

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 0320**

February 11, 2009

SPONSOR (S): Forby

SYSTEM(S): SURS

FISCAL IMPACT: The Commission's actuary reviewed SURS' salary increase assumptions as set forth in their 2008 actuarial valuation. For employees with 9 or more years of service, the salary increase assumption is 5.0% per year. This assumption is based on a recent experience study performed by the system's actuary. Therefore, the system's actuaries are not assuming any excess salary increases in the years before retirement.

In comparison, the June 30, 2008 actuarial valuation of the Teachers' Retirement System shows that 75% of teachers who retire with 30 or more years of service will receive a severance payment of 15.35% of salary during their last year of service.

Essentially, CGFA's actuary is saying that experience shows that SURS employers have not, on average, granted salary increases in excess of 6% in the years prior to retirement since P.A. 94-0004 took effect. Therefore, the actuary cannot put a dollar amount on the impact of SB 320, as it is unknown how this bill will change end-of-career salary increases for the group of employees affected by this bill.

SUBJECT MATTER: SB 0320 amends the State Universities article of the Illinois Pension Code to exempt the employer (the state university or community college) from paying to the system any amount associated with a salary increase in excess of 6% granted to an employee whose final average salary for pension purposes is \$30,000 or less.

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COMMENT: P.A. 94-0004 implemented a "final average salary cap" in SURS which specified that if an employer granted a salary increase to an employee in excess of 6% during the employee's final average salary period (the period used to calculate the employee's pension), the employer would be required to pay to the retirement system the present value of the increase in benefits associated with that portion of the salary increase above 6%. P.A. 94-1057 created certain exemptions to the final average salary cap created by P.A. 94-0004. SB 0320 amends the State Universities article of the Illinois Pension Code to exempt the employer (the state university or community college) from paying to the system any amount associated with a salary increase in excess of 6% granted to an employee whose final average salary for pension purposes is \$30,000 or less.

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