

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 2910**

February 26, 2019

SPONSOR (S): Martwick

SYSTEM(S): SURS, TRS

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**FISCAL IMPACT:** The precise fiscal impact of HB 2910 cannot be determined as the number of Tier 1 members who would elect the Early Retirement Incentive in exchange for a reduced annual increase in retirement and survivor's annuity is not known. An actuarial study that examines various rates of participation would be needed to assess the potential impact to both systems.

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**SUBJECT MATTER:** HB 2910 amends the TRS and SURS articles of the Pension Code. The bill provides Tier 1 members in both systems with an Early Retirement Incentive, which is voluntary and is premised upon the member receiving up to 5 years of age enhancement to meet the minimum retirement age in exchange for agreeing to receive a lesser annual increase in retirement and survivor's annuity.

**COMMENT:** HB 2910 provides an Early Retirement Incentive for members in both TRS and SURS who agree to receive a lesser annual increase in retirement annuity (and survivor's annuity, if applicable). The amount of the annual increase in retirement or survivor's annuity that the member must agree to receive would be the lesser of 3% or the annual unadjusted percentage increase in the CPI-U. In exchange for agreeing to the aforementioned annual increase in pension or survivor's annuity, the member would receive up to 5 years of age enhancement. The age enhancement must be sufficient to bring the member's "enhanced" age up to the applicable minimum age for an undiscounted retirement annuity (age 60 with 10 years of service, or age 62 with 5 years of service in both systems). A member must be at least 55 years of age to qualify for the Early Retirement Incentive.

DH:bj

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