Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE

104th General Assembly

BILL NO: **SB 1933** February 26, 2025

SPONSOR: Martwick

SYSTEM: Teachers Retirement System (TRS)

FISCAL IMPACT

SB 1933 makes purely administrative changes to better facilitate TRS' interpretation and administration of the Supplemental Savings Plan (SSP). It replaces the current 30-day notice period with the federal notice standard (30-90 days) and clarifies that withdrawing participants forfeit matching employer contributions. The bill is a TRS initiative and does not impact the system's $83.6 billion unfunded liability or 45.8% funding ratio, per the June 2024 actuarial valuation.

SUBJECT MATTER: SB 1933 makes technical changes to the TRS article of the Illinois Pension Code to streamline the law with TRS's current administration of the Supplemental Savings Plan (SSP). Key updates include withholding employer contributions from withdrawing participants, replacing the 30-day notice with a federally defined notice period, and explicitly confirming that certain SERS employees (already ineligible) cannot participate in the SSP.

COMMENT: Under current law, the Supplemental Savings Plan (SSP) is available to active TRS members, who are automatically enrolled after a 30-day period. Once enrolled, TRS members contribute 3% of their pre-tax gross compensation to SSP, but can withdraw from the plan within 90 days and receive a refund of their compensation, adjusted for earnings and investment & administrative fees.

SB 1933 makes the following technical changes to the TRS article of the Illinois Pension Code to better carry out the administration of the SSP.

Technical Changes to SSP Provisions

- Specifies that "full-time or part-time contractual members" are eligible to participate;
- Changes "days of enrollment" to "days following the member's initial contribution" in regard to the 90-day deadline for withdrawals; and
- Makes explicit that should a participant withdraw, their matching employer contribution shall be forfeited, consistent with current TRS policy.

Notice Period Definitional Refinement

The 30-day notice period is replaced with a new "notice period" defined as a period of time used to notify employees of their rights and obligations, including their ability to opt out of the plan, explain how their contributions will be used for investments, and allowing for a reasonable amount of time to opt out before making payments. The new notice period implemented by SB 1933 aligns with the federal standard found in the Internal Revenue Code (IRC Section 414 (w)).

The Internal Revenue Code does not provide a rigid definition of what is considered a "reasonable amount of time," but the IRS website states that all EACA plans must provide employees a notice of at least 30 days, but not more than 90 days. The industry standard notice period is 30 days as well. Hence, under SB 1933, TRS's current 30-day notice will remain the same, but will now follow the aforementioned federal standard if additional time is needed for any reason.

Restrictions On Membership

SB 1933 excludes certain SERS employees from participating in SSP.

Those excluded employees are:

- Employees that certify payroll to the State Comptroller, or the State Treasurer, should such payroll use state appropriations;
- Employee of the Illinois Finance Authority and; and
- Employee of the Illinois Comprehensive Health Insurance Board

According to TRS, such SERS members are already ineligible to participate in the SSP for TRS.

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