

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 96TH GENERAL ASSEMBLY

BILL NO: **HB 5506, as amended by HA #1** February 25, 2010

SPONSOR(S): Kosel

SYSTEM(S): State Employees' Retirement System, State Universities Retirement System, Teachers' Retirement System, Judges' Retirement System

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**FISCAL IMPACT:** Please see below for the fiscal impact HB 5506, as amended, would have on the Systems.

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**SUBJECT MATTER:** HB 5506, as amended, amends the State Employee, State Universities, Downstate Teacher, and Judges Articles of the Illinois Pension Code to cap the salary, earnings, or compensation used in determining retirement annuities at the Governor's salary on the date of the participant's retirement for persons who first enter the systems on or after July 1, 2010.

**FISCAL IMPACT:** As part of the Pension Modernization Task Force, the Commission's actuary projected the total reduction in State contributions for all Systems until fiscal year 2045 if salary over \$150,000 is not pensionable. The chart below highlights the significant fiscal impact of HB 5506, as amended, over the life of the current funding period. It is important to note that the chart showing salary limited to \$150,000 indexed for inflation is more accurate because the Governor's salary will likely increase over time.

<b>REDUCTION IN STATE CONTRIBUTIONS</b>					
(\$ in Millions)					
Reduction Period	Salary Limited to \$150,000 Indexed for Inflation				
	TRS	SERS	SURS	JRS	TOTAL
FY 2011	\$38.5	\$0.2	\$10.4	\$3.4	\$52.5
FY 2010 - FY 2045	\$3,185.1	\$14.0	\$807.9	\$246.3	\$4,253.3

<b>REDUCTION IN STATE CONTRIBUTIONS</b>					
(\$ in Millions)					
Reduction Period	Salary over \$150,000 Non-Indexed for Inflation				
	TRS	SERS	SURS	JRS	TOTAL
FY 2011	\$282.5	\$69.9	\$39.2	\$16.1	\$407.7
FY 2010 - FY 2045	\$23,964.4	\$4,905.9	\$3,043.1	\$1,176.4	\$33,089.8

COMMENT: Currently, under each System, there are various ways to determine a participant's final average salary, compensation, or earnings for annuity purposes. Under HB 5506, as amended, any person who first becomes an employee under SERS, SURS, TRS, or JRS on or after July 1, 2010, cannot have his or her final average salary, compensation, or rate of earnings for annuity purposes exceed the Governor's salary on the date of the participant's retirement.

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