

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 99TH GENERAL ASSEMBLY

BILL NO: **HB 422**

February 3, 2015

SPONSOR (S): Morrison

SYSTEM(S): All State Systems (TRS, SURS, SERS, JRS, GARS)

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**FISCAL IMPACT:** HB 422 would have a slight fiscal impact, as actuarial experience studies generally cost approximately \$50,000. Upon enactment of HB 422, this cost would be incurred every 3 years as opposed to every 5 years. It should be noted that the TRS board has already adopted the 3-year review cycle.

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**SUBJECT MATTER:** HB 0422 amends the State Systems Articles of the Illinois Pension Code. The bill requires the systems to undergo an actuarial experience study every 3 years, as opposed to every 5 years, as is required under current law.

**FISCAL IMPACT:** HB 422 would have a slight fiscal impact, as actuarial experience studies generally cost approximately \$50,000. Upon enactment of HB 422, this cost would be incurred every 3 years as opposed to every 5 years. It should be noted that the TRS board has already adopted the 3-year review cycle.

**COMMENT:** An actuarial experience study is a process under which the system's consulting actuary reviews historical demographic and economic experience and compares that experience against current assumptions, for the purpose of determining if actuarial assumption changes should be made. Below is a summary of the most recent actuarial experience studies conducted on behalf of the 3 major State systems.

TRS has already switched to a 3-year experience study cycle. According to the system, this change was made because the TRS board felt that changing economic conditions warranted a shorter review period. TRS' last experience study was published in 2012, and covered the 5-year period ending June 30, 2011. TRS is currently undergoing an experience study that covers the 3-year period ending June 30, 2014; the system estimates that the experience study will cost approximately \$55,000.

SERS' last experience study covered the period from July 1, 2009 to June 30, 2013 and was presented at the April 2014 SERS board meeting. SERS estimates that the next experience study under current law would cover the period from June 30, 2013 through June 30, 2017 and would cost approximately \$50,000.

SURS last experience study covered the period from June 30, 2010 to June 20, 2014. It is scheduled to be presented to the SURS board on Feb. 5<sup>th</sup>, two days from the date of this writing. The cost of the study is approximately \$52,000.

DH:dkb

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