

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 2404, as amended by SA 1** May 6, 2013

SPONSOR(S): Holmes – Althoff, et al.

SYSTEM(S): General Assembly Retirement System (GARS), State Employees' Retirement System (SERS), State Universities' Retirement System (SURS), Teachers' Retirement System (TRS)

FISCAL IMPACT: SB 2404, as amended by SA 1, requires the State to make employer contributions to GARS, SERS, SURS, and TRS such that the funds will achieve a 100% funded ratio by FY 2045. The savings associated with such a funding schedule are detailed in the table below:

	Reduction in FY 2014 State Contributions	Reduction in cumulative State Contributions	Reduction in FY 2014 Unfunded Liability
TRS	\$94.4	\$39,481.4	(\$6.2)
SURS	\$27.4	\$15,647.2	\$5.1
SERS	\$42.3	\$18,033.0	(\$2.7)
Total	\$164.1	\$73,161.6	(\$3.8)

* \$ in millions ** (Parenthetical numbers) denote an increase

*** "State Contributions" do not include stabilization payments

SUBJECT MATTER: SB 2404, as amended by SA 1, amends the GARS, SERS, SURS, and TRS articles of the Illinois Pension Code to adopt a funding schedule with a goal of attaining a 100% funding ratio in FY 2045. This bill also requires active members to contribute an additional 2% of salary towards their pensions, phased in over a two-year period. Finally, this bill includes a funding guarantee.

COMMENT: Under current law, the State must make annual contributions to the State-Funded Retirement Systems such that the systems will achieve a 90% funding ratio by FY 2045. SB 2404, as amended by SA 1, amends all of the State-Funded Retirement Systems, except the Judges, to adopt a funding schedule with a goal of attaining a 100% funding beginning FY 2015 and ending FY 2045. This change in funding schedule includes a funding guarantee that acknowledges the contractual nature of this retirement benefit. This funding schedule includes amendments to how long payments from the Budget Stabilization Act last until the Systems individually reach 100% funded.

This bill includes a provision that increases the contributions Tier-1 members make to their respective systems. The phase-in follows this schedule:

- By 7/1/2013: 1% on top of current contribution levels.
- By 7/1/2014 and thereafter: 2% on top of current contribution levels.

Appendix A: The following table displays the current and proposed funding schedules. According to CGFA’s actuary, the effects of the additional employee contributions and the new funding schedule are largely offsetting. For SURS and TRS, savings are only accrued in FY 2014, as well as in FY 2040 and beyond once a 100% funding ratio is achieved; however, in the intervening years starting in FY 2015, there is a slight State contribution increase for these two funds. SERS will see savings in each year under SB 2404. It should also be noted that the proposed State Contribution columns does not include transfers from the Pension Stabilization fund, as under SA 1 these transfers will not comprise any portion of the regular State contribution under P.A. 88-593.

