

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **SB 1763**

February 14, 2017

SPONSOR (S): Brady – Anderson, et al.

SYSTEM(S): GARS

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**FISCAL IMPACT:** SB 1763 would set state contributions (as determined by the system) to be paid up through 2045 so as to bring the total assets of the system up to 90% of the total actuarial liabilities of the system. This legislation would have an uncertain fiscal impact to the state, but an actuarial study would be needed to ascertain the exact fiscal impact.

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**SUBJECT MATTER:** SB 1763 amends the General Assembly article of the Illinois Pension Code to require active Tier 1 employees to elect one of two options in regards to their current benefit package and eventual retirement annuity. Option one would delay and reduce heretofore automatic annual increases in their retirement annuity (and survivor's annuity, if applicable) in exchange for lower contributions currently and a consideration payment of 10% of contributions made prior to choosing this option. Option two would eliminate future increases in income from treatment as pensionable income but keep the current automatic annual increase system in place.

**COMMENT:** This legislation also makes funding changes and requires recertification of State contributions for FY 2018 and FY 2019. In addition, SB 1763 establishes a voluntary defined contribution plan for certain eligible Tier 1 participants and repeals provisions made by PA 98-599 (found unconstitutional). This legislation restricts participation in GARS to individuals who become participants before the effective date of the legislation. The legislation also allows for a continuing appropriation for making consideration payments. The most recent actuarial valuation estimates 556 members as of June 30, 2016, and an unfunded actuarial liability (based on the actuarial value of assets) of \$312.5 million. It is unknown at this time what GARS would be replaced with under this legislation. This legislation has an immediate effective date.

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