

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 3376**

March 7, 2019

SPONSOR (S): Batinick

SYSTEM(S): General Provisions, General Assembly Retirement System (GARS), State Employees' Retirement Systems (SERS), State Universities Retirement System (SURS), Teachers' Retirement System (TRS), and Judges' Retirement System (JRS)

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**FISCAL IMPACT:** HB 3376 set forth two methods to determine required State contributions to the 5 State retirement systems. The bill specifies using *equal annual dollar amortization* along with *a level percentage of payroll* approach. The method of amortizing the unfunded liability would need to be clarified for an actuarial cost/savings study to be undertaken to assess the fiscal impact of HB 3376. To the extent that the 5 systems' funding ratio goal that needs to be achieved by FY 2045 is lowered to 70% from the current goal of 90%, future State contributions until FY 2045 under HB 3376 are expected to be lower than under the current law.

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**SUBJECT MATTER:** HB 3376 amends the General Provisions and the 5 State-funded retirement systems (GARS, SERS, SURS, TRS, and JRS) Articles of the Illinois Pension Code. This introduced legislation makes changes to the 5 pension systems' funding plan. In addition, HB 3376 requires each system to recertify FY 2020 State contributions. Details on the major provisions of HB 3376 are summarized below.

### COMMENT:

#### ***Funding Changes***

Pursuant to P.A. 88-0593, the State is currently required to make annual contributions, as a level percentage of payroll, to the 5 State retirement systems so that the respective systems will be 90% funded by FY 2045, using the projected unit credit actuarial cost method.

HB 3376 changes the pension funding plan for FY 2020 through FY 2045 as follows:

1. The funding ratio goal will be lowered to 70% from 90%; and
2. Required State contributions shall be the sum of the two items of (a) and (b).
  - a. The State's portion of the projected normal cost for that fiscal year; plus

- b. An amount sufficient, in equal annual dollar amounts, to make the 5 systems 70% funded by FY 2045. (The amortization payments)

The proposed legislation also specifies that in determining the required State contributions, the required contributions shall be calculated each year as a level percentage of payroll until FY 2045, using the projected unit credit actuarial cost method.

***Recertification of FY 2020 State Contributions***

The 5 State systems shall recertify the FY 2020 State contributions to the State Actuary, the Governor, and the General Assembly by November 1, 2019, taking into account the funding changes made by HB 3376.

JB:bj

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