

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: HB 6368, as amended by HA #1 March 17, 2010
SPONSOR(S): McCarthy – Madigan, et al.
SYSTEM(S): General Assembly Retirement System, Judges’ Retirement System

FISCAL IMPACT: The Systems’ actuary has performed a cost study of HB 6368, as amended. The table below shows the projected reduction in State contributions over the period FY 2011 – FY 2045 as a result of the benefit changes contained in the bill. The table also shows the present value of the reduction in State contributions, which essentially portrays the long-term savings in today’s dollars.

System	Reduction in State Contributions	Present Value of Reduction in State Contr.
(\$ in Millions)		
GARS	\$68.2	\$18.0
JRS	\$1,582.1	\$399.7
TOTAL	\$1,650.3	\$417.7

See the Fiscal Impact section below for charts showing the short-term funding reductions associated with HB 6368, as amended. Also, see the last two pages for full actuarial projections associated with HB 6368, as amended.

SUBJECT MATTER: HB 6368, as amended, amends the General Assembly and Judges Articles of the Illinois Pension Code. The bill makes the following changes for members who first begin service on or after July 1, 2010.

- The retirement age will be increased to age 67 with 8 years of service credit (reduced annuity at age 62).
- The retirement annuity will be based on the highest 8 out of the last 10 years of service.
- Pensionable salary will be capped at the Social Security Wage Base for 2010 (currently \$106.8 thousand), indexed for inflation.
- The retirement formula will be 3% of the participant’s highest salary for annuity purposes for each year of service, with a maximum of 60% of final average salary.

FISCAL IMPACT: See Tables 1 and 2 Below:

