

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: **SB 3462**

January 25, 2022

SPONSOR (S): Martwick

SYSTEM(S): State Employees Deferred Compensation Plan

FISCAL IMPACT: SB 3462 will have no fiscal impact upon SERS, GARS, or JRS, as the bill provides for auto-enrollment of members of these systems into the State Employees' Deferred Compensation Plan. The bill will not impact the assets of any of the aforementioned systems, nor will it impact State contributions to the systems.

SUBJECT MATTER: SB 3462 amends the Public Employees' Deferred Compensation Article of the Illinois Pension Code to automatically enroll all GARS, JRS, and SERS members into the State Employees Deferred Compensation Plan who are not participating in the plan voluntarily or who had not been auto-enrolled in the plan under P.A. 102-0277.

COMMENT: SB 3462 provides that the Department of Central Management Services shall automatically enroll all then-active members of the General Assembly Retirement System, the State Employees Retirement System, and the Judges' Retirement System into the State Employees Deferred Compensation Plan who are not already contributing to the plan. (P.A. 102-0277 provided for auto-enrollment of employees in the aforementioned systems hired on or after July 1, 2020). The new round of auto-enrollment will commence no later than January 1, 2024. Active members who are automatically enrolled shall have 3% of pretax gross compensation deferred into their deferred compensation accounts. All employees impacted by this change will have a one-calendar-month opt-out period prior to being auto-enrolled in the plan. Impacted employees may also elect to opt out of auto-enrollment within 90 days after enrollment, and receive a refund of amounts deferred, plus or minus any applicable earnings, investment fees, and administrative fees.

Beginning one year after the date of auto-enrollment, the State Board of Investment shall establish a plan for automatic increases to employee contribution rates for employees who are auto-enrolled in the Deferred Compensation Plan as a result of SB 3462. The bill specifies that the Board may not increase employee contribution rates by more than 1% of compensation in any 12-month period.

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