

Teachers' Retirement System of the State of Illinois
SB 2404 Engrossed May 15, 2013 -- Scenarios for Active Members
Comparison of Contributions and Liability (PBO)
(\$ Amounts in Billions)

Year Ended June 30	A					B					C					D					E									
	Current Law					Supplemental Contributions after FY2019					Supplemental Contributions and Choice A					Supplemental Contributions and Choice B2					Supplemental Contributions and Choices A and B2									
	Results of the June 30, 2012					Each payment reduces subsequent regular State/Fed contributions					100% of active members take Choice A					100% of active members take Choice B2					Youngest 50% of actives take Choice A and the rest take Choice B2									
	90% Funded Ratio by 2045					90% Funded Ratio by 2045					The assumptions regarding who will take each option have been prescribed and do not represent the professional opinion of Buck Consultants.																			
	Contributions					Contributions					Contributions					Contributions					Contributions									
	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total					
2014	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.44	\$ 4.66	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.44	\$ 4.66	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.27	\$ 4.49	\$ 1.09	\$ 0.12	\$ 0.09	\$ 3.18	\$ 4.48	\$ 1.05	\$ 0.12	\$ 0.10	\$ 3.22	\$ 4.49					
2015	1.03	0.13	0.10	3.55	4.81	1.03	0.13	0.10	3.55	4.81	1.03	0.13	0.10	3.37	4.63	1.21	0.13	0.10	3.28	4.72	1.13	0.13	0.10	3.32	4.68					
2016	1.06	0.13	0.10	3.68	4.97	1.06	0.13	0.10	3.68	4.97	1.06	0.13	0.10	3.50	4.79	1.24	0.13	0.10	3.40	4.87	1.15	0.13	0.10	3.44	4.82					
2017	1.10	0.14	0.11	3.85	5.20	1.10	0.14	0.11	3.85	5.20	1.10	0.14	0.11	3.67	5.02	1.27	0.14	0.11	3.56	5.08	1.19	0.14	0.11	3.61	5.05					
2018	1.15	0.15	0.11	4.00	5.41	1.15	0.15	0.11	4.00	5.41	1.15	0.15	0.11	3.81	5.22	1.32	0.15	0.11	3.70	5.28	1.23	0.15	0.11	3.75	5.24					
2023	1.39	0.20	0.14	4.85	6.58	1.39	0.20	0.14	4.74	6.47	1.39	0.20	0.13	4.50	6.22	1.56	0.20	0.13	4.38	6.27	1.45	0.20	0.13	4.43	6.21					
2028	1.72	0.28	0.17	5.87	8.04	1.72	0.28	0.16	5.53	7.69	1.72	0.28	0.16	5.24	7.40	1.88	0.28	0.15	5.08	7.39	1.76	0.28	0.15	5.15	7.34					
2033	2.04	0.36	0.20	6.90	9.50	2.04	0.36	0.19	6.23	8.82	2.04	0.36	0.17	5.89	8.46	2.17	0.36	0.17	5.70	8.40	2.05	0.36	0.17	5.78	8.36					
2038	2.29	0.38	0.25	8.75	11.67	2.29	0.38	0.23	7.64	10.54	2.29	0.38	0.21	7.16	10.04	2.37	0.38	0.21	6.90	9.86	2.29	0.38	0.21	7.02	9.90					
2045	2.41	0.16	0.28	9.75	12.60	2.41	0.16	0.21	7.04	9.82	2.41	0.16	0.19	6.51	9.27	2.42	0.16	0.18	6.21	8.97	2.41	0.16	0.19	6.34	9.10					
Total	56.92	8.16	5.89	207.94	278.91	56.92	8.16	5.53	186.84	257.45	56.92	8.16	5.21	176.03	246.32	60.85	8.16	5.07	170.10	244.18	57.99	8.16	5.15	172.71	244.01					
June 30, 2012 Pension Benefit Obligation					90.02					90.02					87.96					88.25					88.17					
Amount of CHANGE from Current Law																														
2014					0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.17)	(0.17)	0.09	0.00	(0.01)	(0.26)	(0.18)	0.05	0.00	0.00	(0.22)	(0.17)					
2015					0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.18)	(0.18)	0.18	0.00	0.00	(0.27)	(0.09)	0.10	0.00	0.00	(0.23)	(0.13)					
2016					0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.18)	(0.18)	0.18	0.00	0.00	(0.28)	(0.10)	0.09	0.00	0.00	(0.24)	(0.15)					
2017					0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.18)	(0.18)	0.17	0.00	0.00	(0.29)	(0.12)	0.09	0.00	0.00	(0.24)	(0.15)					
2018					0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.19)	(0.19)	0.17	0.00	0.00	(0.30)	(0.13)	0.08	0.00	0.00	(0.25)	(0.17)					
2023					0.00	0.00	0.00	(0.11)	(0.11)	0.00	0.00	(0.01)	(0.35)	(0.36)	0.17	0.00	(0.01)	(0.47)	(0.31)	0.06	0.00	(0.01)	(0.42)	(0.37)						
2028					0.00	0.00	(0.01)	(0.34)	(0.35)	0.00	0.00	(0.01)	(0.63)	(0.64)	0.16	0.00	(0.02)	(0.79)	(0.65)	0.04	0.00	(0.02)	(0.72)	(0.70)						
2033					0.00	0.00	(0.01)	(0.67)	(0.68)	0.00	0.00	(0.03)	(1.01)	(1.04)	0.13	0.00	(0.03)	(1.20)	(1.10)	0.01	0.00	(0.03)	(1.12)	(1.14)						
2038					0.00	0.00	(0.02)	(1.11)	(1.13)	0.00	0.00	(0.04)	(1.59)	(1.63)	0.08	0.00	(0.04)	(1.85)	(1.81)	0.00	0.00	(0.04)	(1.73)	(1.77)						
2045					0.00	0.00	(0.07)	(2.71)	(2.78)	0.00	0.00	(0.09)	(3.24)	(3.33)	0.01	0.00	(0.10)	(3.54)	(3.63)	0.00	0.00	(0.09)	(3.41)	(3.50)						
Total					0.00	0.00	(0.36)	(21.10)	(21.46)	0.00	0.00	(0.68)	(31.91)	(32.59)	3.93	0.00	(0.82)	(37.84)	(34.73)	1.07	0.00	(0.74)	(35.23)	(34.90)						
June 30, 2012 Pension Benefit Obligation										-				(2.06)					(1.77)						(1.85)					