Table 1

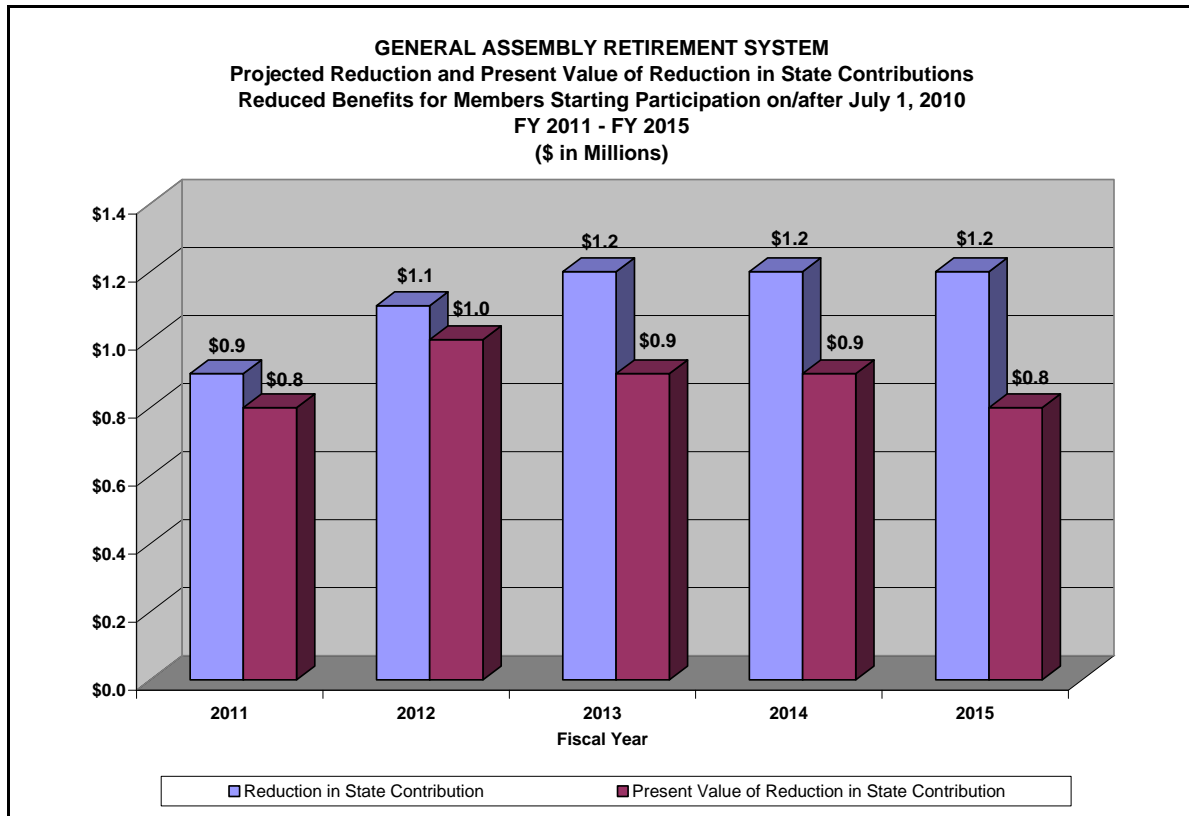
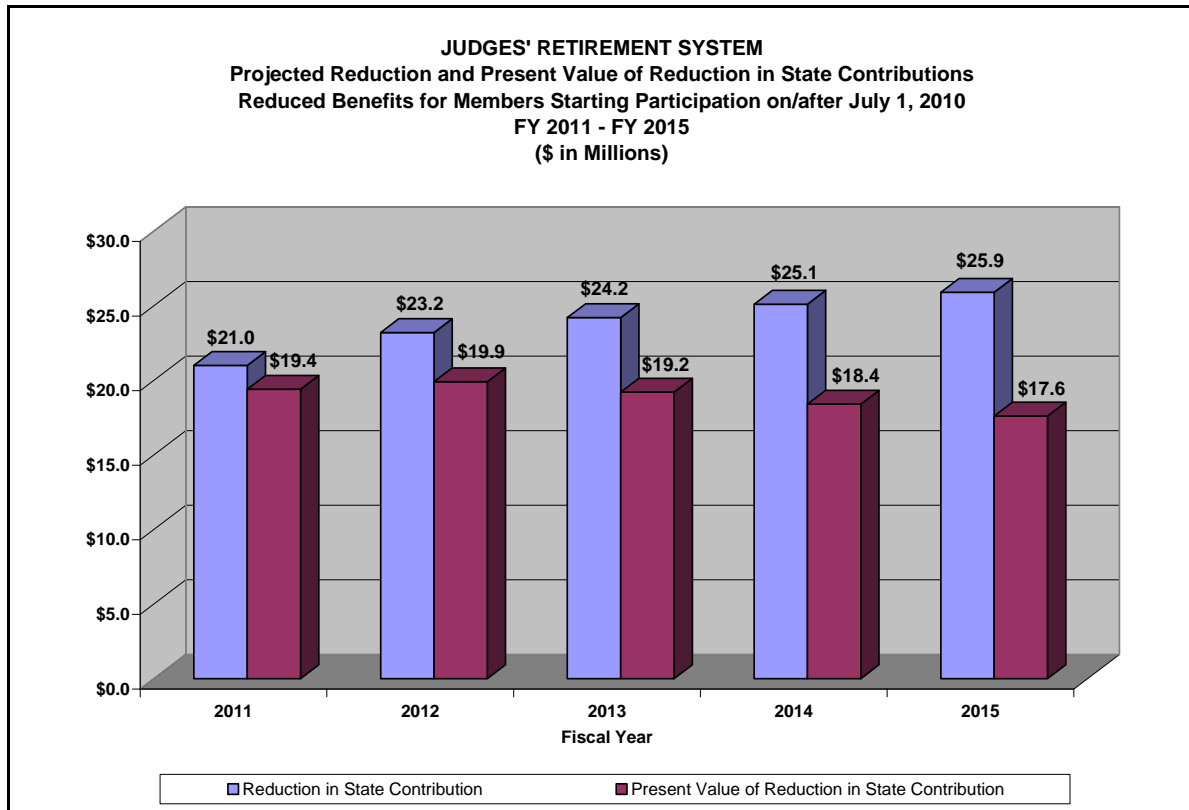


Table 2



COMMENT:**Highest Salary for Annuity Purposes in GARS**

HB 6368, as amended, provides that for a participant who first becomes a participant of GARS on or after July 1, 2010, the “highest salary for annuity purposes” means the average monthly salary obtained by dividing the total salary of the participant during the 96 consecutive months of service within the last 120 months of service in which the total compensation was the highest by the number of months of service in that period, so long as it does not exceed the Social Security Covered Wage Base for 2010. This salary for annuity purposes will automatically be increased or decreased, as applicable, by a percentage equal to the percentage change in the consumer price index during the preceding 12-month calendar year.

