

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 3798**

March 10, 2009

SPONSOR (S): McCarthy – Madigan, et al.

SYSTEM(S): General Assembly Retirement System

FISCAL IMPACT: The System's actuary has completed his projections for the changes HB 3798 will make on the General Assembly Retirement System defined benefit plan, and these results are shown in the tables below. For the period ending with FY 2045, total contributions to the defined benefit plan are reduced by \$439 Million for the General Assembly Retirement System.

An analysis of the costs associated with the defined contribution plan going forward has not yet been made available to the Commission.

SUBJECT MATTER: HB 3798 amends the Illinois Pension Code to require the General Assembly Retirement System to allow any employee to voluntarily elect enrollment in a new self-managed program of retirement benefits, commonly called a defined contribution plan. In addition, all new employees will be required to enter this defined contribution plan.

FISCAL IMPACT: The System's actuary has completed his projections for the changes HB 3798 will make on the General Assembly Retirement System defined benefit plan, and these results are shown in the tables below. For the period ending with FY 2045, total contributions to the defined benefit plan are reduced by \$439 Million for the General Assembly Retirement System.

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COMMENTS: The Illinois Pension Code provides members of the General Assembly Retirement System with participation in a defined benefit plan for retirement. Under this employer-managed plan the participant accumulates retirement benefits through a combination of employee and employer contributions subsequently invested at the direction of the employer. The participant receives a specific monthly retirement benefit based on years of service, qualifying salary and specific retirement plan benefit rates. The actual returns on the invested funds do not affect the participant's benefits as the entire risk for low investment returns is borne by the employer.

HB 3798 allows current members of the General Assembly Retirement System to voluntarily participate in a defined contribution retirement plan, and requires new employees to participate only in this defined contribution plan. Under this self-managed plan the participant would accumulate assets for retirement through a combination of employee and employer contributions that may be invested at the employee's direction in mutual funds, collective investment funds or other investment products used to purchase annuity contracts. The participant's retirement benefits are largely determined by the actual rates of return achieved by the employee's investment decisions. The entire risk for poor investment decisions would be borne by the employee and would reduce eventual retirement payments. HB 3798 provides that, to the extent these changes are determined to be a new benefit increase, the changes are exempt from the 5-year expiration provision.

GS:dkb

LRB096 09737 AMC 19900 b

General Assembly Retirement System

Current Law

All Dollar Amounts in Millions

<u>Fiscal Year</u>	<u>Annual Payroll</u>	<u>Total Payout</u>	<u>State Contribution</u>	<u>State Contribution as Percent of Payroll</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
2008					\$235.8	\$75.4	\$160.4	32.0%
2009	\$14.2	\$16.5	\$8.8	62.27%	239.5	75.2	164.2	31.4%
2010	14.8	17.4	10.5	70.75%	243.3	75.8	167.4	31.2%
2011	15.3	18.4	10.9	70.75%	247.1	75.9	171.1	30.7%
2012	15.9	19.4	11.3	70.75%	250.8	75.5	175.4	30.1%
2013	16.6	19.9	11.7	70.75%	254.7	75.0	179.7	29.5%
2014	17.2	20.2	12.2	70.75%	258.8	74.8	184.1	28.9%
2015	17.8	20.6	12.6	70.75%	263.0	74.6	188.4	28.4%
2016	18.5	20.9	13.1	70.75%	267.2	74.6	192.6	27.9%
2017	19.2	21.4	13.6	70.75%	271.6	74.8	196.8	27.6%
2018	20.1	21.7	14.2	70.75%	276.2	75.4	200.7	27.3%
2019	20.9	22.1	14.8	70.75%	280.9	76.3	204.6	27.2%
2020	21.7	22.5	15.4	70.75%	285.8	77.6	208.2	27.2%
2021	22.5	22.9	15.9	70.75%	290.9	79.2	211.7	27.2%
2022	23.4	23.5	16.5	70.75%	296.0	81.2	214.9	27.4%
2023	24.2	23.9	17.1	70.75%	301.3	83.4	217.8	27.7%
2024	25.2	24.5	17.8	70.75%	306.6	86.2	220.4	28.1%
2025	26.0	25.0	18.4	70.75%	312.1	89.4	222.7	28.6%
2026	27.1	25.4	19.2	70.75%	317.9	93.3	224.6	29.4%
2027	28.1	25.8	19.9	70.75%	324.0	98.0	226.0	30.3%
2028	29.4	26.2	20.8	70.75%	330.4	103.7	226.7	31.4%
2029	30.5	26.7	21.6	70.75%	337.3	110.3	227.0	32.7%
2030	31.8	27.0	22.5	70.75%	344.7	118.3	226.5	34.3%
2031	32.9	27.4	23.3	70.75%	352.7	127.4	225.3	36.1%
2032	34.4	27.8	24.3	70.75%	361.3	138.1	223.2	38.2%
2033	35.6	28.1	25.2	70.75%	370.3	150.3	220.0	40.6%
2034	37.1	28.6	26.2	70.75%	380.1	164.3	215.8	43.2%
2035	38.6	29.0	27.3	70.75%	390.6	180.3	210.3	46.2%
2036	40.1	29.5	28.4	70.75%	401.9	198.4	203.5	49.4%
2037	41.7	30.0	29.5	70.75%	413.9	218.7	195.2	52.8%
2038	43.4	30.6	30.7	70.75%	426.9	241.5	185.3	56.6%
2039	45.1	31.2	31.9	70.75%	440.7	267.0	173.7	60.6%
2040	46.9	31.8	33.2	70.75%	455.4	295.4	160.0	64.9%
2041	48.8	32.5	34.5	70.75%	471.1	326.9	144.2	69.4%
2042	50.8	33.3	35.9	70.75%	487.9	361.9	125.9	74.2%
2043	52.7	34.1	37.3	70.75%	505.6	400.5	105.1	79.2%
2044	54.9	35.1	38.8	70.75%	524.3	443.0	81.3	84.5%
2045	57.0	36.1	40.4	70.75%	544.1	489.7	54.4	90.0%

