

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 2367**

March 11, 2013

SPONSOR(S): McCarter

SYSTEM(S): Teachers' Retirement System (TRS)

FISCAL IMPACT: Shifting a part of the normal cost of TRS pensions to local school districts will reduce State contributions as shown below:

Fiscal Year	School District Normal Cost as a % of payroll	State Normal Cost as a % of payroll	Total Normal Cost (\$ in millions)	School District's Normal Cost (\$ in millions)	State's Normal Cost (\$ in millions)
2014	0.5%	17.4%	\$1,791.6	\$50.0	\$1,741.6
2015	1.0%	16.6%	\$1,818.3	\$103.3	\$1,715.0
2016	2.0%	15.2%	\$1,848.3	\$214.9	\$1,633.4
2017	3.0%	13.9%	\$1,882.4	\$334.2	\$1,548.2
2018	4.0%	12.7%	\$1,928.8	\$462.0	\$1,466.8
2019	5.0%	11.4%	\$1,974.9	\$602.1	\$1,372.8
2020	6.0%	10.1%	\$2,014.6	\$750.8	\$1,263.8
2021	7.0%	8.8%	\$2,058.6	\$912.0	\$1,146.6
2022	8.0%	7.5%	\$2,099.7	\$1,083.7	\$1,016.0
2023	9.0%	6.2%	\$2,140.2	\$1,267.2	\$873.0

Note that a portion of the above savings will be offset by having to fulfill certain school-related mandates, and that the State still contributes over 40% of the NC in FY 2023 when school districts begin contributing the full 9% of normal cost. According to TRS' normal cost projections (as seen in appendix A), the school districts cover 100% of the NC starting FY 2041.

SUBJECT MATTER: SB 2367 amends the Teachers' Retirement System of the Illinois Pension Code by proposing a conditional cost shift dependent on the State's ability to fulfill certain mandates.

COMMENT: Under current law, employer contributions to TRS are primarily the responsibility of the State.

SB 2357 proposes a gradual shift of the normal cost to individual school districts.

- FY 2014: .5% of payroll
 - FY 2015: 1%
 - Each fiscal year up to and including FY 2023, the amount will increase by one percentage point.
 - In FY 2023 and beyond, 9% of payroll.

- *However*, individual school districts will not have to contribute towards the normal cost for that fiscal year if certain State mandates have not been fully funded (including the School Breakfast and Lunch Program).
- Finally, the minimum required contribution will be TRS's normal costs, at most.

Appendix A: The following table can be found in CoGFA's annual Financial Systems of the IL State Retirement Systems Report.

TEACHERS RETIREMENT SYSTEM						
System Projections Based on Laws in Effect on June 30, 2012						
(\$ in millions)						
Fiscal Year	Tier 1 Normal Cost	Tier 1 Normal Cost as a % of Payroll	Tier 2 Normal Cost	Tier 2 Normal Cost as a % of Payroll	Total Normal Cost	Total Normal Cost as a % of Payroll
2013	1,769.2	17.8%	44.3	0.4%	1,813.5	18.3%
2014	1,720.3	17.2%	71.3	0.7%	1,791.6	17.9%
2015	1,719.2	16.6%	99.2	1.0%	1,818.3	17.6%
2016	1,721.6	16.0%	126.7	1.2%	1,848.3	17.2%
2017	1,728.1	15.5%	154.3	1.4%	1,882.4	16.9%
2018	1,744.9	15.1%	183.9	1.6%	1,928.8	16.7%
2019	1,760.3	14.6%	214.6	1.8%	1,974.9	16.4%
2020	1,768.8	14.1%	245.9	2.0%	2,014.6	16.1%
2021	1,779.8	13.7%	278.7	2.1%	2,058.6	15.8%
2022	1,786.9	13.2%	312.7	2.3%	2,099.7	15.5%
2023	1,791.9	12.7%	348.2	2.5%	2,140.2	15.2%
2024	1,805.5	12.3%	388.3	2.6%	2,193.7	15.0%
2025	1,804.7	11.8%	429.1	2.8%	2,233.8	14.7%
2026	1,798.0	11.3%	471.6	3.0%	2,269.6	14.3%
2027	1,785.0	10.8%	517.9	3.1%	2,302.9	14.0%
2028	1,780.2	10.4%	573.6	3.4%	2,353.8	13.8%
2029	1,732.2	9.8%	621.7	3.5%	2,353.9	13.3%
2030	1,689.4	9.2%	676.8	3.7%	2,366.2	12.9%
2031	1,635.8	8.6%	733.4	3.9%	2,369.2	12.5%
2032	1,585.0	8.1%	800.2	4.1%	2,385.2	12.2%
2033	1,526.6	7.6%	874.4	4.4%	2,401.0	12.0%
2034	1,442.1	7.0%	945.7	4.6%	2,387.8	11.6%
2035	1,342.9	6.4%	1,018.7	4.8%	2,361.6	11.2%
2036	1,238.2	5.0%	1,098.6	4.5%	2,336.7	9.5%
2037	1,110.4	5.0%	1,168.8	5.3%	2,279.2	10.4%
2038	989.2	4.4%	1,259.5	5.6%	2,248.7	10.0%
2039	853.0	3.7%	1,352.6	5.9%	2,205.5	9.7%
2040	701.7	3.0%	1,439.1	6.2%	2,140.8	9.2%
2041	552.7	2.4%	1,532.6	6.5%	2,085.3	8.9%
2042	406.9	1.7%	1,613.2	6.8%	2,020.0	8.5%
2043	279.2	1.2%	1,675.9	6.9%	1,955.2	8.1%
2044	184.5	0.8%	1,705.7	6.9%	1,890.2	7.7%
2045	127.9	0.5%	1,759.6	7.0%	1,887.6	7.6%

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