COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98th GENERAL ASSEMBLY

BILL NO: **HB 3265** March 19, 2013

SPONSOR(S): Roth – Wheeler, et al.

SYSTEM(S): Teachers Retirement System (TRS), State Universities Retirement System (SURS)

FISCAL IMPACT: The amount of school district payments to TRS and SURS as a result of HB 3265 is not known as the amount of future salary increases is unknown. However, COGFA's actuary has estimated that an additional revenue stream equal to 1% of payroll will produce a reduced State contribution for TRS in the amount of $3.0 billion between FY 2014 and FY 2045. For SURS, an additional revenue stream equal to 1% of payroll will produce a reduced State contribution of approximately $700 million between FY 2014 and FY 2045. These savings estimates could vary widely depending on actual experience under HB 3265.

SUBJECT MATTER: HB 3265 amends the State Universities and Downstate Teachers Articles of the Illinois Pension Code to define specific circumstances requiring additional employer contributions to TRS and SURS.

FISCAL IMPACT: The amount of school district payments to TRS and SURS as a result of HB 3265 is not known as the amount of future salary increases is unknown. However, COGFA's actuary has estimated that an additional revenue stream equal to 1% of payroll will produce a reduced State contribution for TRS in the amount of $3.0 billion between FY 2014 and FY 2045. For SURS, an additional revenue stream equal to 1% of payroll will produce a reduced State contribution of approximately $700 million between FY 2014 and FY 2045. These savings estimates could vary widely depending on actual experience under HB 3265.

COMMENT: HB 3265 requires their employer to make an additional contribution toward an employee's pension whenever an employee receives an increase in their annual compensation which exceeds the corresponding increase in the annual consumer price index. In addition to all other payments required by TRS or SURS and in accordance with guidelines established by that system, the present value of the increased benefits resulting from the portion of the increase in earnings that is in excess of the unadjusted percentage increase in the consumer price index for that year. Prior to the enactment of HB 3265, employers are required to make additional pension contributions only when a salary increase exceeds 6%. HB 3265 pertains only to raises received during academic years beginning on or after July 1, 2013.

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