

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 2745**

March 5, 2019

SPONSOR (S): Morrison

SYSTEM(S): GARS

FISCAL IMPACT: HB 2745 would have an unknown fiscal impact on pension liabilities at this time. An actuarial study of the various options involved with a Tier 3 system is necessary before final fiscal judgment could be made.

SUBJECT MATTER: HB 2745 amends the General Assembly Article of the Illinois Pension Code to establish a self-directed retirement plan. The proposed legislation requires GARS participants after the effective date of this legislation to participate in the self-directed plan only. In addition, current Tier 1 or Tier 2 members can make an irrevocable choice to participate in the self-directed plan instead of the current defined benefit plan.

COMMENT: HB 2745 creates a new self-directed retirement plan for all future members (classified as "Tier 3") with a pensionable salary cap set at \$106,800, which can only be increased by either 3% of that amount annually or the annual unadjusted percentage increase in the consumer price index-u. Tier 1 and Tier 2 members who choose to participate in this plan keep any benefits/vesting earned in the previous systems but do not accrue service in the new Tier 3 system. These members can choose to have their existing contributions and interest established in their Tier 3 self-directed retirement plan. Pensionable salary for Tier 3 members would be the highest average final monthly salary in the 8 consecutive years of the previous 10 years. Participants would contribute 8% of their salary to this program.

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