COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1958** February 15, 2007

SPONSOR (S): Clayborne

SYSTEM(S): Illinois Municipal Retirement Fund

FISCAL IMPACT: Under SB 1958 the interest on refunds of contributions would be calculated at 50% of the effective rate of interest (7.5%). According to IMRF, the fiscal impact of SB 1958 would cost approximately 0.05% of payroll. Last year's employer payroll was $6.0 billion. Applying an additional cost factor of .05% of payroll would produce an annual cost of $3.0 million for all IMRF employers statewide.

SUBJECT MATTER: SB 1958 amends the Illinois Municipal Retirement Fund of the Illinois Pension Code. The bill provides that separation benefits shall include the interest at 50% of the prescribed interest per annum from the date of enrollment to the date of termination of participation.

FISCAL IMPACT: Under SB 1958 the interest on refunds of contributions would be calculated at 50% of the effective rate of interest (7.5%). According to IMRF, the fiscal impact of SB 1958 would cost approximately 0.05% of payroll. Last year's employer payroll was $6.0 billion. Applying an additional cost factor of .05% of payroll would produce an annual cost of $3.0 million for all IMRF employers statewide.

COMMENT: There are currently three conditions under which an IMRF member may elect to take a lump sum separation benefit: a) if the employee has not vested and is not entitled to a retirement annuity; b) if the member is entitled to a retirement annuity of less than $30 per month; or c) if the member is entitled to a retirement annuity, but wishes to use his or her credit in IMRF to purchase credit in another retirement plan. The separation benefit consists of the sum of the employee's accumulated normal, survivor and additional contributions (if any), without interest. SB 1958 provides that the amount of the separation benefits shall be the sum of the employee's accumulated normal, survivor and additional contributions, plus interest at 50% of the prescribed rate of interest per annum from the date of enrollment to the date of termination of participation.

SB 1958 amends the State Mandates Act to require implementation without reimbursement.

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