

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 3689** February 1, 2022
SPONSOR (S): Martwick
SYSTEM(S): General Provisions, Illinois Municipal Retirement Fund (IMRF),
State Universities, and Downstate Teacher Articles

FISCAL IMPACT: A comprehensive actuarial study would be required to assess the potential impact of SB 3689. An updated impact note will be issued if such a study is performed.

SUBJECT MATTER: SB 3689 amends the General Provisions, Illinois Municipal Retirement Fund (IMRF), State Universities (SURS), and Downstate Teacher (TRS) Articles of the Illinois Pension Code. The bill makes substantive changes in the Tier 2 benefit schedule for educational employees covered by the aforementioned systems, explained in further detail below.

COMMENT:

Public Act 96-0889 went into effect on January 1, 2011 and created a new benefit schedule for employees hired on or after that date (Tier 2 employees) for employees of all pension funds governed under the Pension Code with the exception of Chicago and Downstate Police and Fire.

Below is a summary of the current Tier 2 benefit schedule:

- Retirement age is 67 with 10 years of service or 62 years old with 10 years of service with a 6% per year reduction in benefits for each year under age 67.
- Retirement annuities are based on the 8 consecutive years out of last 10 years of service in which earnings were highest.
- Pensionable salary may not exceed \$106,800, as automatically increased by the lesser of 3% or one-half of the annual increase in the CPI-U during the preceding 12-month calendar year. *(The pensionable salary cap, or "FAS Cap," as it is commonly known, is determined each year by the Department of Insurance. DOI has set the 2022 FAS Cap at \$119,892.41).*
- COLA's begin at the latter of the first anniversary of retirement or at age 67, are not compounded, and are equal to the lesser of 3% or one-half the annual increase in the CPI-U during the preceding 12-month calendar year; if increase in CPI is zero or if there is a decrease in CPI, then no COLA is payable.

SB 3689 makes the following changes for all Tier 2 educational employees (whether active, inactive vested, or retired) in TRS, SURS, and IMRF:

- Retirement age would be 60 with at least 35 years of service credit, not including any service credit for unused and uncompensated accumulated sick leave days; age 62 with at least 10 years of service credit not including any service credit for unused and uncompensated accumulated sick leave days, or age 64 with at least 10 years of service credit, including any service credit for unused and uncompensated accumulated sick leave days.
- The retirement annuity would be based on the 6 consecutive years out of last 10 years of service in which salary was highest.
- Pensionable salary may not exceed \$106,800, as automatically increased by the **greater of 3%** or the **full annual increase** in the CPI-U during the preceding 12-month calendar year. (*Future increases for impacted educational employees would apply to the 2022 FAS Cap of \$119,892.41, as set by the Department of Insurance.*)
- COLA's would be payable at the latter of the first anniversary of retirement or at age 67, would not be compounded, and would be equal to the **greater of 3%** or one-half the annual increase in the CPI-U during the preceding 12-month calendar year; if the increase in CPI is zero or if there is a decrease in CPI, then no COLA would be payable

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