Orientation to Exhibit:

Side 1 reflects proposals impacting active members. All columns reflect Illinois Pension math of 90% funded by 2045. Column A is based on the results of the June 30, 2012 Actuarial Valuation. Column B reflects supplemental contributions being made after the pension obligation bonds are paid off. Columns C-E reflect proposed plan changes in combination with the supplemental contributions from Column B. **Note that the incremental savings of supplemental contributions in Column B occur on both sides of this exhibit. Care should be exercised to not double count these savings when combining active and retiree results.**

The top half of the exhibit contains a projection of contributions and pension benefit obligations; the bottom half contains a projection of the difference in contributions and pension benefit obligation from Column A.

Assumptions are those used for the June 30, 2012 actuarial valuation unless otherwise noted. ERO is assumed to continue so difference between baseline and scenarios can be seen.

Contributions from Pension Stabilization Fund:

- Supplemental contributions of \$1 billion in FY'20 and each year thereafter until system is 90% funded; assume 50% goes to TRS
- Supplemental contributions are treated as gains that are not reflected in the Fed/State's regular contributions until after each allocation is made
- We have estimated supplemental contributions to TRS will total roughly \$12.5 billion, reducing the State contribution by \$21.10 billion resulting in net finance savings of \$8.6 billion.

Details of Tier 1 Active Choice A:

- Change COLA to 3% simple, no timing change
- After first COLA paid, skip next two increases
- Optional enrollment in additional plan, designed like a cash balance plan with 2% member contributions. **We did not reflect** any cost impact for the optional plan but we feel that as the plan is designed it could create investment and mortality losses for TRS that are not covered by the 2% member contributions.

Details of Tier 1 Active Choice B, Option 2:

- After first COLA paid, skip next three increases
- Member contribution rate increases from 9.4% to 10.4% July 1, 2013 and 11.4% July 1, 2014, increases not credited to money purchase

50%/50% Split:

- Median Tier 1 age is around 42
- Assume members under median take Choice A and others take Choice B, Option 2
- Under both Choice A and Choice B, Option 2, salary increases are pensionable and member has access to health care

Teachers' Retirement System of the State of Illinois
SB 2404 Engrossed May 15, 2013 -- Scenarios for Retirees
Comparison of Contributions and Liability (PBO)
(\$ Amounts in Billions)

Year Ended June 30	A					B					C					D					
	Current Law					Supplemental Contributions after FY2019					Supplemental Contributions and Choice A					Supplemental Contributions and Choices A					
	Results of the June 30, 2012					Each payment reduces subsequent regular State/Fed contributions					100% of retired members take Choice A					50% of retired members take Choice A					
	90% Funded Ratio by 2045					90% Funded Ratio by 2045					The assumptions regarding who will take each option have been prescribed and do not represent the professional opinion of Buck Consultants.										
