



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104TH General Assembly*

BILL NO: **HB 2378**

March 10, 2025

SPONSOR (S): Kifowit

SYSTEM: SURS

FISCAL IMPACT

There is no anticipated fiscal impact to SURS under this legislation as it does not affect pension revenues or liabilities (only health insurance eligibility is affected). A fiscal impact to the State is likely due to increased insurance premium costs, but this would not affect any pension system liabilities. The Department of Central Management Services (CMS) did not identify a potential increase in costs to the State Group Health Insurance Program.

SUBJECT MATTER: HB 2378 amends the State Universities article of the Illinois Pension Code to update certain definitions affecting participants in self-managed retirement plans. This legislation also amends the State Employees Group Insurance Act (SEGIP) regarding community college benefit recipients who have retirement income from a self-managed plan.

COMMENTS: Currently, to receive retiree health insurance under the State Employees Group Insurance Program (SEGIP), an SURS Retirement Savings Plan (RSP) retiree must opt for an annuitized payout rather than a lump sum. As part of the RSP redesign in 2021, members who annuitize at least 50% of their account balance are considered to be receiving an annuity, making them eligible for retiree health insurance. The “50% rule” was implemented administratively by SURS; this standard is not enshrined in statute. HB 2378 amends the SURS article of the Pension Code to specify that all RSP retirees will be eligible for retiree health insurance, regardless of annuitization. According to SURS, as of June 30, 2024, this change would affect 13,574 active members, as the bill applies prospectively.

The Department of Central Management Services (CMS), which administers health insurance plans for these members, has expressed concerns about collecting premiums from retirees who take a lump sum from the RSP. CMS states that if RSP account balances are insufficient to cover health insurance premiums, the state may have to assume the cost. CMS has also stated that no

mechanism currently exists to collect premiums from members with insufficient account balances.

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