

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 3606, as amended by SA 2**

May 30, 2009

SPONSOR (S): Koehler – Martinez (Hannig – Currie)

SYSTEM(S): GARS, Downstate Fire, IMRF, SERS

FISCAL IMPACT: The fiscal impact of the General Assembly survivor provision of HB 3606, as amended by SA 2, cannot be determined at this time as it is unknown how many surviving spouses will become eligible to begin receiving an annuity prior to age 50. The fiscal impact should be minor as the amendment is narrowly drafted to only include the surviving spouse of an active member who died during the 90th General Assembly.

HB 3606, as amended by SA 2, will not have any fiscal impact upon the Village of Bartonville police pension fund. The individual(s) affected by this bill will be allowed to retain the early retirement age and service enhancements received from IMRF that they would otherwise forfeit by entering into a personal services contract with an IMRF employer.

The commission's actuary has completed a cost study of the retroactive automatic annual increases provided for certain retired firefighters in HB 3606, as amended by SA 2. The results of the cost study are shown below for all Downstate fire pension funds statewide:

Increase in total actuarial liability	\$3,859,000
Increase in total annual costs	\$237,000
Total retirees impacted	100
Average age of retirees impacted	86

The number of employees who may wish to purchase optional service credit in SERS is unknown. HB 3606, as amended by SA 2, requires the member to pay the employer's normal cost and the employee contribution, plus interest at the actuarially assumed rate, from the date of service to the date of payment. Therefore, the cost should be minimal.

SUBJECT MATTER:

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COMMENTS:*General Assembly Survivor Benefits*

Under the General Assembly Article of the Illinois Pension Code, if an active member with at least two years of service dies, his or her surviving spouse becomes eligible to receive a survivor's annuity at age 50, provided the member was married for at least one year prior to death. The surviving spouse is entitled to an annuity equal to 66 2/3% of the member's earned retirement annuity (subject to a minimum of 10% of salary). HB 3606, as amended by SA 2, provides that upon the death in service of a participant during the 90th General Assembly, the survivor's annuity shall be payable prior to age 50. The bill, as amended, provides for retroactive benefits for periods of eligibility after February 28, 2009.

Village of Bartonville Contractual Police Service

HB 3606, as amended by SA 2, provides that a person who has entered into a personal services contract to perform police duties for the Village of Bartonville on or before the effective date of this amendatory Act may be appointed as an officer in the Village of Bartonville within 6 months of this amendatory Act, but shall be excluded from participating in the Bartonville police pension fund. The bill also amends the IMRF article of the Pension Code to stipulate that such a person will not forfeit any early retirement benefits received under IMRF.

Retroactive Automatic Annual Increases in Certain Downstate Fire Annuities

HB 3606, as amended by SA 2, provides that in July 2009, the monthly pension of a firefighter who retired before July 1, 1977 shall be recalculated and increased to reflect the amount that the firefighter would be receiving in July 2009 had the firefighter been receiving a 3% compounded increase for each year since January 1, 1986, plus any increases in pension received for each year prior to January 1, 1986. In each January thereafter, additional increases of 3% of the current amount of pension would be provided.

Optional Service Credit in SERS

Currently, the Illinois Pension Code lists specific periods of service for which a member may purchase optional service credit. HB 3606, as amended by SA 2, amends the State Employees' Article of the Illinois Pension Code to add full-time contractual services with the Illinois Institute of Natural Resources and the Illinois Department of Energy and Natural Resources to this approved list. The bill, as amended, allows members to purchase up to 4 years of service credit by making contributions equal to the employee contributions, the employer's normal cost, and interest at the actuarially assumed rate (8.5%, compounded annually) from the date of service to the date of payment.

DH:bj

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