	Contributions					Contributions					Contributions					Contributions					
	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total	Member	School District	Federal Funds	State	Total	
2014	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.44	\$ 4.66	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.44	\$ 4.66	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.28	\$ 4.50	\$ 1.00	\$ 0.12	\$ 0.10	\$ 3.36	\$ 4.58	
2015	1.03	0.13	0.10	3.55	4.81	1.03	0.13	0.10	3.55	4.81	1.03	0.13	0.10	3.38	4.64	1.03	0.13	0.10	3.47	4.73	
2016	1.06	0.13	0.10	3.68	4.97	1.06	0.13	0.10	3.68	4.97	1.06	0.13	0.10	3.51	4.80	1.06	0.13	0.10	3.60	4.89	
2017	1.10	0.14	0.11	3.85	5.20	1.10	0.14	0.11	3.85	5.20	1.10	0.14	0.11	3.67	5.02	1.10	0.14	0.11	3.76	5.11	
2018	1.15	0.15	0.11	4.00	5.41	1.15	0.15	0.11	4.00	5.41	1.15	0.15	0.11	3.82	5.23	1.15	0.15	0.11	3.91	5.32	
2023	1.39	0.20	0.14	4.85	6.58	1.39	0.20	0.14	4.74	6.47	1.39	0.20	0.13	4.51	6.23	1.39	0.20	0.14	4.63	6.35	
2028	1.72	0.28	0.17	5.87	8.04	1.72	0.28	0.16	5.53	7.69	1.72	0.28	0.16	5.25	7.41	1.72	0.28	0.16	5.39	7.55	
2033	2.04	0.36	0.20	6.90	9.50	2.04	0.36	0.19	6.23	8.82	2.04	0.36	0.18	5.90	8.48	2.04	0.36	0.19	6.07	8.65	
2038	2.29	0.38	0.25	8.75	11.67	2.29	0.38	0.23	7.64	10.54	2.29	0.38	0.21	7.18	10.06	2.29	0.38	0.22	7.41	10.30	
2045	<u>2.41</u>	<u>0.16</u>	<u>0.28</u>	<u>9.75</u>	<u>12.60</u>	<u>2.41</u>	<u>0.16</u>	<u>0.21</u>	<u>7.04</u>	<u>9.82</u>	<u>2.41</u>	<u>0.16</u>	<u>0.19</u>	<u>6.53</u>	<u>9.29</u>	<u>2.41</u>	<u>0.16</u>	<u>0.20</u>	<u>6.79</u>	<u>9.56</u>	
Total	56.92	8.16	5.89	207.94	278.91	56.92	8.16	5.53	186.84	257.45	56.92	8.16	5.22	176.45	246.75	56.92	8.16	5.38	181.65	252.10	
June 30, 2012 Pension Benefit Obligation	90.02					90.02					87.39					88.71					
Amount of CHANGE from Current Law																					
2014						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.16)	(0.16)	0.00	0.00	0.00	(0.08)	(0.08)
2015						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.17)	(0.17)	0.00	0.00	0.00	(0.09)	(0.09)
2016						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.17)	(0.17)	0.00	0.00	0.00	(0.09)	(0.09)
2017						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.18)	(0.18)	0.00	0.00	0.00	(0.09)	(0.09)
2018						0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.18)	(0.18)	0.00	0.00	0.00	(0.09)	(0.09)
2023						0.00	0.00	0.00	(0.11)	(0.11)	0.00	0.00	(0.01)	(0.34)	(0.35)	0.00	0.00	(0.01)	(0.23)	(0.23)	
2028						0.00	0.00	(0.01)	(0.34)	(0.35)	0.00	0.00	(0.01)	(0.62)	(0.63)	0.00	0.00	(0.01)	(0.48)	(0.49)	
2033						0.00	0.00	(0.01)	(0.67)	(0.68)	0.00	0.00	(0.02)	(1.00)	(1.02)	0.00	0.00	(0.02)	(0.84)	(0.85)	
2038						0.00	0.00	(0.02)	(1.11)	(1.13)	0.00	0.00	(0.04)	(1.57)	(1.61)	0.00	0.00	(0.03)	(1.34)	(1.37)	
2045						<u>0.00</u>	<u>0.00</u>	<u>(0.07)</u>	<u>(2.71)</u>	<u>(2.78)</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.09)</u>	<u>(3.22)</u>	<u>(3.31)</u>	<u>0.00</u>	<u>0.00</u>	<u>(0.08)</u>	<u>(2.97)</u>	<u>(3.05)</u>	
Total						0.00	0.00	(0.36)	(21.10)	(21.46)	0.00	0.00	(0.67)	(31.49)	(32.16)	0.00	0.00	(0.52)	(26.30)	(26.81)	
June 30, 2012 Pension Benefit Obligation																					

