

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1959**

March 7, 2008

SPONSOR (S): Clayborne

SYSTEM(S): IMRF

FISCAL IMPACT: IMRF estimates that the first year cost associated with increasing the amount of the “13th payment” will be 0.86% of payroll statewide. IMRF had a total payroll of \$5.6 billion as of December 31, 2006. Therefore, the first year cost to all IMRF employers statewide should be \$48.4 million. This cost will increase as payroll increases, however IMRF estimates that the cost will stabilize at approximately 1.56% of payroll in 2050.

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 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, SB 1959 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.

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

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