

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 3308**

March 6, 2013

SPONSOR(S): Morrison

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

FISCAL IMPACT: SURS is the only State-funded Retirement System that currently offers a Self-Managed Plan (SMP) for employees. SURS' actuaries assume a 15% adoption rate amongst participants. An actuarial study would be needed to assess the long-term impact of the implementation of an SMP in TRS.

SUBJECT MATTER: HB 3308 amends the TRS article of the Illinois Pension Code by establishing a self-managed plan for new hires and that current teachers may opt into.

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COMMENT: As of current law, TRS offers its employees a traditional defined-benefit retirement package. HB 3308 introduces a defined-contribution style Self-Managed Plan (SMP) for interested employees.

Eligibility: Everyone participating in TRS is eligible to make an irrevocable election to opt-in to the SMP. Currently eligible teachers have a year from the effective date of this bill while newly eligible teachers have 6 months from their hiring date to make an election. Any employee keeping the traditional benefit package who terminates employment and is rehired by another TRS employer is once more eligible to irrevocably elect into the SMP.

Starting Balance: Any employee electing to participate in the SMP will be granted a starting balance composed of the accumulated employee contributions and the interest on those contributions.

Contribution Rates: SMP employee contribution rates remain the same as rates for the traditional benefit package and will receive an employer 'match' of 7.6% of salary.

Vesting: Employees with the SMP benefit package are vested under one of three scenarios.

- After 5 years
- If death occurs after 1.5 years
- If enough service can be attained via reciprocal credit

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