Orientation to Exhibit:

Side 2 reflects proposals impacting retired members. All columns reflect Illinois Pension math of 90% funded by 2045. Column A is based on the results of the June 30, 2012 Actuarial Valuation. Column B reflects supplemental contributions being made after the pension obligation bonds are paid off. Columns C and D reflect proposed plan changes in combination with the supplemental contributions from Column B. **Note that the incremental savings of supplemental contributions in Column B occur on both sides of this exhibit. Care should be exercised to not double count these savings when combining active and retiree results.**

The top half of the exhibit contains a projection of contributions and pension benefit obligations; the bottom half contains a projection of the difference in contributions and pension benefit obligation from Column A.

Assumptions are those used for the June 30, 2012 actuarial valuation unless otherwise noted. ERO is assumed to continue so differences between baseline and scenarios can be seen.

Contributions from Pension Stabilization Fund:

- Supplemental contributions of \$1 billion in FY'20 and each year thereafter until system is 90% funded; assume 50% goes to TRS
- Supplemental contributions are treated as gains that are not reflected in the Fed/State's regular contributions until after each allocation is made
- We have estimated supplemental contributions to TRS will total roughly \$12.5 billion, reducing the State contribution by \$21.10 billion resulting in net finance savings of \$8.6 billion.

Details of Tier 1 Retiree Choice A:

- Staggered two-year COLA freeze, meaning if already received first COLA, skip first and third increases after enactment, otherwise skip first and third increases after first COLA paid

50% Election:

- Assume half of retired members take Choice A
- Other half takes Choice B, which involves no pension changes but member loses access to health care benefits