

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 5625**

March 31, 2016

SPONSOR (S): Fortner – Pritchard, et al.

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

FISCAL IMPACT: An actuarial analysis regarding the fiscal impact of HB 5625 has not performed yet. A revised impact note would be provided once an actuarial analysis becomes available.

SUBJECT MATTER: HB 5625 allows an eligible retiree in TRS, SERS, SURS, JRS, and GARS to elect a pension buyout option in lieu of retirement annuities. An eligible retiree who chooses a pension buyout option shall forgo his or her rights and benefits, including a survivor's annuity, a retirement annuity, and a refund of contributions. Instead he or she shall receive a onetime lump-sum payment equal to the present value of the retirement annuity. However, a retiree who retires under the Retirement Systems Reciprocal Act is not eligible to elect the pension buyout option. In order to implement a pension buyout plan, an approved vendor would be selected to provide lump-sum payments and bonds could be issued by Illinois Finance Authority.

COMMENT: A pension buyout option would be implemented after the Department of Central Management Services enters into a contract with an approved vendor.

Pension Buyout Plan

- An eligible retiree for purposes of the pension buyout plan contemplated in HB 5625 is a person who:
 - a. Has decided to receive a retirement annuity;
 - b. Is eligible to receive a retirement annuity;
 - c. Has terminated service;
 - d. Is not subject to a QILDRO; and
 - e. Has received at least the minimum amount of certified financial planning services, in accordance with rules adopted by the Department of Central management Services, provided by the approved vendor
- An approved vendor is a vendor that has entered into a contract with the Department of Central Management Services to provide lump sum payments.

- A standardized form contract is the contract approved by Systems which may by rule specify provisions that must be included in the standardized form contract.

The System may inform an eligible retiree of the amount that he or she would receive under a pension buyout plan by his or her request. He or she shall participate in a pension buyout plan by 1) notifying the approved vendor and his or her System and 2) executing the standardized form contract with the approved vendor.

On the first day of the month following the execution of the standardized form contract between the approved vendor and the eligible retiree, the eligible retiree shall forfeit all rights regarding his or her pension. However, any credit terminated as part of a pension buyout option shall be included in determining an employee's creditable service for the purposes of State Employees Group Insurance Act of 1971. In other word, any benefits under the State employees group insurance shall not be diminished by a pension buyout option.

In accordance with rules adopted by the Department of Central management Services, the Board shall certify to the Department of Central management Services the amount of lump-sum payments made by an approved vendor and adopt rules necessary to implement a pension buyout option.

JB:dkb

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