

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 4513** February 19, 2012

SPONSOR (S): Nekritz

SYSTEM(S): Metropolitan Water Reclamation District Pension Fund

FISCAL IMPACT: An actuarial cost study would be needed to assess the full impact of HB 4513. COGFA staff has asked MWRD for an actuarial study – a revised impact note will be issued if such a study is made available. The Pension Code does not currently require MWRD to meet any long-term funding goal, so to the extent that this bill would mandate annual payments in order to achieve a 90% funding ratio by 2050, HB 4513 would have a positive fiscal impact.

SUBJECT MATTER: HB 4513 amends the Metropolitan Water Reclamation article of the Illinois Pension code. The bill increases employee contributions for employees hired before Jan. 1, 2011. The bill also creates a new amortization schedule for the pension fund, with increased employer contributions and a mandate of reaching a 90% funding ratio by 2050.

FISCAL IMPACT: An actuarial cost study would be needed to assess the full impact of HB 4513. COGFA staff has asked MWRD for an actuarial study – a revised impact note will be issued if such a study is made available. The Pension Code does not currently require MWRD to meet any long-term funding goal, so to the extent that this bill would mandate annual payments in order to achieve a 90% funding ratio by 2050, HB 4513 would have a positive fiscal impact.

COMMENT: Under current law, the MWRD levies a tax equal to the total amount of contributions made by employees in the calendar year 2 years prior to the year of the levy, multiplied by 2.19. HB 4513 would change this employer contribution rate such that the MWRD would make employer contributions to the pension fund as a level percentage of payroll with a goal of reaching a 90% funding ratio by 2050. The bill specifies that the employer contribution shall not exceed the amount equal to the total employee contributions 2 years prior to the year of the levy, multiplied by 4.19

Also under current law, MWRD employees contribute 9% of salary towards their pensions, 7.0% of which is dedicated to the retirement annuity, 0.5% of which is

dedicated to the annual COLA, and 1.5% of which is dedicated to the surviving spouse's annuity. HB 4513 would gradually ramp up contributions for employees hired before Jan. 1, 2011 (the effective date of P.A. 96-0889) such that by Jan. 1, 2015, MWRD employees would be contributing 11.5% of salary towards their pensions.

DH:dkb

LRB097 19245 EFG 64487 b