

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 5643**

February 29, 2008

SPONSOR (S): Mautino

SYSTEM(S): Teachers' Retirement System

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**FISCAL IMPACT:** The exact fiscal impact of HB 5643 cannot be determined as the number of employees who will elect the single sum retirement benefit cannot be calculated. However, if the 32% increase in the single sum retirement benefit amount had been in effect for FY 2007, the total system payout for single sum retirement benefits would have increased by \$349,000. HB 5643 would, therefore, slightly increase the unfunded liabilities of the Teachers' Retirement System and slightly lower its funded ratio.

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**SUBJECT MATTER:** HB 5643 amends the Downstate Teachers' Article of the Illinois Pension Code to increase the single sum retirement benefit and make various other nonfinancial technical changes.

**FISCAL IMPACT:** The exact fiscal impact of HB 5643 cannot be determined as the number of employees who will elect the single sum retirement benefit cannot be calculated. However, if the 32% increase in the single sum retirement benefit amount had been in effect for FY 2007, the total system payout for single sum retirement benefits would have increased by \$349,000. HB 5643 would, therefore, slightly increase the unfunded liabilities of the Teachers' Retirement System and slightly lower its funded ratio.

**COMMENTS:** The single sum retirement benefit now consists of a single sum that is the actuarial equivalent of a life annuity consisting of 1.67% of the member's final average salary for each year of creditable service. The single sum retirement benefit is made available to teachers who have less than 5 years of creditable service. HB 5643 therefore increases the single sum annuity factor to 2.2% of the member's final average salary for each year of creditable service.

HB 5643 also makes a number of nonfinancial technical changes to the Downstate Teachers' Article of the Illinois Pension Code. An annuitant receiving a retirement annuity from the Chicago Teachers' Retirement Fund may now be classified as a teacher under this article. Employers are required to make their matching contributions within 30 days whenever an employee chooses to retire under the Early Retirement Option. HB 5643 allows the Teachers' Retirement System to charge interest equal to the system's actuarial rate of return on investments compounded annually from the 91<sup>st</sup> day after a school district receives a bill for

contributions required of it or contributions required of teachers. Finally, various rules concerning special elections for Board of Trustees vacancies are outlined.

GS:dkb

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