General Assembly Retirement System

HB 3798

All Dollar Amounts in Millions

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2008					\$235.8	\$75.4	\$160.4	32.0%
2009	\$14.2	\$16.5	\$8.8	62.27%	239.5	75.2	164.2	31.4%
2010	14.2	17.3	21.4	150.38%	243.3	87.1	156.1	35.8%
2011	14.2	18.3	21.3	150.38%	246.6	98.8	147.8	40.1%
2012	13.6	19.3	20.4	150.38%	249.6	109.5	140.1	43.9%
2013	13.0	19.7	19.6	150.38%	252.4	119.6	132.8	47.4%
2014	12.4	20.0	18.7	150.38%	255.0	129.3	125.7	50.7%
2015	11.8	20.4	17.8	150.38%	257.2	138.3	118.9	53.8%
2016	11.3	20.7	17.0	150.38%	259.1	146.9	112.2	56.7%
2017	10.7	21.1	16.1	150.38%	260.5	154.8	105.7	59.4%
2018	10.3	21.4	15.5	150.38%	261.5	162.3	99.3	62.0%
2019	9.9	21.7	14.8	150.38%	262.2	169.3	92.9	64.6%
2020	9.4	22.0	14.2	150.38%	262.4	175.8	86.6	67.0%
2021	8.8	22.3	13.3	150.38%	262.1	181.6	80.6	69.3%
2022	8.3	22.8	12.5	150.38%	261.1	186.5	74.7	71.4%
2023	7.7	23.1	11.6	150.38%	259.5	190.4	69.1	73.4%
2024	7.2	23.4	10.8	150.38%	257.2	193.4	63.8	75.2%
2025	6.5	23.7	9.8	150.38%	254.2	195.2	59.0	76.8%
2026	6.0	23.8	9.0	150.38%	250.6	196.2	54.5	78.3%
2027	5.4	24.0	8.1	150.38%	246.4	196.0	50.4	79.6%
2028	5.0	24.0	7.5	150.38%	241.7	195.2	46.5	80.8%
2029	4.5	24.0	6.8	150.38%	236.5	193.5	43.0	81.8%
2030	4.2	23.8	6.3	150.38%	230.9	191.3	39.6	82.9%
2031	3.7	23.7	5.6	150.38%	224.9	188.3	36.6	83.7%
2032	3.4	23.5	5.2	150.38%	218.5	184.7	33.8	84.5%
2033	3.0	23.1	4.6	150.38%	211.8	180.6	31.2	85.3%
2034	2.8	22.7	4.2	150.38%	204.9	176.2	28.8	86.0%
2035	2.5	22.2	3.8	150.38%	198.0	171.5	26.5	86.6%
2036	2.3	21.7	3.4	150.38%	190.9	166.5	24.4	87.2%
2037	2.0	21.2	3.0	150.38%	183.7	161.2	22.6	87.7%
2038	1.9	20.6	2.8	150.38%	176.6	155.8	20.8	88.2%
2039	1.6	20.0	2.5	150.38%	169.6	150.3	19.3	88.6%
2040	1.5	19.3	2.3	150.38%	162.6	144.8	17.8	89.0%
2041	1.3	18.6	2.0	150.38%	155.8	139.2	16.5	89.4%
2042	1.2	18.0	1.8	150.38%	149.1	133.7	15.4	89.7%
2043	1.0	17.3	1.5	150.38%	142.7	128.2	14.4	89.9%
2044	0.9	16.6	1.3	150.38%	136.3	122.7	13.6	90.0%
2045	0.7	15.9	1.1	150.38%	130.2	117.2	13.0	90.0%