

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: HB 4091

January 28, 2020

SPONSOR (S): Skillicorn

SYSTEM(S): State Universities Retirement System of Illinois

FISCAL IMPACT: Currently, the State has the main obligation to make employer contributions on behalf of universities and community colleges (“employers”) that participate in SURS, pursuant to P.A. 88-593, the 1995 funding law. However, employers make contributions to the pension fund for factors including, but not limited to, the following: (1) the employer normal cost for employees who are paid from federal funds, trust funds, and certain state grants; (2) the present value of benefits attributable to the portion of salary increases in excess of 6% during an employee’s final rate of earnings period; (3) the employer normal cost on the portion of an employee’s earnings in excess of the Governor’s salary. The total amount of employer contributions received in FY 2018 from the foregoing and related provisions totaled \$48,004,864.

HB 4091 would shift the burden for paying the employer’s normal cost from the State to employers. The FY 2019 employer’s normal cost for SURS was approximately \$418 million. This is the amount that employers would assume responsibility for under the provisions of this bill.

SUBJECT MATTER: HB 4091 amends the SURS article of the Illinois Pension code to require employers (State universities and community colleges) to contribute to SURS an amount equal to the employer normal cost of the benefits on behalf of their employees.

COMMENT: Under current law, the State of Illinois is the “non-employer contributing entity” for employees of State universities and community colleges (“employers”). This means that the State has the primary responsibility for making the employer contributions to SURS under P.A. 88-593, the 1995 funding law.

HB 4091 would require employers to contribute an amount equal to the employer normal cost of the benefits earned in SURS. The contribution will be paid on a payroll-by-payroll

basis from the percentage of earnings determined by SURS. Additionally, the SURS Board of Trustees must recalculate the projected required State contribution for the current fiscal year (FY 2020, if enacted before June 30th, 2020) taking into consideration the new university and community college employer normal cost contribution. The Board must also calculate and certify the actual employer normal cost contribution required of universities and community colleges on or before November 1st of each year for the ensuing fiscal year's contribution.

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