

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 1858, as amended by HA 2** January 10, 2011

SPONSOR (S): DeLeo (Currie - McCarthy)

SYSTEM(S): All State Systems

FISCAL IMPACT: SB 1946 (P.A. 96-0889) created a second tier of benefits for employees hired into a State-funded retirement system after Jan. 1, 2011. The Commission published an extensive analysis of the fiscal impact of SB 1946 in its FY 2011 Budget Summary. In that analysis, CGFA's actuary determined that applying the SB 1946 reforms on a full fiscal-year basis in FY 2011 would reduce the State's contribution by \$976.4 million. Since SB 1946 applies to newly-hired members after Jan. 1, 2011, the estimated reduction in the FY 2011 contribution would be \$488.2 million. The provisions of SB 1858, as amended by HA 2, are contingent upon SB 3514, the FY 2011 pension bonding bill, becoming law.

SUBJECT MATTER: SB 1858, as amended by HA 2, requires the five State-funded pension funds to re-certify their respective FY 2011 contributions applying the changes of SB 1946 (P.A. 96-0889), the two-tier pension reform bill. The amendment also stipulates that HA 2 to SB 1858 does not take effect unless the FY 2011 pension bonding bill, SB 3514, becomes law. SB 3514, which authorizes the issuance of \$4.1 billion for the purpose of making the FY 2011 State pension payment, has passed the House and is currently awaiting a Senate floor vote.

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COMMENT: SB 3514, as amended by HA 1, 3, 4, and 5, requires the issuance of new pension bonds totaling \$4.1 billion for the purpose of making the statutorily-required State pension payment for FY 2011. SB 3514 contains a provision requiring the State systems to recertify their respective FY 2011 contributions by June 15, 2010. Since that date has already passed and since SB 3514 is on the order of Senate concurrence and thus cannot be amended, HA 2 to SB 1858 is needed to facilitate re-certification of the FY 2011 State pension contribution by April 1, 2011, but only if the pension bonding bill becomes law.

DH:dkb

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