COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 0480** February 23, 2007

SPONSOR (S): Syverson - Lauzen

SYSTEM(S): Teachers' Retirement System

FISCAL IMPACT: The fiscal impact of SB 0480 cannot be calculated, as the number of teachers to receive retirement payments above $150,000 in their first full retirement year cannot be determined. According to TRS, there are presently 44 annuitants with benefits in excess of $150,000 per year. The overall fiscal effect on the Teachers' Retirement System will be positive due to the increased level of employer contributions.

SUBJECT MATTER: SB 0480 amends the Downstate Teachers' Article of the Illinois Pension Code to provide that, if a retirement annuity exceeds $150,000 in the first full year, the annuitant's employer shall pay to the System the present value of the benefits exceeding $150,000 per year.

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COMMENTS: SB 0480 amends the Illinois Pension Code to provide that, if the retirement annuity to any annuitant whose final average salary includes salary for service in a position requiring an administrative certificate under the School Code will exceed $150,000 in the first full year, the annuitant's employer shall pay to the System, in addition to all other required payments, the present value of the benefits exceeding $150,000 per year. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System. The employer will be sent a bill for the amount due which details all of the calculations used. If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, submit a request for a recalculation showing the basis for its claim.

The employer contributions required under SB 0480 must be paid in a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid on-time, then interest will be charged at a rate equal to the system's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. All payments must be concluded within 3 years of the bill's receipt date. When calculating the employer payment due under SB 480 the System shall exclude any service in a position under a contract or collective bargaining agreement entered into, amended or renewed on or before the effective date of this Act.

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