



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 3138

February 21, 2023

SPONSOR (S): Kifowit

SYSTEM: Downstate Teachers' Retirement System (TRS) Article

FISCAL IMPACT

HB 3138 will have no impact on the TRS trust fund. The TRS Supplemental Savings Plan and any locally administered DC plans do not affect members' participation in TRS' traditional defined benefit plan. The benefits provided by the TRS Supplemental Savings Plan and any locally administered DC plans will be funded solely from member contributions made during employment; no State funds go towards the TRS SSP or any locally administered DC plans.

SUBJECT MATTER: HB 3138 amends the Downstate Teachers' Article of the Pension Code. This bill provides school districts the option to provide an alternative qualifying defined contribution plan for employees to join instead of the TRS Supplemental Savings Plan.

COMMENT: P.A. 100-0769, which took effect on August 10th, 2018, mandated the creation of an optional defined contribution plan in the Teachers Retirement System. Pursuant to the Act, TRS created a DC program called the "Supplemental Savings Plan" (SSP), which began accepting enrollees on January 10, 2022, with payroll contributions to commence after March 1, 2022. The SSP does not replace existing DB benefits for Tier 1 or Tier 2 members. P.A. 102-0540, which took effect on August 20th, 2021, granted TRS the power to automatically enroll new members hired on or after January 1, 2022 into SSP. The Act also set contribution rates for mandatory SSP enrollees at 3 % of pre-tax gross compensation. Members hired before January 1, 2022 can opt into SSP, with no statutorily mandated contribution rate, but TRS requires a minimum contribution of \$30 per pay period.

HB 3138 provides an exception for automatic enrollment in the TRS SSP for employees that are employed at a school district that provides an alternative qualifying defined contribution (DC) plan. School districts electing to use an alternative qualifying plan shall abide by the same automatic enrollment procedures as the TRS SSP program beginning June 1, 2023. The bill sets forth certain administrative procedures that local school districts must abide by to be in compliance with this optional DC offering, such as proper recordkeeping and permitting employees to transfer or roll over funds, among other stipulations.

The school district establishing the alternative qualifying DC plan must file a letter of compliance, passed by resolution of the school board, and a copy of the resolution passed by the school board with TRS before the alternative DC plan can commence enrolling new members.

GR:bs

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