

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 2900**

February 28, 2013

SPONSOR (S): Nekritz

SYSTEM(S): TRS

FISCAL IMPACT: TRS' actuary has recommended revising the ERO member contribution rate to 14.4% (currently 11.5%) and the employer contribution rate to 29.3% (currently 23.5%). CGFA's actuary has reviewed the revised contribution rates and has found them to be sufficient to fund 100% of the ERO benefit going forward.

SUBJECT MATTER: HB 2900 amends the Downstate Teacher article of the Illinois Pension Code to extend the Early Retirement Option (ERO) for teachers who wish to retire before age 60 without a discounted annuity.

FISCAL IMPACT: TRS' actuary has recommended revising the ERO member contribution rate to 14.4% (currently 11.5%) and the employer contribution rate to 29.3% (currently 23.5%). CGFA's actuary has reviewed the revised contribution rates and has found them to be sufficient to fund 100% of the ERO benefit going forward.

COMMENT: Currently, teachers who do not use ERO who retire with less than 35 years of service see a reduction of 6% per year for every year they are under the age of 60. By utilizing ERO, teachers who are between the ages of 55 and 60 who have at least 20 but less than 35 years of service may retire without a discounted annuity by paying a specified amount to TRS. School district contributions are also required for a member to retire under ERO. P.A. 94-0004, which became effective on July 1, 2005, set the member ERO contribution rate at 11.5% multiplied by the lesser of the number of years of partial years of service under 35 years, or the number of years or partial years the teacher is shy of age 60. The school district ERO contribution rate is currently set at 23.5% multiplied by each year or partial year that the teacher's age is less than 60.

P.A. 94-0004 required CGFA to make a recommendation to the General Assembly by February 1, 2013 on any proportional adjustments to member and employer contribution rates. In accordance with TRS' experience study by Buck Consultants, CGFA's actuary, Sandor Goldstein, conducted a review of Buck's recommended revision to member and employer ERO contribution rates. Mr. Goldstein found the revised rates (14.4% for members and 29.3% for employers) to be sufficient to fund 100% of the ERO benefit. CGFA's recommendation was transmitted to the General Assembly on January 10th. The letter is available at CGFA's website at the following address:

<http://www.ilga.gov/commission/cgfa2006/Upload/TRSeROactuarialRecommendation01102013.pdf>

DH:dkb

LRB098 08472 EFG 38579 b