

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

REVISED

BILL NO: **HB 3798, as amended by House Amendment 001** April 2, 2009
SPONSOR (S): McCarthy – Madigan, et al.
SYSTEM(S): General Assembly Retirement System

FISCAL IMPACT: The System's actuary has completed its projections for the changes HB 3798, as amended by House Amendment 001, will make on the General Assembly Retirement System defined benefit and defined contribution plans, and these results are shown in the tables below. For the period ending with FY 2045, combined total contributions to both plans are reduced by \$355.4 Million for the General Assembly Retirement System. Contributions to the defined benefit plan are reduced by \$459.1 Million over this period while contributions to the new defined contribution plan are increased by \$103.7 Million.

SUBJECT MATTER: HB 3798, as amended by House Amendment 001, 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 its projections for the changes HB 3798, as amended by House Amendment 001, will make on the General Assembly Retirement System defined benefit and defined contribution plans, and these results are shown in the tables below. For the period ending with FY 2045, combined total contributions to both plans are reduced by \$355.4 Million for the General Assembly Retirement System. Contributions to the defined benefit plan are reduced by \$459.1 Million over this period while contributions to the new defined contribution plan are increased by \$103.7 Million.

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, as amended by House Amendment 001, will allow current members of the General Assembly Retirement System to voluntarily participate in a defined contribution retirement plan, and will require new employees to participate only in this defined contribution plan. Under this self-managed plan the participant will 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 (including one offered by the Illinois State Board of Investments) and other investment products used to purchase annuity contracts. HB 3798, as amended by House Amendment 001, will require the employer contribution to be a 100% match of the individual's required employee contribution. The participant's retirement benefits will be largely determined by the actual rates of return achieved by the employee's investment decisions. The entire risk for poor investment decisions will be borne by the employee and will reduce eventual retirement payments. HB 3798, as amended by House Amendment 001, will provide that, to the extent these changes are determined to be a new benefit increase, the changes will be exempt from the 5-year expiration provision.

GS:bj

LRB096 09737 AMC 23695 a

General Assembly Retirement System

Current Law

All Dollar Amounts in Millions

<u>Fiscal Year</u>	<u>DB Annual Payroll</u>	<u>SMP State Contribution</u>	<u>DB State Contribution</u>	<u>Total State Contribution</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
2009	\$14.2	\$0.0	\$8.8	\$8.8	\$239.5	\$75.2	\$164.2	31.4%
2010	14.8	0.0	10.5	10.5	243.3	75.8	167.4	31.2%
2011	15.3	0.0	10.9	10.9	247.1	75.9	171.1	30.7%
2012	15.9	0.0	11.3	11.3	250.8	75.5	175.4	30.1%
2013	16.6	0.0	11.7	11.7	254.7	75.0	179.7	29.5%
2014	17.2	0.0	12.2	12.2	258.8	74.8	184.1	28.9%
2015	17.8	0.0	12.6	12.6	263.0	74.6	188.4	28.4%
2016	18.5	0.0	13.1	13.1	267.2	74.6	192.6	27.9%
2017	19.2	0.0	13.6	13.6	271.6	74.8	196.8	27.6%
2018	20.1	0.0	14.2	14.2	276.2	75.4	200.7	27.3%
2019	20.9	0.0	14.8	14.8	280.9	76.3	204.6	27.2%
2020	21.7	0.0	15.4	15.4	285.8	77.6	208.2	27.2%
2021	22.5	0.0	15.9	15.9	290.9	79.2	211.7	27.2%
2022	23.4	0.0	16.5	16.5	296.0	81.2	214.9	27.4%
2023	24.2	0.0	17.1	17.1	301.3	83.4	217.8	27.7%
2024	25.2	0.0	17.8	17.8	306.6	86.2	220.4	28.1%
2025	26.0	0.0	18.4	18.4	312.1	89.4	222.7	28.6%
2026	27.1	0.0	19.2	19.2	317.9	93.3	224.6	29.4%
2027	28.1	0.0	19.9	19.9	324.0	98.0	226.0	30.3%
2028	29.4	0.0	20.8	20.8	330.4	103.7	226.7	31.4%
2029	30.5	0.0	21.6	21.6	337.3	110.3	227.0	32.7%
2030	31.8	0.0	22.5	22.5	344.7	118.3	226.5	34.3%
2031	32.9	0.0	23.3	23.3	352.7	127.4	225.3	36.1%
2032	34.4	0.0	24.3	24.3	361.3	138.1	223.2	38.2%
2033	35.6	0.0	25.2	25.2	370.3	150.3	220.0	40.6%
2034	37.1	0.0	26.2	26.2	380.1	164.3	215.8	43.2%
2035	38.6	0.0	27.3	27.3	390.6	180.3	210.3	46.2%
2036	40.1	0.0	28.4	28.4	401.9	198.4	203.5	49.4%
2037	41.7	0.0	29.5	29.5	413.9	218.7	195.2	52.8%
2038	43.4	0.0	30.7	30.7	426.9	241.5	185.3	56.6%
2039	45.1	0.0	31.9	31.9	440.7	267.0	173.7	60.6%
2040	46.9	0.0	33.2	33.2	455.4	295.4	160.0	64.9%
2041	48.8	0.0	34.5	34.5	471.1	326.9	144.2	69.4%
2042	50.8	0.0	35.9	35.9	487.9	361.9	125.9	74.2%
2043	52.7	0.0	37.3	37.3	505.6	400.5	105.1	79.2%
2044	54.9	0.0	38.8	38.8	524.3	443.0	81.3	84.5%
2045	57.0	0.0	40.4	40.4	544.1	489.7	54.4	90.0%

