

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **SB 0512, as amended by H.A. 001** May 26, 2011

SPONSOR (S): Cullerton (Madigan)

SYSTEM(S): State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, General Assembly Retirement System, Cook County Employees Pension Fund, Cook County Forest Preserve Retirement Fund, Laborers Annuity and Benefit Fund of Chicago, Municipal Employees Annuity and Benefit Fund of Chicago, Park Employees Annuity and Benefit Fund of Chicago, Public School Teachers Pension and Retirement Fund of Chicago

FISCAL IMPACT: The precise fiscal impact of SB 0512, as amended by H.A. 001, has not yet been determined as the actuarial review is incomplete at this time. A revised note will be issued when these figures are available. A cost of approximately \$200,000 will be required to complete each independent actuarial review overseen by the Commission on Government Forecasting & Accountability. A supplemental appropriation will be required for these costs.

SUBJECT MATTER: SB 0512, as amended by H.A. 001, amends the Illinois Pension Code to allow all employee participants to select their own plan from a menu of various available pension plans. Participants beginning employment before January 1, 2011 may select one of the following plans: (1) The traditional defined benefit plan in effect prior to Public Act 96-0889, (2) A revised defined benefit plan placed into effect by Public Act 96-0889 and Public Act 96-1490, (3) A new defined contribution plan established by SB 0512, as amended by H.A. 001. Participants beginning employment on or after January 1, 2011 may select one of the following plans: (1) A revised defined contribution plan placed into effect by Public Act 96-0889 and Public Act 96-1490, (2) A new defined contribution plan established by SB 0512, as amended by H.A. 001. Applicable initial member balances, plan selection dates, employer/employee costs and other procedures are established by SB 0512, as amended by H.A. 001.

FISCAL IMPACT: The precise fiscal impact of SB 0512, as amended by H.A. 001, has not yet been determined as the actuarial review is incomplete at this time. A revised note will be issued when these figures are available. A cost of approximately \$200,000 will be required to complete each independent actuarial review overseen by the Commission on Government Forecasting & accountability. A supplemental appropriation will be required for these costs.

COMMENTS: Under SB 0512, as amended by H.A. 001, employees are permitted to choose their pension plan from the following options: (1) The traditional defined benefit plan in effect prior to Public Act 0889, (2) A revised defined benefit plan established by Public Act 96-0889 and Public Act 96-1490, or (3) A defined contribution plan established by SB 0512, as amended by H.A. 001. Participants beginning employment on or after January 1, 2011 may not choose the traditional defined benefit plan.

SB 0512, as amended by H.A. 001, establishes employee pension contributions based upon the retirement system and the plan selected. The defined benefit plan in effect prior to Public Act 0889 will cost regular SERS employees covered by Social Security 9.29%, and similar employees not covered by Social Security will pay 18.91%. SERS alternative plan employees covered by Social Security will pay 16.65% for this plan. TRS employees choosing this plan will pay 13.77%, SURS employees will pay 15.31%, and GARS employees will pay 24.89%.

State contribution amounts are also established by SB 0512, as amended by H.A. 001. For employees covered by Social Security that choose the revised DB plan or the defined contribution plan, the State shall contribute one half of the normal cost of the revised DB plan. For employees not covered, the State shall contribute 6% or the normal cost of the revised DB plan, whichever is greater.

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