



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5448**

March 5, 2024

SPONSOR (S): Reick

SYSTEM: Five State-funded Retirement Systems (SERS, SURS, TRS, JRS, and GARS), and the Chicago Teachers' Pension Fund

FISCAL IMPACT

An actuarial study is being conducted on the major provisions of HB 5448 which adjusts various components of the Tier 2 benefit structure of the five State funded retirement systems and Chicago Teachers' Pension Fund. An updated impact note will be issued when the study is complete.

SUBJECT MATTER: HB 5448 is a pension reform bill that adjusts various components of the Tier 2 benefit structure of the five State-funded retirement systems, and Chicago Teachers' Pension Fund. Each change is summarized below in the Comment Section.

COMMENT:

Increasing the Tier 2 Pensionable Salary Cap to 90.5% of Social Security Wage Base in SERS, SURS, TRS, GARS, JRS, & the Chicago Teachers' Pension Fund (CTPF)

Current Law

- Currently, the Tier 2 pensionable salary cap is equal to \$125,773.73.
 - Members do not make contributions on wages above cap.
- The Tier 2 cap is increased annually by the lesser of:
 - 3%; or
 - ½ the increase in CPI-U for preceding 12 months.
 - If CPI-U = 0, no increase is paid.

HB 5448

Under HB 5448, the Tier 2 pensionable salary cap for the State Systems and CTPF must be kept at or under the greater of the following benchmarks:

- 90.5% of the federal Social Security Wage Base in effect for the year; or
- The existing Tier 2 cap, which is increased annually by the lesser of:
 - 3%; or
 - ½ the increase in CPI-U for preceding 12 months.
 - If CPI-U = 0, no increase is paid.

Adjustment of Funding Ramp to 100% in 2050

Current Law (Five State Systems)

- The State currently makes contributions to the five State Systems (TRS, SURS, SERS, GARS, and JRS) as a level percentage of payroll such that a 90% funding ratio will be attained in FY 2045.
- Beginning in State FY 2046, the minimum State contribution for each FY shall be the amount needed to maintain the total assets of the System at 90% of total actuarial liabilities

HB 5448 (Five State Systems)

- The State shall make contributions to the System to meet the cost of maintaining and administering the System on a **100%** funded basis **by 2050** in accordance with actuarial recommendations
- Adds a section stating that:
 - For FY 2025-2050, the minimum contribution shall be sufficient to bring the total assets of the System up to 100% of total actuarial liabilities by the end of 2050.
 - Required State contributions shall be calculated each year as a level percentage of payroll over the years remaining to and including FY 2050.

Closure of GARS & JRS in 2025

HB 5448 closes the window to join GARS & JRS after Jan 8, 2025; active participants in GARS may elect to terminate participation in GARS and transfer accumulated service credit from GARS to SERS. The payment amount required for such service credit transfers will be equal to the amount of employee and employer contributions that would have been required had the member participated in SERS, plus regular interest at 6.5% from the date of service to the date of payment.

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