SERS				SURS				TRS			
Fiscal Year Ending	Current Law State	Proposed Total State	Difference In State	Fiscal Year Ending	Current Law State	Proposed Total State	Difference In State	Fiscal Year Ending	Current Law State	Proposed Total State	Difference In State
6/30	Contribution	Contribution	Contribution	6/30	Contribution	Contribution	Contribution	6/30	Contribution	Contribution	Contribution
2013	\$1,577.9	\$1,577.9	\$0.0	2013	\$1,402.8	\$1,402.8	\$0.0	2013	\$2,709.2	\$2,709.2	\$0.0
2014	1,689.6	1,647.3	\$42.3	2014	1,586.8	1,559.4	\$27.4	2014	3,343.5	3,249.1	\$94.4
2015	1,747.2	1,744.9	\$2.3	2015	1,602.3	1,607.5	-\$5.2	2015	3,464.4	3,477.3	-\$12.9
2016	1,805.4	1,803.0	\$2.4	2016	1,630.3	1,635.6	-\$5.3	2016	3,608.4	3,621.8	-\$13.4
2017	1,872.3	1,869.8	\$2.5	2017	1,675.2	1,680.6	-\$5.4	2017	3,794.0	3,808.0	-\$14.0
2018	1,930.2	1,927.6	\$2.6	2018	1,704.7	1,710.1	-\$5.4	2018	3,958.4	3,973.0	-\$14.6
2019	1,990.2	1,987.5	\$2.7	2019	1,735.9	1,741.4	-\$5.5	2019	4,127.8	4,143.1	-\$15.3
2020	2,045.9	2,043.2	\$2.7	2020	1,768.9	1,774.5	-\$5.6	2020	4,293.4	4,309.3	-\$15.9
2021	2,105.1	2,102.3	\$2.8	2021	1,803.5	1,809.2	-\$5.7	2021	4,470.3	4,486.8	-\$16.5
2022	2,166.0	2,163.1	\$2.9	2022	1,840.8	1,846.6	-\$5.8	2022	4,658.1	4,675.3	-\$17.2
2023	2,228.0	2,225.0	\$3.0	2023	1,880.7	1,886.7	-\$6.0	2023	4,856.7	4,874.7	-\$18.0
2024	2,288.8	2,285.7	\$3.1	2024	1,923.5	1,929.7	-\$6.2	2024	5,052.4	5,071.1	-\$18.7
2025	2,352.6	2,349.4	\$3.2	2025	1,969.2	1,975.5	-\$6.3	2025	5,257.8	5,277.4	-\$19.6
2026	2,423.2	2,419.9	\$3.3	2026	2,018.0	2,024.4	-\$6.4	2026	5,487.7	5,508.1	-\$20.4
2027	2,498.4	2,495.0	\$3.4	2027	2,069.7	2,076.2	-\$6.5	2027	5,726.9	5,748.1	-\$21.2
2028	2,571.9	2,568.5	\$3.4	2028	2,124.9	2,131.7	-\$6.8	2028	5,957.4	5,979.4	-\$22.0
2029	2,651.9	2,648.3	\$3.6	2029	2,184.0	2,190.9	-\$6.9	2029	6,189.5	6,212.5	-\$23.0
2030	2,732.9	2,729.2	\$3.7	2030	2,246.7	2,253.8	-\$7.1	2030	6,406.3	6,430.1	-\$23.8
2031	2,819.9	2,816.1	\$3.8	2031	2,313.0	2,320.3	-\$7.3	2031	6,616.9	6,641.6	-\$24.7
2032	2,916.6	2,912.7	\$3.9	2032	2,382.9	2,390.5	-\$7.6	2032	6,835.1	6,860.5	-\$25.4
2033	3,024.3	3,020.2	\$4.1	2033	2,456.9	2,464.6	-\$7.7	2033	7,057.4	7,083.5	-\$26.1
2034	3,399.1	3,394.9	\$4.2	2034	2,535.2	2,543.2	-\$8.0	2034	8,219.2	8,246.1	-\$26.9
2035	3,513.8	3,509.5	\$4.3	2035	2,617.3	2,625.6	-\$8.3	2035	8,421.2	8,448.7	-\$27.5
2036	3,630.4	3,625.9	\$4.5	2036	2,703.0	2,711.6	-\$8.6	2036	8,612.4	8,640.6	-\$28.2
2037	3,745.8	3,741.1	\$4.7	2037	2,761.8	2,770.6	-\$8.8	2037	8,793.6	8,822.3	-\$28.7
2038	3,854.1	3,849.3	\$4.8	2038	2,819.3	2,828.2	-\$8.9	2038	8,964.4	8,993.7	-\$29.3
2039	3,953.2	3,948.3	\$4.9	2039	2,875.7	2,884.8	-\$9.1	2039	9,122.0	9,151.8	-\$29.8
2040	4,039.3	4,034.4	\$4.9	2040	2,930.8	640.3	\$2,290.5	2040	9,263.8	9,294.0	-\$30.2
2041	4,117.0	1,435.2	\$2,681.8	2041	2,998.0	402.4	\$2,595.6	2041	9,396.0	7,764.5	\$1,631.5
2042	4,190.2	488.4	\$3,701.8	2042	3,063.9	414.6	\$2,649.3	2042	9,522.9	77.8	\$9,445.1
2043	4,261.6	492.2	\$3,769.4	2043	3,128.9	427.4	\$2,701.5	2043	9,651.5	118.1	\$9,533.4
2044	4,330.2	491.9	\$3,838.3	2044	3,192.8	440.6	\$2,752.2	2044	9,791.5	182.7	\$9,608.8
2045	4,395.1	487.4	\$3,907.7	2045	3,255.2	454.1	\$2,801.1	2045	9,947.2	215.7	\$9,731.5
Totals	94,868.1	76,835.1	\$18,033.0	Totals	75,202.6	59,555.4	\$15,647.2	Totals	\$213,577.3	\$174,095.9	\$39,481.4