

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

REVISED

BILL NO: **SB 2011**

October 9, 2009

SPONSOR (S): Althoff – Garrett (Saviano – Ryg, et al.)

SYSTEM(S): Downstate Police, Downstate Fire

FISCAL IMPACT: SB 2011 will re-start the 40 year period municipalities use for the elimination of any deficiency between their police and fire pension funds' total liabilities and total assets. This will have the effect of lowering employer contributions in the short term. The bill will require this new 40-year amortization to be made as a level percentage of payroll, so as payroll grows, the amount of annual contributions will grow accordingly, such that any unfunded liabilities will be eliminated by the year 2049.

The commission's actuary has calculated the first-year contribution reductions for ten individual pension funds. See Table 1 on Page 2.

SUBJECT MATTER: SB 2011 amends the Downstate Police and Fire Articles of the Illinois Pension Code by extending the time period municipalities will be given to increase annual pension system funding sufficiently to eliminate any amount that the pension funds' total liabilities exceed their total assets.

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COMMENTS: Currently, if the annual report of a Downstate Police or Fire pension fund determines that its total liabilities exceed its total assets, the municipality is required to

increase annual funding sufficiently to totally eliminate this deficiency over a 40 year period beginning July 1, 1993. SB 2011 amends the Pension Code to allow any such deficiency to be eliminated over a 40 year period beginning July 1, 2009. This change, therefore, will increase the number of years an employer will be able to take for the elimination of any such underfunding. As a result, SB 2011 will initially lower the annual amount the municipality will have to contribute to the pension system and lower the funded ratio.

Table 1

Pension Fund	Annual Actuarial Requirement Under Most Recent Actuarial Valuation	Estimated Annual Actuarial Requirement with Amortization Period Extended to 40 Years from July 1, 2009	Estimated Reduction in Annual Actuarial Requirement
Arlington Heights Police	\$2,875,430	\$2,612,824	\$262,606
Bellwood Police	1,150,902	990,217	160,685
Champaign Police	5,298,051	3,277,999	2,020,052
Springfield Police	8,008,143	6,846,000	1,162,143
Wilmette Police	1,535,884	1,342,075	193,809
Arlington Heights Fire	3,554,720	3,132,873	421,847
Bellwood Fire	722,542	637,842	84,700
Champaign Fire	3,264,497	2,693,654	570,843
Springfield Fire	8,877,096	7,461,185	1,415,911
Wilmette Fire	1,833,191	1,593,462	239,729

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