

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **HB 0656**

January 26, 2017

SPONSOR (S): Gordon-Booth

SYSTEM(S): TRS

FISCAL IMPACT: TRS notes that the effect of HB 0656 will be to lower federal contributions and increase state contributions by a like amount. The precise fiscal impact to the state is not known, as TRS anticipates that school districts are more likely to use federal money for teacher pay when the rate is lower (i.e., equal to the normal cost rather than the total contribution rate under P.A. 88-0593).

SUBJECT MATTER: HB 0656 amends the TRS article of the Illinois Pension Code to require that school districts make payments to TRS from federal funds based on the employer's normal cost rather than the State's minimum contribution required under P.A. 88-0593.

COMMENT: Under current law, the employer (school district) contribution rate for teachers paid from federal funds is the same as the certified State contribution rate under P.A. 88-0593. For FY 2018, the rate certified by the TRS board is 44.61%. HB 0656 would set the school district contribution rate at the system's normal cost rate, or 10.10%. TRS notes that it used to have the authority to set the federal contribution rate, however P.A. 98-0674 rescinded this authority after the board set the federal funds rate at the normal cost rate. HB 0656 would not restore the authority that the TRS board previously enjoyed, but would effectively codify the action that the board had taken prior to the enactment of P.A. 98-0674.

DH:bj

LRB100 05918 RPS 15944 b