



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 2607

January 4, 2024

SPONSOR (S): Martwick

SYSTEM: Deferred Compensation Article (Article 24)

FISCAL IMPACT

The amount of individual investment fees under the Deferred Compensation Plan that the State would assume as a result of the passage of SB 2607 is not known, but such fees would become an obligation of the State in addition to existing Deferred Compensation program administrative fees if this bill were to become law. CMS has indicated that the department cannot feasibly assume the responsibility for individual investment fees as doing so would be administratively impractical. CMS says that discussions are ongoing on how to achieve the objectives set forth in this bill.

SUBJECT MATTER: SB 2607 amends the Deferred Compensation Article of the Pension Code. The bill seeks to assign the responsibility to recover all relevant expenses of the administration of the Deferred Compensation Plan to the employer, i.e., the State of Illinois. Current law sets forth two methods for the payment of expenses related to the program: administrative fees paid by the State and individual investment fees paid by participating employees. The bill would assign the payment of any fees borne by participating employees to the State of Illinois.

COMMENT:

Under current law, the State of Illinois Deferred Compensation Plan provides for the recovery of administrative expenses that arise from the operation of the program by utilizing one of the following measures:

- Charging expenses against investment earnings; or
- Charging fees that are equitably distributed among participating State employees.

SB 2607 amends the Deferred Compensation Article of the Pension Code. Effective January 1, 2024, the Department of Central Management Services (CMS) would recover the expenses of its administration of the program by charging fees “equitably prorated among the participating employers,” rather than amongst participating employees, as is the case under current law. CMS states that they cannot remove the individual participant investment fees, and the State currently pays all relevant plan administrative fees. Therefore, the practical impact of this bill is not yet known. CMS also states that the intent of the bill (which is not an initiative of CMS) is to increase participation in the Deferred Compensation Plan by lowering the cost for participants by having CMS pay the fees that are currently borne by the employee. This would require CMS to bill state agencies and universities for those fees with the way SB 2607 is currently written. The department says that the bill is not administratively feasible in its current form; however, discussions are ongoing on how to achieve the aims of the sponsor.

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