

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 2061**

March 7, 2011

SPONSOR (S): Sente

SYSTEM(S): All State Systems

FISCAL IMPACT: HB 2061 would have a potential positive fiscal impact on affected pension systems as it would limit the effect of individuals “cashing out” unused sick/vacation/other days in their last year of employment to boost their overall salary number for retiree pension benefit payments from the state.

SUBJECT MATTER: HB 2061 amends the General Provisions Article of the Illinois Pension Code to limit the impact of a large increase in total salary for individuals and members in calculating the final average salary for pension/retirement benefits. If a member/participant’s final average salary is larger than their salary from the previous year with the same employer by more than 12%, then the amount of the increase larger than 12% cannot be used to calculate final average salary.

FISCAL IMPACT: HB 2061 would have a potential positive fiscal impact on state pension systems as it would limit the effect of individuals “cashing out” unused sick/vacation/other days in their last year of employment to boost their overall salary number for retiree pension benefit payments from the state.

COMMENT: HB 2061 covers all people participating in or a member of a retirement/pension system covered by the pension code, except funds established under Article 22. In addition, this legislation would only affect people who become members/participants of retirement systems and pension funds after the effective date of the legislation (currently July 1, 2011). Depending on the specific pension/retirement plan an individual is covered under, the specific wording changes based on the Article of the Illinois Pension Code the pension/retirement plan is enacted under. The term “final average salary” is replaced with:

1. “final rate of earnings” for people covered under the Illinois Municipal Retirement Fund or the State Universities Retirement System
2. “highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of withdrawal” for people covered under the City of Chicago Municipal Employees’, Officers’ and Officials’ Annuity and Benefit Fund, the Cook County Employees’ and Officers’ Annuity and Benefit Fund, the Forest Preserve District Employees’ Annuity and Benefit Fund, the Chicago Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund, and the Chicago Park Employees’ and Retirement Board Employees’ Annuity and Benefit Fund
3. “average final salary” for people covered under the Metropolitan Water Reclamation District Retirement Fund
4. “final average compensation” for people covered under State Employees Retirement System
5. “average salary” for people covered under City of Chicago Public School Teachers’ Pension and Retirement Fund

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