COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **HB 2707** February 15, 2017

SPONSOR (S): Wehrli

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

FISCAL IMPACT: In FY 2016, TRS, SERS, JRS, and GARS changed several actuarial assumptions, including investment rate assumptions. These changes caused a significant increase in the combined actuarial liabilities of $9.669 billion and thus increased the amount of the FY 2018 State contribution. HB 2707 would provide a mechanism for "smoothing" this increase over a 5-year period beginning in FY 2018.

SUBJECT MATTER: HB 2707 amends the Illinois Pension Code. Any change in the amount of the required State contributions due to changes in actuarial assumptions such as assumed rate of returns or morality rates shall be smoothed in equal amounts over a 5-year period.

COMMENTS: Under current law, any actuarial gains or losses from investment return shall be equally recognized over the 5-year period for the purpose of calculating the required State contributions. This change was implemented with the enactment of P.A. 96-0043. HB 2707 enables the retirement systems to smooth any fluctuation in the amount of the required State contribution for a fiscal year resulting from new actuarial assumptions changes over the following 5 years, similar to the manner in which investment gains or losses are "smoothed" under P.A. 96-0043. The Board of each system and the State actuary shall recalculate and recertify to the Governor the amount of new FY 2018 State contribution that takes into account changes made by HB 2707 as soon as practical after the effective date of this legislation.

JB:dkb
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