

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 3661**

March 10, 2009

SPONSOR (S): Black

SYSTEM(S): TRS

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**FISCAL IMPACT:** The fiscal impact of HB 3661 cannot be determined as the number of teachers who will establish this optional service credit is not known. In order to establish this service credit, the teacher must pay the employee contributions, the employer's normal cost, plus interest at the actuarially assumed rate (8.5%) compounded annually, from the date of service to the date of payment. Therefore, the cost should be minimal.

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**SUBJECT MATTER:** HB 3661 amends the Downstate Teacher Article of the Illinois Pension Code to allow teachers to establish up to 5 years of optional service credit for employment by the New York School for the Deaf by making the appropriate contributions as outlined in the Comments section below.

**FISCAL IMPACT:** The fiscal impact of HB 3661 cannot be determined as the number of teachers who will establish this optional service credit is not known. In order to establish this service credit, the teacher must pay the employee contributions, the employer's normal cost, plus interest at the actuarially assumed rate (8.5%) compounded annually, from the date of service to the date of payment. Therefore, the cost should be minimal.

**COMMENT:** The Downstate Teachers' Article of the Illinois Pension Code currently lists various conditions under which a teacher may establish optional service credit. HB 3661 allows a Downstate teacher to establish up to 5 years of service credit for employment by the New York School for the Deaf, if such employment occurred before January 1, 1975. The bill provides that if credit for any portion of that service is validated by any other retirement system operated under the auspices of any agency or department of any other state, then credit for that service in TRS shall be reduced proportionally. The member must pay to TRS an amount equal to the employee contributions that would have been required by the member if the service had been earned as a teacher with a TRS employer, plus the employer's normal cost of the benefit had the service been earned with a TRS employer, plus interest at the actuarially assumed rate (8.5%), compounded annually.

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