

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 98TH GENERAL ASSEMBLY

BILL NO: **SB 3517, as amended by SA 1**

March 17, 2014

SPONSOR(S): Biss

SYSTEM(S): Teachers' Retirement System (TRS), Illinois Municipal Retirement Fund (IMRF)

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**FISCAL IMPACT:** SB 3517, as amended by SA 1, has a mixed fiscal impact – the bill could potentially provide a savings to TRS and an additional cost to IMRF. If the provisions of this bill had been in effect during CY 2013, backpayments to TRS annuitants would have been reduced for 154 of the 5,298 (or 3%) of the members who retired in CY 2013, according to TRS. Comparable numbers for IMRF were unavailable; however, this bill extends the amount of time IMRF retirees are eligible to receive backpayments from one year to two years, which has the potential to increase total system payout in future years.

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**SUBJECT MATTER:** SB 3517, as amended by SA 1, amends the Downstate Teacher and the IMRF Articles of the Illinois Pension Code. This bill provides that the effective date of a retirement annuity shall be no earlier than 2 years before the System's date of receipt of the application for retirement.

**FISCAL IMPACT:** SB 3517, as amended by SA 1, has a mixed fiscal impact – the bill could potentially provide a savings to TRS and an additional cost to IMRF. If the provisions of this bill had been in effect during CY 2013, backpayments to TRS annuitants would have been reduced for 154 of the 5,298 (or 3%) of the members who retired in CY 2013, according to TRS. Comparable numbers for IMRF were unavailable; however, this bill extends the amount of time IMRF retirees are eligible to receive backpayments from one year to two years, which has the potential to increase total system payout in future years.

**COMMENT:** As of current law, a TRS employee who applies for retirement will receive back payments for the period of time between initial eligibility and TRS's receipt of application. If the retiree never applies for a TRS pension, these back payments occur automatically at the age of 70½.

SB 3517, as amended by SA 1, will limit the window of TRS back payments to 2 years prior to the date of application, but this only applies to members who retire on or after the effective date of this bill.

As of current law, up to 1 year of back pay is permitted in IMRF.

SB 3517, as amended by SA 1, will provide for up to 2 years of back pay for members who apply for an IMRF pension after they are initially eligible.

MD:dkb

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