

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 2003**

March 8, 2008

SPONSOR (S): Haine

SYSTEM(S): IMRF

FISCAL IMPACT: IMRF says that a statewide cost study of SB 2003 cannot be completed as the bill does not specifically define what positions would be eligible for the enhanced benefit formula. IMRF contends that, theoretically, any member who works with electricity in any fashion could receive the enhanced benefit. IMRF has examined the impact of the bill on the Cairo Public Utility Company, and the fund claims that the utility's annual contribution rate would increase by 16.25%. Furthermore, IMRF warns that the increased employee contribution rate would not be sufficient to prevent a large increase in unfunded liabilities statewide.

SUBJECT MATTER: SB 2003 provides an optional enhanced retirement formula for municipal electrical workers who participate in the Illinois Municipal Retirement Fund. In addition, the bill requires municipal electrical workers who choose to have their retirement annuities calculated under this enhanced formula to contribute an additional 3.5% of salary towards their pensions.

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COMMENT: Currently, IMRF members who participate in the regular formula contribute 4.5% of salary towards their pensions and receive a benefit equal to 1.67% of final average salary for the first 15 years of service plus 2.0% of final average salary for each year in excess of 15 years of service. The total annual retirement annuity cannot exceed 75% of the employee's final rate of earnings.

SB 2003 allows municipal electrical workers who have 25 or more years of service in IMRF and have attained age 50 the option of receiving a monthly retirement annuity computed by multiplying 3% for each year of service by the employee’s annual final rate of earnings and dividing by 12. The total annual retirement annuity under SB 2003 cannot exceed 80% of the employee’s final monthly rate of earnings.

The chart below illustrates the increase in annual pension for a hypothetical municipal electrical worker who retires at age 60 with 25 years of service.

Current Law			
<u>Age</u>	<u>Years of Service</u>	<u>Final Avg. Salary</u>	<u>Annual Pension</u>
60	25	\$60,000	\$29,430

SB 2003			
<u>Age</u>	<u>Years of Service</u>	<u>Final Avg. Salary</u>	<u>Annual Pension</u>
60	25	\$60,000	\$45,000

SB 2003 requires municipal electrical workers who opt to retire under this enhanced formula to make additional contributions to IMRF in the amount of 3.5% of salary for service credit earned on or after the effective date. In addition, municipal electrical workers will have the option of making the additional 3.5% contribution to upgrade past service credit under this enhanced formula (including leaves of absence). The bill specifies that if the municipal electrical worker has service in any other capacity in IMRF, that service will be calculated under the regular IMRF formula.

SB 2003 amends the State Mandates Act to require implementation without reimbursement.

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