

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 98TH GENERAL ASSEMBLY

BILL NO: **HB 1166, as amended by HA 3** March 5, 2013  
SPONSOR(S): Hoffman  
SYSTEM(S): General Assembly Retirement System (GARS), State Employees' Retirement System (SERS), State Universities' Retirement System (SURS), Teachers' Retirement System (TRS)

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**FISCAL IMPACT:** CGFA's actuary has determined that increasing employee contributions by 2% would reduce State contributions by \$173.1 million in FY 14 and \$9.6 billion through FY 2045:

State Contributions	FY 2014	Through 2045
(\$ in Millions)		
SURS	\$29.4	\$1,347.4
TRS	\$99.2	\$5,860.4
SERS	\$44.5	\$2,365.0
<b>Total</b>	<b>\$173.1</b>	<b>\$9,572.8</b>

The actuarial cost study did not contemplate changing the funding goal from 90% to 100%. An additional cost study would be required to assess the additional costs necessary to reach a 100% funding level.

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**SUBJECT MATTER:** HB 1166, as amended by HA 3, amends the GARS, SERS, SURS, and TRS articles of the Illinois Pension Code by introducing three new provisions: increasing the funding goal to 100% by FY 2045, providing a funding guarantee, and by increasing employee contributions by 2% of salary.

**COMMENT:** As of current law, the State-funded Retirement Systems have a statutory contribution rate that all participants must comply with via employer pickup. In combination with employee contributions, the State must make contributions that align with a funding schedule whose goal is to attain a 90% funded ratio by FY 2045.

HB 1166, as amended by HA 3, has three major provisions:

- Tier-1 members will make increased contributions to their system.
  - By 7/1/2013: 1% on top of current contribution levels.
  - By 7/1/2014 and thereafter: 2% on top of current contribution levels.
- Raise the funding goal from 90% up to 100% over the period FY 2015-2045.
  - When they apply, Budget Stabilization Act payments will complement regular State contributions.
- A funding guarantee to assure participants of the future of their pensions.