



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: SB 1454

February 10, 2025

SPONSOR: Martwick

SYSTEM: Chicago Police, Fire, and Municipal

FISCAL IMPACT

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.

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 below 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.

| | TR (Supplemental Savings Plan) | SUR (Deferred Compensation Plan) |
|----------------------------------|-----------------------------------|-------------------------------------|
| Active Participants | 171,754 | 63,063 |
| Participants in DC plan | 9,798 | 10,493 |
| Participation rate* ⁺ | 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%* ⁻ |

*⁺ Among active participants

*⁻ 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.

RF:bs

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