

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

FISCAL IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1959, as engrossed**

May 2, 2008

SPONSOR (S): Clayborne (Holbrook – McGuire)

SYSTEM(S): IMRF

FISCAL IMPACT: IMRF says that the current cost of providing the “13th payment” is 0.62% of payroll statewide. IMRF had a total employer payroll of \$5.6 billion as of December 31, 2006. Therefore, the total statewide cost is currently \$34.7 million. Increasing the amount of the “13th payment” will add an additional statewide cost equal to 0.24% of payroll. If SB 1959 becomes law, IMRF employers will incur a cost of 0.86% of payroll, or \$48.2 million, statewide.

See Table 1 on Page 2 for more information.

SUBJECT MATTER: SB 1959 amends the Illinois Municipal Retirement Article of the Illinois Pension Code to increase the amount of the annual “13th payment” paid to IMRF annuitants. In addition, the bill requires IMRF employers to consider the cost of the increased supplemental payment as part of their required annual employer contribution to the pension fund.

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COMMENT: Under current law, IMRF retirees and surviving spouses who have been receiving an IMRF pension for 12 consecutive months become eligible to receive a “13th payment” each July, unless the General Assembly changes the un compounded annual increase in retirement annuities. This 13th payment was designed to offset the decline in purchasing power of the pension after retirement. The amount of the 13th payment is determined by the IMRF board according to specific criteria as contained in

the Pension Code. In 2007, the 13th payment was 56.75% of the annuitant’s monthly pension. SB 1959, as engrossed, changes the amount of the 13th payment to 75% of the monthly retirement or surviving spouse annuity payable in June preceding the July “13th payment.” Furthermore, the bill specifies that IMRF employers shall take into account the percentage of earnings of the participating employees of all participating municipalities and participating instrumentalities necessary to provide that year’s 13th payment.

Table 1 below shows an estimate of the cost of SB 1959, as engrossed, for the ten largest IMRF employers. Commission staff calculated “Current Employer Cost” by multiplying the 2007 payroll numbers by 0.62%. The numbers in the “SB 1959” column were calculated by multiplying the 2007 payroll numbers by 0.86%. It should be noted that the numbers shown in the table below are estimates of individual employer costs using a statewide average cost. Individual IMRF employer contribution rates vary by employer and cannot be precisely known until the retirement system performs a calculation utilizing actual membership data for a specific IMRF employer.

Employer	2007 Payroll	Current Employer Cost	SB 1959	Increase
DuPage County	\$151,077,391	\$936,680	\$1,299,266	\$362,586
Lake County	145,315,103	900,954	1,249,710	348,756
Will County	102,668,009	636,542	882,945	246,403
City of Springfield	67,812,105	420,435	583,184	162,749
Winnebago County	61,863,076	383,551	532,022	148,471
Kane County	58,000,741	359,605	498,806	139,202
City of Naperville	52,724,797	326,894	453,433	126,540
Union School District 46	52,641,627	326,378	452,718	126,340
McHenry County	52,038,403	322,638	447,530	124,892
Madison County	42,505,260	263,533	365,545	102,013

SB 1959, as engrossed, amends the State Mandates Act to require implementation without reimbursement.

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