COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 2203** March 8, 2013

SPONSOR (S): Dillard

SYSTEM(S): All State Systems

FISCAL IMPACT: SB 2203 calls for the State to make contributions to the five State systems such that a 100% funding ratio is achieved by 2043. The bill specifies that the required State contributions would be made as a level percentage of payroll, which is currently the method by which current law requires the system to reach a 90% funding level by FY 2045. Hence, a proportionately larger percentage of payroll would be required to attain a 100% funding ratio by FY 2043 than is currently required. An actuarial cost study would be required to determine the precise amount of the increased annual State contribution.

SUBJECT MATTER: SB 2203 amends the SERS, TRS, GARS, JRS, and SURS articles of the Pension Code. The bill requires the State to make annual contributions to the State systems such that a 100% funding ratio is attained in 30 years. The bill also requires the systems to automatically incorporate the annual recommendations of the State Actuary.

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COMMENT: P.A. 97-0694 (SB 179) amended the Illinois State Auditing Act to permit the Auditor General to contract with or hire an actuary to serve as the State Actuary. The Act allowed the Auditor General to select the State Actuary without engaging in a competitive procurement process. The State Actuary is charged with conducting reviews of the actuarial practices of the State retirement systems and identifying recommended changes in actuarial assumptions that the boards of the systems must consider before finalizing their certifications of the required annual State contributions. The State systems are not required to incorporate the State Actuary's recommendations, but rather they are required to note any deviations from the State Actuary's recommendations. SB 2203 requires the systems to incorporate and follow the State Actuary's recommended changes.

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