Conditions for Eligibility for Retirement Annuity in GARS

HB 6368, as amended, provides that for a participant who first becomes a participant of GARS on or after July 1, 2010, he or she must attain age 67 and have at least 8 years of service credit before being eligible for a retirement annuity. Additionally under HB 6368, as amended, a participant who first becomes a participant of GARS on or after July 1, 2010 who has attained age 62 and has at least 8 years of service credit may elect to receive a lower retirement annuity if they so choose.

Change in GARS Retirement Formula

HB 6368, as amended, provides that for a participant who first becomes a participant in GARS on or after July 1, 2010, the annual retirement annuity will be 3% of the participant’s highest salary for annuity purposes for each year of service. The maximum retirement annuity payable will be 60% of the participant’s highest salary for annuity purposes. Additionally, for a participant who first becomes a participant on or after July 1, 2010 and who is retiring after reaching age 62 with at least 8 years of service credit, the retirement annuity will be reduced by one-half of 1% for each month that the member’s age is under age 67.

Automatic Increase in Retirement Annuity in GARS

HB 6368, as amended, provides that a participant who first becomes a participant of GARS on or after July 1, 2010, may have the amount of the retirement annuity then being paid increased by 3% or the annual change in the Consumer Price Index for All Urban Consumers, whichever is less. This increase may begin in either January or July (whichever occurs first) next following the participant’s anniversary of retirement, and will continue in the same month of each following year. Additionally, this increase is not allowed until the participant reaches age 67.

Amount of Survivor Annuities in GARS

HB 6368, as amended, provides that the initial survivor’s annuity of a survivor of a participant who first becomes a participant of GARS on or after July 1, 2010 will be in the amount of 66 2/3% of the amount of the retirement annuity that the participant or annuitant was entitled to on the date of his or her death. This annuity will be increased on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity, or otherwise on each January 1 occurring on or after the first anniversary of the commencement of the annuity by any amount equal to 3% or the annual change in the Consumer Price Index for All Urban Consumers, whichever is less, of the survivor’s annuity already being paid.

Conditions for Eligibility for Retirement Annuity in JRS

HB 6368, as amended, provides that for a participant who first serves as a judge on or after July 1, 2010, he or she must attain age 67 and have at least 8 years of service credit before being eligible for a retirement annuity. Additionally under HB 6368, as amended, a participant who first serves as a judge on or after July 1, 2010 who has attained age 62 and has at least 8 years of service credit may elect to receive a lower retirement annuity if they so chose.

Amount of Retirement Annuities in JRS

HB 6368, as amended, provides that for a participant who first serves as a judge on or after July 1, 2010, the annual retirement annuity will be 3% of the participant's final average salary for each year of service. The maximum retirement annuity payable will be 60% of the participant's final average salary. HB 6368, as amended, clarifies that final average salary will be the average monthly salary obtained by dividing the total salary of the judge during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period; however, the final average salary may not exceed the Social Security Covered Wage Base for 2010, and will automatically be increased or decreased, as applicable, by a percentage equal to the percentage change in the consumer price index during the preceding 12-month calendar year. The new amount resulting from each annual adjustment will be determined by the Public Pension Division of the Department of Insurance and will then be made available to the Board. Additionally, for a participant who first serves as a judge on or after July 1, 2010 and who is retiring after reaching age 62, the retirement annuity will be reduced by one-half of 1% for each month that the member's age is under age 67 at the time the annuity commences.

Automatic Increase in Retirement Annuity in JRS

HB 6368, as amended, provides that a participant who first serves as a judge on or after July 1, 2010, may have the amount of the retirement annuity then being paid increased by 3% or the annual change in the Consumer Price Index for All Urban Consumers, whichever is less. This increase may begin in January of the year next following the participant's anniversary of retirement, and will continue in January of each following year.

