

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96th GENERAL ASSEMBLY

BILL NO: **SB 1561**

February 19, 2009

SPONSOR (S): Forby

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

FISCAL IMPACT: The Teachers' Retirement System estimated their increase in accrued liabilities would be \$40 million to \$60 million from SB 1561. The actuaries of the other systems have not yet completed their comprehensive studies of the costs of SB 1561. Therefore, the exact fiscal impact of SB 1561 cannot be determined at this time.

SUBJECT MATTER: SB 1561 declares it to be the public policy of the State of Illinois to protect all pension benefits against significant decreases in purchasing power. The General Assembly, State Employees', State Universities, Downstate Teachers' and Judges' Articles of the Illinois Pension Code are amended by SB 1561 to provide a one-time increase in all pensions that began before January 1, 1980. In addition, regular review and reporting requirements are established in order to routinely analyze the effects of inflation on the purchasing power of annuitants. SB 1561 would be effective immediately.

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COMMENTS: Every annuitant or survivor in any of the State Retirement Systems who began receiving a retirement annuity before January 1, 1980 shall have their annuity increased by a specific percentage based upon the year their original annuity began, as follows: (1) 1979 - 5%, (2) 1978 - 10%, (3) 1977 - 14%, (4) 1976 - 14%, (5) 1975 - 18%, (6) 1974 - 23%, (7) 1973 or before - 32%. SB 1561 declares the State will make all of these contributions in a manner which supports the established schedule for steadily improving the systems' funded ratios to 90% by fiscal year 2045. SB 1561 also requires each system to conduct a regular review to determine if any category or group of annuitants has suffered a 20% or greater decrease in the purchasing power of their pension benefits. Whenever one of these reviews determines a decrease of 20% or more has occurred, the system will report these results to the General Assembly, the Governor and the Commission on Government Forecasting and Accountability. Finally, SB 1561 declares it to be the continuing public policy of the State of Illinois and the General Assembly to protect all pension benefits against significant decreases in purchasing power.

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