

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: SB 3537, as amended by HA #1 May 25, 2010
SPONSOR(S): Raoul – Kotowski (McCarthy)
SYSTEM(S): General Assembly Retirement System, Judges’ Retirement System

FISCAL IMPACT: The Commission’s actuary estimated that P.A. 96-0889 would reduce State contributions to JRS by approximately \$2.1 billion between FY 2011 – FY 2045. Over the same time period, the actuary estimated that State contributions to GARS would be reduced by \$77.3 million. SB 3537, as amended by HA #1, changes the minimum vesting period for members of JRS and GARS who begin service on or after January 1, 2011 from 8 years to 10 years. The impact of this change will be largely negligible, but slightly positive. Also, the bill reduces the annual COLA for new hires to 3% or one-half the change in the CPI, whichever is less (currently the lesser of 3% or the annual change in the CPI). The actuary notes that this change should yield a greater cost savings than the vesting change, however the fiscal impact has not yet been calculated.

SUBJECT MATTER: SB 3537, as amended by HA #1, amends the General Assembly Article and the Judges’ Article of the Illinois Pension Code to raise the minimum vesting period from 8 years to 10 years of service for members beginning service on or after January 1, 2011, in accordance with P.A. 96-0889. The bill also changes the COLA amount for new hires in both systems to 3% or one-half the annual change in the Consumer Price Index (currently 3% or the annual change in the CPI).

FISCAL IMPACT: The Commission’s actuary estimated that P.A. 96-0889 would reduce State contributions to JRS by approximately \$2.1 billion between FY 2011 – FY 2045. Over the same time period, the actuary estimated that State contributions to GARS would be reduced by \$77.3 million. SB 3537, as amended by HA #1, changes the minimum vesting period for members of JRS and GARS who begin service on or after January 1, 2011 from 8 years to 10 years. The impact of this change will be largely negligible, but slightly positive. Also, the bill reduces the annual COLA for new hires to 3% or one-half the change in the CPI, whichever is less (currently the lesser of 3% or the annual change in the CPI). The actuary notes that this change should yield a greater cost savings than the vesting change, however the fiscal impact has not yet been calculated.

COMMENT:**Conditions for Eligibility for Retirement Annuity for GARS**

Public Act 96-0889, which takes effect on January 1, 2011, raised the retirement age in the General Assembly Retirement System from 55 to 67 years of age. The Act specified that a member must serve 8 years to become vested in GARS. SB 3537, as amended by HA #1, raises the minimum vesting requirement to age 67 with 10 years of service for members who begin service on or after January 1, 2011.

Automatic Increase in Retirement Annuity for GARS

SB 3537, as amended by HA #1, provides that a participant who first becomes a participant on or after January 1, 2011 (the effective date of Public Act 96-0889) will, in January or July next following the first anniversary of retirement, whichever occurs first, and in the same month of each year after, have the amount of the retirement annuity then being paid increased by 3% or one-half the annual change in the Consumer Price Index, whichever is less. This increase in retirement annuity will not begin for any participant until they reach age 67.

Conditions for Eligibility for Retirement Annuities for JRS

Public Act 96-0889, which takes effect on January 1, 2011, raised the retirement age in the Judges' Retirement System from 55 to 67 years of age. The Act specified that a member must serve 8 years to become vested in JRS. SB 3537, as amended by HA #1, raises the minimum vesting requirement to age 67 with 10 years of service for members who begin service on or after January 1, 2011.

Automatic Increase in Retirement Annuity for JRS

SB 3537, as amended by HA #1, provides that a retirement annuity for a participant who first serves as a judge on or after January 1, 2011 (the effective date of Public Act 96-0889) will be increased in January of the year next following the year in which the first anniversary of retirement occurs, and in January of each year thereafter. This increase will be an amount equal to 3% or one-half the annual change in the Consumer Price Index, whichever is less, of the retirement annuity then being paid.

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