Amount of Survivor Annuities in JRS

HB 6368, as amended, provides that the initial survivor's annuity of a survivor of a participant who first serves as a judge on or after July 1, 2010 will be in the amount of 66 2/3% of the amount of the retirement annuity that the participant or annuitant was entitled to on the date of his or her death. This annuity will be increased on each January 1 occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity, or otherwise on each January 1 occurring on or after the first anniversary of the commencement of the annuity by any amount equal to 3% or the annual change in the Consumer Price Index for All Urban Consumers, whichever is less, of the survivor's annuity already being paid.

FUNDING PROJECTIONS FOR THE GENERAL ASSEMBLY RETIREMENT SYSTEM
Reduced Benefits for Members Starting Participation on/after July 1, 2010
Projections Based on HB 6368, as amended by HA #1

Fiscal Year	Annual Payroll	Total State Contribution	State Contribution as a % of Payroll	Total Employee Contribution	Accrued Liabilities	Assets	Unfunded Liabilities	Funded Ratio
2009					\$245.2	\$71.6	\$245.2	29.2%
2010	\$14.6	\$10.5	71.5%	\$1.7	248.5	66.8	181.7	26.9%
2011	15.2	11.2	73.6%	1.7	251.9	62.2	189.7	24.7%
2012	15.7	11.3	71.6%	1.8	255.0	56.9	198.1	22.3%
2013	16.4	11.8	72.2%	1.9	258.2	51.5	206.7	20.0%
2014	16.9	12.3	72.7%	1.9	261.4	50.0	211.4	19.1%
2015	17.4	12.7	73.2%	2.0	264.6	48.4	216.3	18.3%
2016	18.1	13.4	73.8%	2.1	267.9	46.8	221.1	17.5%
2017	18.8	13.8	73.8%	2.2	271.2	44.7	226.5	16.5%
2018	19.5	14.4	73.9%	2.2	274.6	43.0	231.6	15.7%
2019	20.3	15.0	73.9%	2.3	278.1	41.6	236.5	15.0%
2020	21.1	15.5	73.7%	2.4	281.7	40.6	241.1	14.4%
2021	21.7	15.9	73.3%	2.5	285.3	39.6	245.7	13.9%
2022	22.5	16.5	73.2%	2.6	288.8	38.9	249.9	13.5%
2023	23.3	17.0	73.0%	2.7	292.0	38.3	253.8	13.1%
2024	24.2	17.6	72.7%	2.8	295.3	38.0	257.3	12.9%
2025	24.9	18.0	72.2%	2.9	298.3	37.7	260.5	12.6%
2026	25.9	18.8	72.4%	3.0	301.1	38.0	263.1	12.6%
2027	26.9	19.5	72.6%	3.1	303.8	38.7	265.1	12.7%
2028	28.0	20.3	72.6%	3.2	306.5	40.2	266.3	13.1%
2029	28.8	20.9	72.4%	3.3	308.9	41.9	267.0	13.6%
2030	30.0	21.7	72.2%	3.5	311.3	44.5	266.8	14.3%
2031	31.1	22.4	72.0%	3.6	313.7	47.8	265.8	15.2%
2032	32.4	23.4	72.3%	3.7	316.2	52.5	263.7	16.6%
2033	33.7	24.5	72.8%	3.9	318.9	58.7	260.3	18.4%
2034	35.0	26.7	76.2%	4.0	322.0	67.8	254.3	21.0%
2035	36.4	27.7	76.2%	4.2	325.5	78.8	246.7	24.2%
2036	37.8	28.8	76.2%	4.3	329.4	91.9	237.5	27.9%
2037	39.3	29.9	76.2%	4.5	333.8	107.5	226.3	32.2%
2038	40.9	31.2	76.2%	4.7	338.9	126.0	212.9	37.2%
2039	42.5	32.4	76.2%	4.9	344.7	147.4	197.3	42.8%
2040	44.2	33.7	76.2%	5.1	351.3	172.2	179.1	49.0%
2041	45.9	35.0	76.2%	5.3	358.6	200.5	158.1	55.9%
2042	47.8	36.4	76.2%	5.5	366.8	232.8	134.0	63.5%
2043	49.6	37.8	76.2%	5.7	375.9	269.4	106.5	71.7%
2044	51.5	39.3	76.2%	5.9	385.9	310.6	75.3	80.5%
2045	53.6	40.9	76.2%	6.2	396.9	357.2	39.7	90.0%