General Assembly Retirement System
 HB 3798, as amended by House Amendment #001
 All Dollar Amounts in Millions

<u>Fiscal Year</u>	<u>DB Annual Payroll</u>	<u>SMP State Contribution</u>	<u>DB State Contribution</u>	<u>Total State Contribution</u>	<u>Actuarial Liability</u>	<u>Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>
2009	\$14.2	\$0.0	\$8.8	\$8.8	\$239.5	\$75.2	\$164.2	31.4%
2010	14.2	0.1	21.3	21.4	243.3	87.1	156.2	35.8%
2011	14.2	0.1	21.3	21.4	246.6	98.8	147.8	40.1%
2012	13.6	0.3	20.4	20.7	249.6	109.5	140.1	43.9%
2013	13.0	0.4	19.6	20.0	252.4	119.6	132.8	47.4%
2014	12.4	0.5	18.8	19.3	255.0	129.3	125.7	50.7%
2015	11.8	0.7	17.8	18.5	257.2	138.3	118.9	53.8%
2016	11.3	0.8	17.1	17.9	259.1	146.9	112.2	56.7%
2017	10.7	1.0	16.1	17.1	260.5	154.8	105.7	59.4%
2018	10.3	1.1	15.5	16.6	261.5	162.3	99.2	62.1%
2019	9.9	1.3	14.8	16.1	262.2	169.3	92.9	64.6%
2020	9.4	1.4	14.2	15.6	262.4	175.8	86.6	67.0%
2021	8.8	1.6	13.3	14.9	262.1	181.6	80.5	69.3%
2022	8.3	1.7	12.6	14.3	261.1	186.5	74.6	71.4%
2023	7.7	1.9	11.6	13.5	259.5	190.4	69.1	73.4%
2024	7.2	2.1	10.8	12.9	257.2	193.4	63.8	75.2%
2025	6.5	2.2	9.8	12.0	254.2	195.2	59.0	76.8%
2026	6.0	2.4	9.0	11.4	250.6	196.2	54.4	78.3%
2027	5.4	2.6	8.1	10.7	246.4	196.0	50.4	79.5%
2028	5.0	2.8	7.5	10.3	241.7	195.2	46.5	80.8%
2029	4.5	3.0	6.8	9.8	236.5	193.5	43.0	81.8%
2030	4.2	3.2	6.3	9.5	230.9	191.3	39.6	82.8%
2031	3.7	3.4	5.6	9.0	224.9	188.3	36.6	83.7%
2032	3.4	3.6	5.1	8.7	218.5	184.7	33.8	84.5%
2033	3.0	3.7	4.6	8.3	211.8	180.6	31.2	85.3%
2034	2.8	3.9	4.2	8.1	204.9	176.2	28.7	86.0%
2035	2.5	4.1	3.9	8.0	198.0	171.5	26.5	86.6%
2036	2.3	4.4	3.4	7.8	190.9	166.5	24.4	87.2%
2037	2.0	4.6	3.0	7.6	183.7	161.2	22.5	87.8%
2038	1.9	4.8	2.8	7.6	176.6	155.8	20.8	88.2%
2039	1.6	5.0	2.5	7.5	169.6	150.3	19.3	88.6%
2040	1.5	5.2	2.3	7.5	162.6	144.8	17.8	89.1%
2041	1.3	5.5	2.0	7.5	155.8	139.2	16.6	89.3%
2042	1.2	5.7	1.8	7.5	149.1	133.7	15.4	89.7%
2043	1.0	5.9	1.6	7.5	142.7	128.2	14.5	89.8%
2044	0.9	6.2	1.3	7.5	136.3	122.7	13.6	90.0%
2045	0.7	6.5	1.1	7.6	130.2	117.2	13.0	90.0%