



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: HB 5246

March 20, 2026

SPONSOR: Weaver

SYSTEM: General Provisions and Teachers' Retirement System (TRS)

FISCAL IMPACT

HB 5246 amends the TRS Article of the Illinois Pension code to allow certain late-career new hires (age 50 or older) to participate exclusively in TRS's Defined Contribution (DC) plan, the Supplemental Savings Plan (SSP), and by irrevocably opting out of TRS's Defined Benefit (DB) plan.

At this time, it is challenging to estimate the fiscal impact of this bill because HB 5246 is prospective, and the number of late-career new hires who do not have any previous service credit with TRS or any other reciprocal pension fund and who would choose the DC plan over the DB plan is not known ahead of time. However, this bill would reduce future participation in the DB plan, commensurate with the number of eligible TRS participants who elect to participate exclusively in SSP.

As a point of reference, TRS reported in its FY 2025 Actuarial Valuation that, out of 30,430 full- and regular part-time participants with 0-4 years of service, only 2,956 were age 50 and over (approximately 10%).

TRS cautioned that further amendments may be needed to ensure that the SSP is a qualified Social Security replacement plan in the eyes of the Internal Revenue Service (IRS), which may increase the administrative costs of managing the SSP. However, it was uncertain whether such changes would be required.

SUBJECT MATTER: HB 5246 amends Article 16 (Teachers' Retirement System) of the Illinois Pension Code to allow certain new Tier 2 participants to irrevocably opt out of the standard

Defined Benefit (DB) plan offered by the Teacher's Retirement System (TRS) and instead contribute only to TRS's Defined Contribution (DC) plan, the Supplemental Savings Plan (SSP), if they are age 50 or older and have no prior service credit with TRS or any other reciprocal pension system or fund.

COMMENT: Under current law Tier 2 TRS participants contribute to and receive a pension (after meeting the eligibility requirements) from the DB plan, but also have the option to participate in a DC plan, the SSP. The SSP was established by Public Act 100-0769 (eff. August 10, 2018), and with the enactment of Public Act 102-0540 (eff. August 20, 2021) new TRS members are automatically enrolled. If they do not wish to participate, they may opt out within 3 months of starting participation in TRS and receive a refund. The initial contribution amount is set at 3%, and may be increased or decreased by the participant so long as it complies with both federal and state law. The annual maximum contribution limits vary by age. For example, according to information published by TRS, the limit for participants age 49 and younger is \$24,500 annually under federal law, while the limit for participants aged 50-59 increases by an additional \$8,000 as of 2026.

HB 5246 would allow certain new TRS participants to irrevocably elect to opt out of the DB plan and participate exclusively in SSP if they meet the following qualifications:

- Age 50 or older;
- Do not have any pre-existing service credit with TRS or with any other reciprocal system or pension fund; and
- Become members for the first time on or after the effective date

Upon making the election to participate exclusively in the SSP, the participant shall make an employee contribution of 7.5% of salary (pre-tax), while employers are required to contribute 6% of pre-tax salary.

According to TRS, while it is unable to anticipate the number of participants that may elect to participate exclusively in the SSP, the SSP would need to be a qualified Social Security replacement plan in its own right. However, TRS was uncertain whether adjustments would need to be made to the SSP to ensure compliance.

RF:bs

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