COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1158** February 23, 2007

SPONSOR (S): Bond

SYSTETM(S): Illinois Municipal Retirement Fund

FISCAL IMPACT: Allowing IMRF employers to amortize their liabilities over a longer period of time will result in lower employer contributions to the fund in the short-term, which may negatively impact the aggregate funding ratio.

SUBJECT MATTER: SB 1158 amends the IMRF article of the Pension Code to allow IMRF employers to amortize their unfunded liabilities over a 40-year period, rather than a period of time in accordance with generally accepted accounting principles.

FISCAL IMPACT: Allowing IMRF employers to amortize their liabilities over a longer period of time will result in lower employer contributions to the fund in the short-term, which may negatively impact the aggregate funding ratio.

COMMENT: P.A. 92-0424, which became effective on August 17, 2001, required IMRF employers to amortize their unfunded liabilities over the period of time allowed by generally accepted accounting principles. Prior to the Act, the amortization period was 40 years from the first of the year following the date of determination of the liability. SB 1158 stipulates that IMRF employers shall continue to amortize their unfunded liabilities over the period of time allowed by generally accepted accounting principles, except that the employer may provide for a longer period by adopting a resolution or ordinance specifying a 40-year period. IMRF employers have 24 remaining years in which to amortize their unfunded liabilities under the current "closed" amortization period that began when P.A. 92-0424 was enacted.

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