



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 1454, as amended by SA 1

April 10, 2025

SPONSOR (S): Martwick

SYSTEM: Chicago Fire, Chicago Police, and Chicago Municipal

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#### FISCAL IMPACT

**SB 1454, as amended by SA 1, achieves the same underlying goal as the original SB 1454. Though, instead of amending the individual articles of the Illinois Pension Code, the Illinois Municipal Code is amended to mandate automatic enrollment for employees of cities with a population of 500,000 or more (Chicago) that participate in the Chicago Fire, Police and Municipal pension funds.**

**SB 1454 automatically enrolls newly hired participants in the Chicago Fire, Police and Municipal funds into a qualified pre-tax defined contribution (DC) retirement plan that would operate alongside the existing defined benefit (DB) plans of the respective funds. The number of new entrants who would be auto-enrolled into the newly created DC plans is not known. Some context is available via P.A. 102-540, which mandated automatic DC enrollment of new hires in both TRS and SURS. SURS reported that 77% of new hires remained in their DC plan after the enrollment window, while TRS reported that 73% of new hires remained in their Supplemental Savings Plan (SSP). More information on the TRS and SURS experience is shown in the chart on Page 2 below.**

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**SUBJECT MATTER:** SB 1454 amends the Chicago Police, Fire, and Municipal articles of the Pension Code to automatically enroll participants into a qualified pre-tax retirement plan beginning on January 1, 2026. Participants shall be informed that they can opt out within 30 days of being hired, after which they shall have a contribution rate of 3% of their salary. Their plan administrator may increase their contribution rate no more than 1% per year, but a participant may opt out of the increase at any time. More detail is shown on the following page in the Comment section.

COMMENT: Since the enactment of P.A. 100-769, which took effect on August 10, 2018, both TRS and SURS have a DC plan parallel to their regular pension plan. With P.A. 102-0540, which took effect on August 20, 2021, all new SURS and TRS members have been automatically enrolled into their respective DC plans, since July 1, 2023, and January 1, 2023 respectively. Details on each plan and their participation rates as of their respective 2024 valuations are provided in the table below.

	TRS (Supplemental Savings Plan)	SURS (Deferred Compensation Plan)
Active Participants	171,754	63,063
Participants in DC plan	9,798	10,493
Participation rate* <sup>+</sup>	5.7%	16.6%
Automatic Enrollment?	Yes	Yes
Default contribution	3%	3%
Opt-out window	30 days	30 days
Auto escalation	None	1% yearly until 10%* <sub>-</sub>

\*<sup>+</sup> Among active participants

\*<sub>-</sub> -Enacted by the SURS board, effective since July 1, 2024

SB 1454 would automatically enroll new participants of the Chicago Police, Fire, and Municipal retirement systems into a qualified pre-tax retirement plan beginning on January 1, 2026. These enrolled participants are given 30 days to opt out before contributing a default 3% of their salary, but can opt out anytime afterward. Participant contributions can be increased by no more than 1% per year by their plan administrator, but they can opt out of the auto escalation clause at any time.

Impact of SA 001

SA 001 replaces everything after the enacting clause, and amends the Illinois Municipal Code, instead of the Illinois Pension Code. However, the amendment still achieves the underlying goal of the original SB 1454: establishing automatic enrollment for participants in the Chicago Police, Chicago Fire, and Chicago Municipal pension funds. The effective date is also moved from January 1, 2026 to January 1, 2027.

RF:bs

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