



ISSUE BRIEF

Senate Bill 1430 (as amended): Employer Opt-Out

IMRF Position:
Oppose

Sponsor(s):
Senator DeWitte

Proposed Change in the Law

This bill would allow participating municipalities, by ordinance, to cease participation IMRF (for new employees) and create their own alternative retirement plans. It could create these plans in addition to IMRF or in lieu of participation. It also explicitly allows the new plan to provide any level or type of benefits, including none at all. The bill also deems employees of employers that choose an alternative retirement plan to be considered members of IMRF for purposes of maintaining Social Security coverage.

Reasons for Position

The grandfathering provision applies to all IMRF participation and not only with that employer. Therefore, any employee who had ever participated in IMRF would be ineligible for the employer's alternative plan, even if they first joined the system after the effective date of this bill and/or after the employer chooses an alternative plan and would be required to participate in the standard IMRF plan.

There is also nothing in the bill that would prohibit employers from moving in and out of IMRF if different governing bodies have competing goals, which would cause administrative and financial difficulties in trying to determine participation dates and funding levels. In fact, employers would be required to move in and out of the Fund if they hired employees who had participated in IMRF with a previous employer.

The Social Security provision is also unclear whether it would comply with the Social Security agreement. Even if it is allowed, it is unclear if it could apply to employees whose employers chose not to offer alternative benefits at all.

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