

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **SB 3073**

March 13, 2018

SPONSOR (S): Schimpf

SYSTEM(S): State Employees Retirement System, State Universities Retirement, and Teachers' Retirement System

FISCAL IMPACT: The precise fiscal impact of SB 3073 is not known at this time. However, an actuarial analysis was performed by COGFA's actuary, Segal Consulting, on HB 4427 from the 99th General Assembly for TRS only. This study was conducted in 2016 and was based on data from TRS' FY 2015 actuarial valuation. It should be noted that HB 4427 proposed a buyout of 75% rather than the 70% proposed by SB 3073.

Segal's analysis of HB 4427 from 2016 estimated that there could be a potential nominal (non-discounted) savings in State contributions of between \$3.5 billion and \$7 billion over the period FY 2017 to FY 2045. The \$3.5 billion savings estimate assumed that 10% of eligible members took the buyout, whereas the \$7 billion reduction assumed that 20% of eligible members took the buyout offered under HB 4427.

SUBJECT MATTER: SB 3073 would implement the accelerated pension benefit payment for retirees of the State Employees' Retirement System (SERS), the State Universities Retirements System (SURS), and the Teachers' Retirement System (TRS). The accelerated pension benefit payment is a one-time lump sum payment equal to 70% of the net present value of his or her pension benefits. Anyone who elects to take the accelerated pension benefit payment will do so in lieu of a retirement annuity.

COMMENT: This bill would implement the accelerated pension benefit payment for retirees of SERS, SURS, and TRS.

Pension Obligation Acceleration Bonds

The Illinois Finance Authority shall have the power to issue State Pension Obligation Acceleration Bonds if in any fiscal year the amount appropriated for all acceleration pension benefit payments is less than the required amount. The proceeds from these bonds will only be used to pay for accelerated pension benefit payments for the fiscal year in which they were issued. The Authority shall not have outstanding at any one

time State Pension Obligation Acceleration Bonds totaling \$250,000,000 or more. The proceeds of State Pension Acceleration Bonds shall be deposited directly into the State Pension Acceleration Bond Fund.

Accelerated Pension Benefit Payment

Beginning on January 1st, 2019, an eligible person may make a written election with the System to receive an accelerated pension benefit payment. The Accelerated Pension Benefit Payment offers eligible members an option to receive a one-time lump sum payment equal to 70% of the net present value of his or her pension benefits. Anyone who elects to take this option will not be entitled to a retirement annuity. To be eligible for an accelerated pension benefit payment, a person must:

- Have terminated service;
- Be eligible to receive a retirement annuity under his or her corresponding Article of the Illinois Pension Code;
- Not have received any retirement annuity under this Article;
- Not have a Qualified Illinois Domestic Relations Order (QILDRO) in effect against him or her under his or her corresponding Article of the Illinois Pension Code;
- Not have elected to receive a partial accelerated pension benefit payment; and
- Not be a participant in a self-managed plan (for SURS members).

A person's credits and creditable service shall be terminated upon his or her receipt of an accelerated pension benefit payment, and no other benefits shall be paid based on those, including any retirement, survivor, or other benefit. In the event that someone who elected to take the accelerated pension benefit payment returns to service, any benefits under the System earned as a result shall be based solely on the credits and creditable service arising from the return to active service. Although the bill does not directly address it, according to SERS, it should be assumed that an employee that accepts an accelerated pension benefit and then later returns to service, shall become a member of the same Tier they retired from.

JL:bj

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