

House Bill 98: Actuarial Analysis Demonstrates Significant Savings

House Bill 98 is a bipartisan framework for addressing Illinois' pension crisis. Actuarial analyses by the three major state pension systems (the Teachers' Retirement System, the State Universities Retirement System, and the State Employees' Retirement System) have determined HB 6258 would achieve significant savings and make major strides toward stabilizing Illinois' finances, beginning immediately upon taking effect.

State Payments

The state's pension debt is \$95 billion; meanwhile, Illinois' annual pension payment is large and increasing rapidly, squeezing out funding for core government responsibilities, such as education, health care and public safety.

House Bill 98 would:

- Immediately reduce the state's unfunded pension liability by 29% or \$28 billion – from \$95 billion to \$67 billion.
- Reduce total state pension contributions through FY 2045 by 43% or \$169 billion – from \$397 billion to \$228 billion.
- Reduce next year's required pension contribution by 28% – from \$6.7 billion to \$4.8 billion, as compared with the FY 2013 payment of \$5.7 billion.
- Reduce the FY 2043 required pension contribution by 30% – from \$16.8 billion to \$11.7 billion. This represents a manageable growth trajectory for the next 30 years, replacing an unsustainable path that would crowd out key priorities of state government.

Local Employer Payments after the Cost Shift

The potential impact of the cost shift on local employers and property taxes has caused much controversy. The actuarial analysis of HB 6258 demonstrates that as a result of benefit reforms, the total cost being transferred is far less than had previously been expected.

House Bill 98 would:

- Immediately reduce the Tier I normal cost shifted to local school districts to 0.52% of payroll.
- Limit the Tier I normal cost shifted to universities to 4% of payroll.

In summary, House Bill 98 strikes the right balance, providing retirement security for employees while stabilizing the state's finances. This actuarial analysis shows that the reforms proposed in the bill will enable the state to properly fund its pension systems without abandoning other priorities.

*Prepared on Friday, December 21, 2012 by State Representative Daniel Biss.
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