

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 0482**

February 4, 2009

SPONSOR (S): Poe

SYSTEM(S): IMRF

FISCAL IMPACT: IMRF's actuary performed a cost study on this proposal in 2006. The increase in accrued liability is shown below for the three different benefit formulas in IMRF:

Regular Formula	\$69,500,000.0
SLEP	\$4,200,000.0
ECO	\$725,000.0
Total	\$74,425,000.0

The actuary also estimated the increase in annual costs to IMRF employers resulting from increasing the death benefit:

Regular Formula	\$5,140,134.7
SLEP	\$230,196.4
ECO	\$50,363.6
Total	\$5,420,694.7

SUBJECT MATTER: HB 0482 amends the IMRF article of the Pension Code to increase the lump sum death benefit from \$3,000 to \$5,000.

FISCAL IMPACT: IMRF's actuary performed a cost study on this proposal in 2006. The increase in accrued liability is shown below for the three different benefit formulas in IMRF:

Regular Formula	\$69,500,000.0
SLEP	\$4,200,000.0
ECO	\$725,000.0
Total	\$74,425,000.0

The actuary also estimated the increase in annual costs to IMRF employers resulting from increasing the death benefit:

Regular Formula	\$5,140,134.7
SLEP	\$230,196.4
ECO	\$50,363.6
Total	\$5,420,694.7

COMMENT: The IMRF article of the Pension Code states that any employee or former employee who has not yet received a retirement annuity or separation benefit may elect to name any person, trust, or charity to be the primary beneficiary of any death benefit payable by reason of the employee or former employee’s death. Under current law, a \$3,000 lump sum death benefit is payable upon the death of an active member or a former member who is entitled to receive a retirement annuity. HB 0482 increases the amount of the lump sum death benefit to \$5,000.

The bill stipulates that the increased death benefit applies to deaths that occur on or after the effective date of this Amendatory Act.

The lump sum death benefit provisions for the State systems are summarized below:

JRS

Death before retirement: total contributions refunded

Death after retirement: refund of excess of contributions over annuity payments

TRS

Death before retirement: 1/6th of highest salary during the last 4 years

Death after retirement: greater of 1/6th of highest salary during the last 4 years, the amount of survivor contributions, or \$3,000.

SURS

Death before retirement: \$1,000 plus refund of contributions. If survivor benefits are not payable, refund plus \$5,000 to dependent, \$2,500 to non-dependent.

SERS

Death in service: refund of contributions plus interest

Death after retirement: greater of the refund of excess contributions, or \$500

GARS

Death before retirement: total contributions refunded

Death after retirement: refund of excess contributions over annuity payments

DH:dkb

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