COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: **HB 2787** March 23, 2021

SPONSOR (S): Davis

SYSTEM(S): Teachers' Retirement System (TRS) and Chicago Teachers'

Pension Fund (CTPF)

FISCAL IMPACT: TRS says that HB 2787 would have a minimal administrative impact tied to the requirement that the system certify the district-level normal cost to the State Superintendent of Education beginning in FY 2022. The system says that this would require a slight modification of a substantially similar report that it currently generates annually. There is no fiscal impact to the system with regard to annual cash flows, as the bill does not amend the funding plan under P.A. 88-593, under which TRS must attain a 90% funding ratio by FY 2045.

SUBJECT MATTER: HB 2787 amends the Downstate (TRS) and Chicago Teacher (CTPF) Articles of the Illinois Pension Code. The bill requires TRS to certify school-district level normal costs to the State Superintendent of Education beginning in FY 2022. The bill also makes a technical change in the Chicago Teacher article to require that the State's annual payment of CTPF's normal cost be certified to the State Superintendent of Education as well as the Governor and the General Assembly.

COMMENT:

HB 2787 would require TRS to certify to the State Superintendent of Education the amount of the State-paid employer normal cost for an employer's employees as described as follows:

Beginning in FY 2022, by February 15 of each year or upon a date mutually agreed upon by TRS and the State Superintendent of Education, TRS shall certify to the State Superintendent of Education the amount attributable to each employer for the State-paid employer normal cost paid on behalf of the employer's employees. This certification amount should be equal to:

1. For FY 2022, the employer normal cost of each member, other than a future TRS member who first becomes a member on or after the implementation date of the

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Tier 3 plan that was created under P.A. 100-0023 but has not been implemented yet (Once the Tier 3 plan is implemented, each local employer is required to pay for the employer normal cost for a future TRS member.); and

2. For FY 2023 and each fiscal year thereafter, the amount required for that fiscal year to amortize any unfunded liability accrued from differences between estimated and actual employer normal cost rates determined as a level percentage of payroll over a 30-year rolling amortization period.

In determining the employer normal cost, TRS shall determine an aggregate rate for all employers, expressed as a percentage of projected payroll. In determining the amortization payment, this shall be computed by TRS, using the most recent actuarial assumptions and tables used in the TRS most recent actuarial valuation report available.

HB 2787 also makes a technical change to the Chicago Teachers Article of the Pension Code. The bill proposes that CTPF shall certify the required State contributions to the State Superintendent of Education, in addition to the Governor and the General Assembly.

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