

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 5506**

February 19, 2010

SPONSOR(S): Kosel

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

FISCAL IMPACT: Please see below for the fiscal impact HB 5506 would have on the State Retirement Systems.

SUBJECT MATTER: HB 5506 amends the General Assembly, 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 over the life of the current funding period.

REDUCTION IN STATE CONTRIBUTIONS		
(\$ in Millions)		
Reduction Period	Salary over \$150,000 Non-Indexed for Inflation	Salary Limited to \$150,000 Indexed for Inflation
FY 2011	\$407.8	\$52.5
FY 2010-FY 2045	\$33,100.0	\$4,256.1

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, any person who first becomes an employee under GARS, 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.

MDM:dkb

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