions to the Deferred Comp program, unless they opt out within 30 days from the start of employment; automatic participation commences following the 30th day of employment. Newly hired employees also have the opportunity to opt out within 90 days of automatic enrollment.

SB 2103 would automatically enroll in the Deferred Compensation Plan any employee who is a member under SERS, TRS, and the Chicago Teachers' Pension Fund on the effective date of the bill. The automatic enrollment would commence on the first pay period following the bill's effective date. As with newly-hired employees mentioned previously who were impacted by P.A. 101-0277, current employees in the aforementioned systems would have 90 days to withdraw after automatic enrollment commences. After withdrawal from the deferred comp plan, an employee would receive a refund of amounts deferred, minus any employee matching funds.

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