



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *104<sup>th</sup> General Assembly*

BILL NO: **HB 2709**

February 20, 2025

SPONSOR: Kelly

SYSTEM: Teacher's Retirement System (TRS)

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#### FISCAL IMPACT

**HB 2709 establishes a pilot program under which no more than 10% of Illinois school districts shall offer a 457(b) defined contribution plan through a single vendor to satisfy the auto-enrollment requirements of the TRS Supplemental Savings Plan (SSP). According to TRS, as of 1/31/2025 there are 9,798 teachers enrolled in SSP (6.6%) with 147,420 teachers eligible to enroll. The proposed 457(b) plan pilot program and SSP would operate in parallel to TRS's defined benefit pension fund.**

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SUBJECT MATTER: HB 2709 amends the TRS Article of the Pension code. The bill establishes a pilot program for no more than 10% of Illinois school districts to offer a 457(b) defined contribution plan to satisfy the requirements of the auto-enrollment provisions in the TRS Supplemental Savings Plan (SSP). More detail is provided below in the Comment section.

COMMENT: P.A. 102-0540, which became effective on August 20<sup>th</sup>, 2021, mandated that all newly hired participants in TRS are automatically enrolled in the Supplemental Savings Plan (SSP), and all eligible TRS employers are required to implement SSP. Participating employers are required to accurately report active members' employment information, report SSP contributions, and monitor SSP contributions for all employees. All employees are given 30 days after being enrolled to opt out without making a default 3% contribution. Afterwards, an employee can opt out within 90 days and receive a refund of their SSP contribution, minus potential investment and administrative fees.

HB 2709 amends the TRS article to establish a pilot program for no more than 10% of Illinois school districts to offer a 457(b) plan through a single vendor to satisfy the requirements of P.A.

102-540 and bypass the SSP. Such a 457(b)-plan offered by a school district must not have surrender charges or annuities, and must permit participants to transfer funds to SSP without cost to the employee. The single vendor shall be chosen based on the best interests of the plan's participants and beneficiaries. To this end, a vendor or vendor affiliate that offers gifts, preferential treatment, employment or benefits to an employee in the selection process will be disqualified. HB 2709 does not have an immediate effective date, meaning it would take effect on January 1, 2026. The bill has a sunset date January 1, 2031, after which this pilot program ends. Schools enrolled in the pilot program would no longer be exempt from the auto-enrollment provisions of P.A. 102-0540, and unless the provisions of HB 2709 are extended, they would be required to participate in SSP again for new members who begin service after the sunset date. Those members enrolled in the district-level 457(b) plan would continue to participate in the plan after the sunset date.

As mentioned previously, the bill prohibits surrender charges and annuities in single-vendor 457(b) plans to protect teachers from high fees and restrictive contracts. Surrender charges penalize early withdrawals or transfers, limiting flexibility, while annuities often come with high fees and complex terms that may not be in the best interest of participants.

HB 2709 is identical to SB 1747 from the current 104<sup>th</sup> GA.

RF:bs

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