COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 1277** February 14, 2013

SPONSOR(S): Senger

SYSTEM(S): General Assembly Retirement System (GARS), State Employees Retirement System (SERS), State Universities Retirement System (SURS), Teachers Retirement System (TRS), Judges Retirement System (JRS)

FISCAL IMPACT: TRS' actuary has reported that changing from the Projected Unit Credit actuarial cost method to the Entry Age Normal method would decrease normal cost between 10-15%, and the accrued liability would increase by a similar amount. The long-term cost of the benefit would be unchanged by the cost method, but the entry age method requires a more even allocation of cost throughout an employee's career.

SUBJECT MATTER: HB 1277 amends all 5 State-Funded Retirement Systems to use Entry-Age Normal instead of Projected-Unit Credit method for calculating pension contributions.

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COMMENT: Currently, the Illinois Pension Code mandates the utilization of the projected-unit credit (PUC) actuarial cost method of calculating employer contributions to each of the five State-Funded Retirement Systems. HB 1277 replaces the use of the PUC method with the Entry Age Normal (EAN) method. According to public pension fund expert William "Flick" Fornia, EAN is the predominant actuarial cost method in the public sector as it is utilized by approximately 80% of public funds nationwide, whereas PUC is used by approximately 20% of public funds.

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