



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB1933

Introduced 2/6/2025, by Sen. Robert F. Martwick

SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-204

Amends the Downstate Teacher Article of the Illinois Pension Code. Provides that the System shall offer a defined contribution benefit to active full-time and part-time contractual members of the System who are employed by an employer eligible to participate in the defined contribution benefit under applicable law (instead of offering a defined contribution benefit to active members of the System). Makes conforming changes. Provides that a member who is automatically enrolled shall have 3% of his or her pre-tax compensation (instead of pre-tax gross compensation for each compensation period) deferred into his or her deferred compensation account. Provides that a member shall be automatically enrolled in the defined contribution benefit beginning the first day of the pay period following the close of the notice period, or as soon as practicable, unless the employee elects otherwise within the notice period (instead of the member's 30th day of employment). Defines "notice period". Makes changes concerning withdrawal of contributions and forfeiture of employer matching contributions. Provides that active members eligible to participate in the defined contribution benefit do not include employees of a department as defined in the State Employees Article.

LRB104 10220 RPS 20294 b

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by
5 changing Section 16-204 as follows:

6 (40 ILCS 5/16-204)

7 Sec. 16-204. Optional defined contribution benefit. As
8 soon as practicable after the effective date of this
9 amendatory Act of the 100th General Assembly, the System shall
10 offer a defined contribution benefit to active full-time or
11 part-time contractual members of the System who are employed
12 by an employer eligible to participate in the defined
13 contribution benefit under applicable law. The defined
14 contribution benefit shall be an optional benefit to any
15 full-time or part-time contractual member who chooses to
16 participate. The defined contribution benefit shall collect
17 optional employee and optional employer contributions into an
18 account and shall offer investment options to the participant.
19 The benefit under this Section shall be operated in full
20 compliance with any applicable State and federal laws, and the
21 System shall utilize generally accepted practices in creating
22 and maintaining the benefit for the best interest of the
23 participants. In administering the defined contribution

1 benefit, the System shall require that the defined
2 contribution benefit recordkeeper agree that, in performing
3 services with respect to the defined contribution benefit, the
4 recordkeeper: (i) will not use information received as a
5 result of providing services with respect to the defined
6 contribution benefit or the participants in the defined
7 contribution benefit to solicit the participants in the
8 defined contribution benefit for the purpose of cross-selling
9 nonplan products and services, unless in response to a request
10 by a participant in the defined contribution benefit; and (ii)
11 will not promote, recommend, endorse, or solicit participants
12 in the defined contribution benefit to purchase any financial
13 products or services outside of the defined contribution
14 benefit, except that links to parts of the recordkeeper's
15 website that are generally available to the public, are about
16 commercial products, and may be encountered by a participant
17 in the regular course of navigating the recordkeeper's website
18 will not constitute a violation of this item (ii). The System
19 may use funds from the employee and employer contributions to
20 defray any and all costs of creating and maintaining the
21 benefit. In addition, the System may use funds provided under
22 Section 16-158 of this Code to defray any and all costs of
23 creating and maintaining the benefit and then shall reimburse
24 those costs from funds received from the employee and employer
25 contributions under this Section. All employers must comply
26 with the reporting and administrative functions established by

1 the System and are required to implement the benefits
2 established under this Section. The System shall produce an
3 annual report on the participation in the benefit and shall
4 make the report public.

5 As soon as is practicable on or after January 1, 2022, the
6 System shall automatically enroll any employee who first
7 becomes an active full-time or part-time contractual member ~~or~~
8 ~~participant~~ in the System. A member automatically enrolled
9 under this Section shall have 3% of his or her pre-tax ~~gross~~
10 compensation ~~for each compensation period~~ deferred into his or
11 her deferred compensation account, ~~unless the member otherwise~~
12 ~~instructs the System on forms approved by the System~~. A member
13 may elect, in a manner provided for by the System, to not
14 participate in the defined contribution benefit or to increase
15 or reduce the amount of pre-tax ~~gross~~ compensation
16 contributed, consistent with State or federal law. A member
17 shall be automatically enrolled in the benefit beginning the
18 first day of the pay period following the close of the notice
19 period, or as soon as practicable, unless the employee elects
20 otherwise within the notice period ~~member's 30th day of~~
21 ~~employment~~. For the purposes of this Section, "notice period"
22 means a reasonable period of time after the employee is
23 provided with an automatic enrollment notice as required under
24 Section 414(w) of the Internal Revenue Code of 1986, as
25 amended. An active full-time or part-time contractual A member
26 who has been automatically enrolled in the benefit may elect,

1 within 90 days following the member's initial contribution
2 ~~days of enrollment~~, to withdraw ~~from~~ the contribution benefit
3 and receive a refund of amounts deferred, as adjusted for plus
4 ~~or minus any~~ applicable earnings and fees. A member making
5 such an election shall forfeit all employer matching
6 contributions, if any, made with respect to the initial
7 contribution and the forfeited amounts shall be used to defray
8 plan expenses earnings, investment fees, and administrative
9 ~~fees~~. Any refunded amount shall be included in the member's
10 gross income for the taxable year in which the refund is
11 issued.

12 On or after January 1, 2023, the System may elect to
13 increase the automatic annual contributions under this
14 Section. The increase in the rate of contribution, however,
15 shall not exceed 2% of a member's pre-tax ~~gross~~ compensation
16 per year, and at no time shall any total contribution exceed
17 any contribution limits established by State or federal law.

18 Notwithstanding any other provision of this Section,
19 active members eligible to participate in the defined
20 contribution benefit do not include employees of a department
21 as defined in Section 14-103.04.

22 (Source: P.A. 102-540, eff. 8-20-21; 103-552, eff. 8-11-23.)