

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **HB 3220, as amended by HA 1**

April 24, 2017

SPONSOR (S): Nekritz

SYSTEM(S): Teachers' Retirement Systems (TRS) and Chicago Teachers Pension Fund (CTPF)

FISCAL IMPACT: Based on the 2016 CTPF and TRS actuarial valuation reports, approximately 1,100 members in CTPF (350 members per each year for a window period of 3 years) and 6,000 members in TRS (2,000 members per each year for a window period of 3 years) would be eligible to receive the age enhancement option. The following table, provided by CTPF and TRS, respectively, shows the present value of the estimated savings or cost resulting from the age enhancement option for *a sample employee* at age 55 through 59 based on an actuarial cost study conducted by each system's actuary.

System	Age	Years of Service	Salary	Final Average Salary	PV of Tier 2 Annual Benefit with No Reduction	PV of Tier 1 Annual Benefit with Early Retirement Reduction	PV of Savings/ (Cost)
CTPF	55	25	\$94,219	\$85,000	592,285	468,825	(123,460)
	56	26	\$98,223	\$88,612	640,432	555,640	(84,792)
	57	27	\$102,398	\$92,379	691,480	653,941	(37,539)
	58	28	\$106,750	\$96,305	745,639	765,108	19,470
	59	29	\$111,287	\$100,398	803,117	890,705	87,587
TRS	55	25	\$86,604	\$80,000	606,452	545,684	(60,768)
	56	26	\$89,419	\$82,600	644,310	632,122	(12,188)
	57	27	\$92,325	\$85,285	683,035	725,336	42,301
	58	28	\$95,325	\$88,056	722,566	825,026	102,460
	59	29	\$98,423	\$90,918	762,833	930,748	167,915

SUBJECT MATTER: HB 3220, as amended by HA 1, amends the Illinois Pension Code for Teachers' Retirement Systems (TRS) and Chicago Teachers Pension Fund (CTPF). This bill provides an age enhancement option to certain Tier 1 members in TRS or CTPF to retire early without a reduction in retirement annuity in exchange for receiving Tier 2 COLA.

COMMENTS: Under current law, a member at age 55 with 20 years of service in TRS or CTPF can retire early by receiving retirement annuity reduced by 6% per year until the age of 60.

With a window period of 3 years, beginning July 1, 2018 and ending June 30, 2021, a person eligible to receive the age enhancement to retire early under this bill must:

- 1) be, on or after July 1, 2018, those who are;
 - active Tier 1 members in full-time employment status;
 - inactive Tier 1 members who have a right to return to a position; or

- Tier 1 members who are on a leave of absence or disability and have not been receiving certain disability benefits for at least continuous 2 years.
- 2) have never previously received a retirement annuity under an applicable system except for certain disability benefits;
- 3) not have a QILDRO in effect against the person;
- 4) file a written application on or before June 30, 2021;
- 5) have sufficient creditable service to receive a retirement annuity;
- 6) be at least 55 years of age; and
- 7) not have previously received any other early retirement incentive.

The person could receive the amount of the age enhancement, equal to the applicable minimum age for the full amount of retirement annuity without reduction (based on the amount of creditable service), minus the member's actual age.

An employer under TRS or CTPF would bear all the cost resulting from the age enhancement option and could provide non-pensionable incentives to induce the employee to choose the early retirement option.

In exchange for the early retirement, the member would receive the Tier 2 COLA of the lesser of 3% non-compounded or one-half the annual unadjusted percentage increase in CPI-U, instead of the 3% compounded COLA for Tier 1 members.

JB:dkb

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