FUNDING PROJECTIONS FOR THE JUDGES' RETIREMENT SYSTEM
Reduced Benefits for Members Starting Participation on/after July 1, 2010
Projections Based on HB 6368, as amended by HA #1

Fiscal Year	Annual Payroll	Total State Contribution	State Contribution as a % of Payroll	Total Employee Contribution	Accrued Liabilities	Assets	Unfunded Liabilities	Funded Ratio
2009					\$1,548.5	\$616.8	\$931.7	39.8%
2010	\$161.8	\$78.8	78.7%	\$17.8	1,618.7	623.9	994.8	38.5%
2011	169.2	69.3	41.0%	18.6	1,689.3	618.2	1,071.1	36.6%
2012	176.5	70.4	39.9%	19.4	1,759.5	609.6	1,149.9	34.6%
2013	183.6	73.8	40.2%	20.2	1,829.2	600.0	1,229.2	32.8%
2014	190.4	77.0	40.5%	20.9	1,897.1	621.9	1,275.2	32.8%
2015	169.9	80.2	40.7%	18.7	1,963.6	641.9	1,321.7	32.7%
2016	204.8	83.9	41.0%	22.5	2,027.1	659.9	1,367.2	32.6%
2017	213.0	87.3	41.0%	23.4	2,087.7	674.1	1,413.5	32.3%
2018	221.5	90.9	41.0%	24.4	2,144.5	686.7	1,457.8	32.0%
2019	230.4	94.6	41.1%	25.3	2,197.7	697.6	1,500.0	31.7%
2020	239.6	98.1	40.9%	26.4	2,246.1	706.3	1,539.8	31.4%
2021	249.2	101.8	40.9%	27.4	2,290.1	712.9	1,577.2	31.1%
2022	259.1	105.7	40.8%	28.5	2,328.9	717.5	1,611.4	30.8%
2023	269.5	109.9	40.8%	29.6	2,362.9	720.4	1,642.4	30.5%
2024	280.3	113.8	40.6%	30.8	2,391.5	721.3	1,670.2	30.2%
2025	291.5	117.9	40.5%	32.1	2,414.8	720.6	1,694.2	29.8%
2026	303.1	122.9	40.6%	33.3	2,432.5	719.0	1,713.5	29.6%
2027	315.3	128.1	40.6%	34.7	2,445.1	717.5	1,727.7	29.3%
2028	327.9	133.2	40.6%	36.1	2,452.2	715.8	1,736.4	29.2%
2029	341.0	138.5	40.6%	37.5	2,454.7	715.2	1,739.6	29.1%
2030	354.6	143.6	40.5%	39.0	2,453.1	716.2	1,736.9	29.2%
2031	368.8	149.1	40.4%	40.6	2,447.9	720.2	1,727.8	29.4%
2032	383.6	155.5	40.5%	42.2	2,439.5	728.5	1,711.0	29.9%
2033	398.9	162.7	40.8%	43.9	2,428.5	743.3	1,685.2	30.6%
2034	414.9	174.4	42.0%	45.6	2,415.7	770.6	1,645.1	31.9%
2035	431.5	181.4	42.0%	47.5	2,401.7	807.0	1,594.7	33.6%
2036	448.7	188.6	42.0%	49.4	2,387.1	854.3	1,532.8	35.8%
2037	466.7	196.2	42.0%	51.3	2,372.4	913.9	1,458.5	38.5%
2038	485.3	204.0	42.0%	53.4	2,358.2	987.9	1,370.3	41.9%
2039	504.8	212.2	42.0%	55.5	2,345.2	1,078.3	1,267.0	46.0%
							1,146.	

