

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 0082**

January 29, 2019

SPONSOR (S): McConchie

SYSTEM(S): TRS

FISCAL IMPACT: The amount of the increases in the normal cost resulting from annual salary increases will vary by employer and by employee. The base salary, the amount of the salary increase, and increase in the normal cost associated with the employee in question will be the salient factors that determine a school district's cost under SB 0082. An actuarial cost study would be needed to estimate the potential impact of this legislation.

SUBJECT MATTER: SB 0082 amends the Downstate Teacher Article of the Illinois Pension Code. The proposed legislation requires the System to calculate the projected amount of the increase in the employer normal cost of benefits resulting from any increase in salary starting in fiscal year 2021, and sets forth a mechanism whereby the employer must pay that cost to the system.

COMMENT: SB 0082 specifies that the salary increase "penalty" should reflect separate amounts for Tier 1 and Tier 2 members. The proposed legislation would apply to teachers then in service from the effective date of the legislation until the "implementation date" of the Tier 3 hybrid plan under P.A. 100-0023. (It should be noted that TRS has not yet implemented the Tier 3 hybrid plan, and according to the system, the implementation status is uncertain at this time). The employer shall pay into the System any increase in normal cost that results from an increase in the member's salary over previous school years.

LV:bj

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