## COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

## 98TH GENERAL ASSEMBLY

BILL NO: HB 2375

February 28, 2013

SPONSOR(S): Lang – G. Harris

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: An actuarial cost study would be required to determine the precise fiscal impact of HB 2375. An updated impact note will be issued when an actuarial cost study becomes available from the State retirement systems.

<u>SUBJECT MATTER</u>: HB 2375 amends the Illinois Pension Code by changing the funding goal of all 5 State-funded Retirement Systems. This bill increases member contributions steadily over the next 6 fiscal years. Finally, this bill requires every participant still in service to meet Tier-2 retirement age requirements before retiring, including the Tier-2 early retirement reduction.

<u>FISCAL IMPACT</u>: An actuarial cost study would be required to determine the precise fiscal impact of HB 2375. An updated impact note will be issued when an actuarial cost study becomes available from the State retirement systems.

<u>COMMENT</u>: As of current law, the funding goal for all State-funded retirement systems is 90% by FY 2045. Tier 1 members (employees hired before 1/1/2011) and Tier 2 members (employees hired on or after 1/1/2011) each have distinct criteria regarding service credit and member age for when a member may retire. Employees participating in each State-funded retirement system must make contributions out of their paycheck, the amount of which varies by system.

HB 2375 makes a number of changes that affect the systems as a whole while also making changes that affect the individual participants.

- System-wide changes
  - Funding Goal: Currently set at 90% by FY 2045
    - Proposed change to 80% by FY 2063
  - Cost shift to local school districts and universities
    - Starting at .5% of payroll in FY 2014
    - Increasing .5% of payroll per year until NC is fully covered

- Changes directly affecting members
  - Contribution increase: an additional .5% of salary in FY 2014
    - Each fiscal year, this additional amount is increased by .5%.
    - Caps at 3% in FY 2018
  - All members still in service must meet the (higher) Tier-2 criteria of age 67 and 20 years service before retiring to receive an annuity.
    - The early-retirement reduction allows retirement as early as 62, with a .5% of salary reduction per month the member retired early.

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