



# Commission on Government Forecasting and Accountability

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

BILL NO: SB 3075

April 23, 2026

SPONSOR: Balkema

SYSTEM: General Assembly Retirement System (GARS), State Employees Retirement System (SERS), State University Retirement System (SURS), Teachers' Retirement System (TRS), and Judges Retirement System (JRS)

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### FISCAL IMPACT

**SB 3075 creates a Defined Contribution (DC) plan as a replacement option for the existing Defined Benefit (DB) plans of five-State funded Systems. The fiscal impact of this bill is unknown, as the number of current and future Tier 1 and 2 members who would choose the new DC plan instead of the DB plan cannot be known ahead of time. Although this bill would reduce current or future participation in the DB plans under the five systems, commensurate with the number of the DC participants, an actuarial analysis would have to be performed to ascertain its full impact.**

**SERS, however, has expressed concerns about compliance with Section 401(a) of the Internal Revenue Code, specifically, regarding the lack of a fixed percentage rate for employee contributions.**

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**SUBJECT MATTER: SB 3075 amends the General Assembly Retirement System (GARS), State Employees Retirement System (SERS), State University Retirement System (SURS), Teachers' Retirement System (TRS), and Judges Retirement System (JRS) Articles to create a Defined Contribution (DC) plan for the five State-funded systems (GARS, SERS, SURS, TRS, and JRS) that shall be implemented by July 1, 2028.**

**COMMENT: Under current law the five-State funded systems are employer-sponsored Defined Benefit (DB) pension plans first and foremost. However, participants may elect to participate in current optional DC plans, alongside their DB pension plan for the following State Systems:**

- The Deferred Compensation Plan for SERS;

- The Retirement Savings Plan for SURS; and
- The Supplemental Savings Plan for TRS

SB 3075 would mandate that the five State-funded systems begin implementation of a DC plan by July 1, 2028, and give current Tier 1 and Tier 2 participants the ability to voluntarily “transition” to the new DC plan from their current DB plan on or before December 31, 2027. Active members who elect the DC plan would cease accruing benefits in the DB plan and would instead begin accruing benefits under the DC plan for future service. New participants entering service on or after January 1, 2027 would be granted the option to participate in the DC plan during a one-month election window.

The DC plans would be designed by the affected retirement systems, with SB 3075 outlining general parameters and requirements that DC plans must abide by. The following is a list of the main requirements enumerated in SB 3075:

- **Vesting Requirements:**
  - 5 years of service would be required to vest in State contributions.
  - Termination before vesting would forfeit State contributions and investment earnings thereon.
- **State Contributions:**
  - State contributions shall be between 3.0% and 7.6% of salary, adjusted annually by the State.
  - The stated intent of this bill is for the State’s normal cost for DC participants to be identical, if possible, to the State’s normal cost under the applicable DB plan.
- **Employee Contributions:**
  - Employee contributions shall be at a rate of salary, determined by the participant, but between 3.0% and a rate determined by the Board of the applicable retirement, subject to State and federal law.
- **Disability Benefits:**
  - Retirement systems may provide the same disability benefits as are currently available for DB plans, but are allowed to pay for said benefits using employee contributions (and thus employee contributions credited to the individual account would be deducted).
- **Survivor Benefits and payouts to inactive members:**
  - Retirement systems shall provide payout options for participants who are no longer active and their survivors, but no specific language is provided in this bill.
- **Return to Service:**
  - Participants who terminate service and later return have three months to decide whether they want to re-enroll in their DC plan or not participate.
- **Transfer of service credits to another qualified retirement plan:**
  - Participants are allowed to transfer both employee contributions and vested State contributions into other qualified retirement plans, to the extent permitted under both federal laws and the applicable retirement system.
- **Termination of the DB plan and a tax-free transfer to the individual DC account:**

- Members who choose the DC plan may elect to terminate all participation in the DB plan.
- Upon the election, the applicable system would transfer a refund of contributions, with regular interest for the respective years, into the participant's individual DC account.
- This transfer shall be a tax-free transfer.

SB 3075 stipulates that no one shall participate in the DC plans until they achieve qualified plan status from the IRS; otherwise, the DC plans shall be considered void.

According to SERS, their primary concern with SB 3075 is that language regarding employee contributions may not be in compliance with Section 401(a) of the Internal Revenue Code, and SERS recommends setting such employee contributions at a fixed percentage rate for all employees.

SB 3075 additionally provides that a new employee who first become a member under SERS, TRS, or SURS after the effective date would not be required to participate in the applicable system as a condition of employment.

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