Proposed Change in the Law

This bill would require new members, upon initial participation in IMRF, to be enrolled at the same time in the Voluntary Additional Contribution (VAC) program with an initial contribution amount of 3%. Members would be able to change their contribution amount (including terminating participation in VAC) at any time. It would also allow the Board to limit in-service withdrawals to no more than one per year and/or charge a fee for multiple withdrawals to cover the administrative costs.

The bill also makes a technical correction to clarify that the member is entitled to receive the interest credited to his or her VAC account upon termination and application, as opposed to just member contributions.

Reasons for Position

This proposal makes no substantive changes to the VAC plan. While members are initially enrolled at 3%, they can change the deduction amount at any time.

While this bill is applicable only to IMRF, similar legislation has been introduced and/or passed by Sen. Martwick for other systems. Those other provisions create more traditional defined contribution plans, similar to 457 or 403(b) plans, and that was the original proposal for IMRF. Because IMRF was in the middle of the Horizon implementation and the creation of a new plan would almost certainly lead to serious project delays and cost overruns, the Senator was willing to look at alternative options for IMRF.