

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1924**

March 1, 2019

SPONSOR (S): Weaver - Barickman

SYSTEM(S): GARS

FISCAL IMPACT: The bill does not specifically address how existing defined benefit accrued liabilities in GARS would be paid down after the implementation of the Tier 3 defined contribution plan; thus, it can be assumed that the funding plan under P.A. 88-593 would be adhered to, meaning a higher percentage of payroll would be required to attain a 90% funding ratio by 2045 if no new entrants are to participate in the traditional DB plan. An actuarial study would be required to assess the full fiscal impact of SB 1924.

SUBJECT MATTER: SB 1924 amends the General Assembly article of the Illinois Pension Code to create a “Tier 3” plan by July 1, 2020. This plan would aggregate State and employee contributions in individual accounts for payout after retirement. New members after July 1, 2020 would automatically be Tier 3 members.

COMMENT: The proposed legislation would allow Tier 1 and Tier 2 members to participate in the Tier 3 plan and have a specified amount credited to their account. Tier 3 participants would contribute at least 3 percent of their salary while the State would contribute between 3 to 7.6 percent of the participant’s salary, as adjusted annually. Five years of participation would be required in the Tier Three plan before a participant is vested, with all State contributions and earnings thereon forfeited if not vested. GARS must report on their progress in this plan by January 15, 2020. This legislation has an immediate effective date.

AB:bj

LRB101 11021 RPS 56220 b