

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 3644**

March 5, 2019

SPONSOR (S): Wehrli

SYSTEM(S): GARS

FISCAL IMPACT: An actuarial study of the various options involved with a Self-Directed/Tier 3 system is necessary before final fiscal judgment could be determined. Inasmuch as the bill calls for a program of level dollar amortization with the goal of attaining a 100% funding ratio by FY 2045, State contributions would increase in the short term vis-à-vis the current statutory funding plan under P.A. 88-593. Also, shifting current active members and future members into a self-directed plan would exacerbate this increase in short-term contributions as these members would not be paying into the current defined benefit schedule of benefits.

SUBJECT MATTER: HB 3644 amends the General Assembly article of the Illinois Pension Code to require GARS to establish a self-directed retirement plan with required participation by current active and any future GARS members, a new amortization plan requiring the attainment of a 100% funding ratio on a level dollar basis, and limitations on annuity increases tied to the attainment of the new funding goal.

COMMENT: HB 3644 would require current active and all new GARS members to participate in the new self-directed plan after the effective date of the legislation. In addition, annuitants will not receive an automatic increase in their annuity until the system is 100% funded according to actuarial valuations of assets and liabilities. Participants would be required to contribute 8% of their salary, earnings, or compensation with the employer responsible for a 7% contribution to the pension plan. Full vesting with employer contributions in this new system would be determined by the completion of up to five or more years of service, with less than five years constituting partial vesting according to a schedule outlined in the legislation.

The proposed legislation also requires the Department of Insurance to develop a schedule for increasing the retirement age of active participants with certain conditions. The

retirement schedule developed by DOI would ensure that future entrants would not be eligible to retire prior to attainment of the Social Security retirement age. Current active participants would not be able to retire prior to age 59. The legislation also provides for a new level dollar amortization funding formula for State contributions from FY 2021 - FY 2045 with a stated goal of attaining a 100% funding level by FY 2045. HB 3644 requires the State to recertify the FY 2021 contribution based on the foregoing changes.

AB:bj

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