

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

REVISED

BILL NO: SB 2404 March 18, 2013

SPONSOR(S): Holmes – Althoff, et al.

SYSTEM(S): General Assembly Retirement System (GARS), State Employees' Retirement System (SERS), State Universities' Retirement System (SURS), Teachers' Retirement System (TRS)

FISCAL IMPACT: SB 2404 requires GARS, SERS, SURS, and TRS to adopt a 100% funded ratio by FY 2045. The Commission's actuary has determined that the costs of such a funding schedule are not fully offset by the 2% increase in employee contribution and will end up costing the State an addition \$5.1 million in FY 2014 and \$292.6 million in the long run.

	Reduction in FY 2014 State Contributions	Reduction in cumulative State Contributions	Reduction in FY 2014 Unfunded Liability
TRS	(\$6.6)	(\$394.5)	\$101.9
SURS	(\$3.1)	(\$139.1)	\$36.7
SERS	\$4.6	\$241.0	\$36.4
Total	(\$5.1)	(\$292.6)	\$175.0

* \$ in millions

** (Parenthetical numbers) denote an increase

SUBJECT MATTER: SB 2404 amends the GARS, SERS, SURS, and TRS articles of the Illinois Pension Code to adopt a funding schedule with a goal of attaining a 100% funding ratio in FY 2045. This bill requires active members to contribute an additional 2% of salary towards their pensions, phased-in over a two-year period. Finally, this bill includes a funding guarantee.

COMMENT: Under current law, the State must make annual contributions to the State-Funded Retirement Systems such that the systems will achieve a 90% funding ratio by FY 2045. SB 2404 amends all of the State-Funded Retirement Systems, except the Judges, to adopt a funding schedule with a goal of 100% funding beginning FY 2015 and ending FY 2045. This change in funding schedule includes a funding guarantee that acknowledges the contractual nature of this retirement benefit. This funding schedule includes amendments to how long payments from the Budget Stabilization Act last:

- GARS: until the System reaches 80% funded.
- SERS, SURS, and TRS: until the Systems individually reach 100% funded.

This bill includes a provision that increases the contributions Tier-1 members make to their respective systems. The phase-in follows this schedule:

- By 7/1/2013: 1% on top of current contribution levels.
- By 7/1/2014 and thereafter: 2% on top of current contribution levels.

MD:dkb

LRB098 09018 EFG 39154 b

3/19/2013 12:58 PM