# The New "Plus One" Law and its Impact on Schools

Public Act 103-0481







## Introductions

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## History of TRS SSP and the Plus One Law

#### 2018

40 ILCS 5/16-204 required TRS to offer an optional defined contribution plan to its members

#### 2021

40 ILCS 5/16-204 amended to require TRS to provide:

- 457(b) plan with a 3% auto-enroll for members hired on or after 1/1/23
- 30-day opt out window
- TRS responsible for operating the SSP in accordance with federal and state law

### 2023

The Supplemental Savings Plan (SSP) was implemented







### History of TRS SSP and the Plus One Law

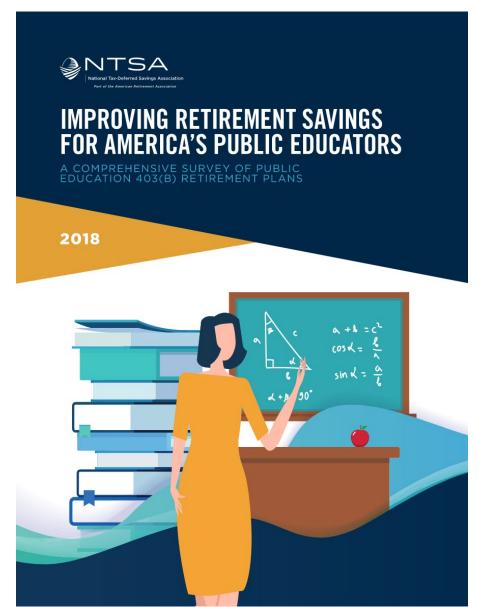
The SSP brought the Employer challenges in 2 areas:

- 1. Administration
  - No Data sharing with Employer/TPAs to properly discharge employer obligations under the SSP
    - Monitor Maximum Allowable Contribution limits of SSP and coordinate limits with other 457(b) plans
    - Remit contributions to SSP
    - Salary Reduction Agreement administration
    - Adjudicate transactions
- 2. Lack of investment provider choice
  - Research demonstrates investment choice and advisor access produce the most impactful benefit









https://www.ntsa-net.org/sites/ntsanet.org/files/PDFs/2018 NTSA Improving 403bs.pdf







To alleviate some of the Employer's challenges, TPAs and Investment Providers collaborated with the National Tax-Deferred Savings Association (NTSA) to create the new "Plus One" Law.







## Why are 403b and 457b plans important?

- Current annual savings rate is 3.8% (JP Morgan research)
- >TRS Tier 1 vs Tier 2 vs Tier 3
  - > TRS 44.8% Funded ratio / IMRF 98.2% Funded Ratio
- ➤ Median retirement savings at 65 \$87,725 (Vanguard)
- >TRS median new retiree age 60 with 28 yrs of service
  - ➤ Median monthly benefit \$4,657
    - (FY'23 TRS annual comprehensive financial report)
- ➤ Married couple at 65 has 90% probability that 1 will reach 85







## Illinois Senate Bill 734 What is it?

### The Plus one Law (Public Act 103-0481) requires eligible school districts to:

- > Provide more than one investment provider in its 457(b) plan
  - The investment providers in the plan cannot also be the TPA
- > The investment providers in the 457(b) plan must:
  - Share data electronically with the school district or its TPA
  - Provide data to facilitate participant fee disclosure
  - Cover fees relating to the administration of plan







## Illinois Senate Bill 734 (Plus 1)

- ➤ School districts have 1 year after the effective date to comply •(signed 8/4/2023 effective 1/1/2024)
- > Schools organized under article 34 are exempt (cities over 500,000)
- > Defined Contribution plan established by TRS is not impacted







# The Plus One Law: who does it apply to?

- > School districts with a full-time licensed teacher population of 575
- The TRS SSP is exempt but **IS** permitted to share data to facilitate compliance with 457(b) regulations.
- ➤ Single Investment Provider with or without existing 457
- > ALL schools can adopt the Plus One Law to provide choice





## The Plus One Law Advantages

### The Plus One Law provides schools:

- > Opportunity to offer a wide range of investment products
  - > Every Investor has their own risk tolerance
- ➤ No additional cost to school district
- ➤ Work with existing TPA provider to provide compliance







### **Benefits of Provider Choice**

Boosts 403(b) Participation & Contributions

**25**% Higher Participation

**73**% Higher Account Balances

**203**% Higher Contribution Rates









Single provider arrangements have the lowest participation rate,

8%

below National average



## **Next Steps?**

- Regardless of district size its time to consider choice for both 403(b) and 457(b)
- Review/Interview existing 403(b) providers as a possible 457(b) option
- Discuss 457(b) options with your 403(b) TPA







## **Questions and Answers**

We thank you for your time!







### Presenters:

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