

Supplemental Defined Contribution Plan

HB 4712 amends multiple provisions of the Illinois Pension Code to create supplemental defined contribution plans for each of the state-funded retirement systems.

As it relates to SURS, HB 4712 requires the SURS Board of Trustees, within one year after the effective date of the legislation, to establish and maintain a defined contribution plan to address the retirement preparedness gap for participants in a defined benefit plan who are not on track to maintain their standard of living in retirement. The plan must be designed as a qualified tax-deferred savings plan under the Internal Revenue Code of 1986, as amended. The plan must exist and serve in addition to other retirement, pension, and benefit plans established under the Illinois Pension Code. All assets and income of the plan must be held in trust for the exclusive benefit of participants and their beneficiaries.

Tier I participants and Tier II participants who first became participants before the defined contribution plan was established must have the opportunity to voluntarily elect to enroll in the plan. Each Tier II participant who becomes a participant on or after the establishment of the defined contribution plan must be automatically enrolled in the plan at a contribution rate that is established by the SURS Board of Trustees, unless he or she opts out within 60 days after the date that he or she becomes a participant.

The plan must be designed to enable participants to generate a stream of income to replace their pre-retirement income in retirement. The SURS Board of Trustees must establish a default investment option in which employees are automatically invested upon initial enrollment in the plan or upon re-enrollment in the plan and absent direction by the participant to the contrary. Such investment in a default investment option must be deemed to have been made by participant direction so long as the SURS Board of Trustees has provided reasonable notice and description of the default investment option and the participant's right to select other investment options.

The plan must provide a variety of options for distributions to participants and their beneficiaries and must meet the relevant requirements of the Internal Revenue Code of 1986, as amended. The manner and timing of benefit distributions must meet the distribution requirements of Section 401(a)(9) of the Internal Revenue Code of 1986, as amended. Distributions upon the death of the participant must meet the requirements of Section 401(a)(37) of the Internal Revenue Code of 1986, as amended.

HB 4712 takes effect immediately upon becoming law.

HB 4712 is nearly identical to HB 2740 of the 101st General Assembly.

Sponsor:

Representative Joe Sosnowski

Bill Link:

<http://ilga.gov/legislation/BillStatus.asp?DocNum=4712&GAID=15&DocTypeID...> [1]

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