## COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

## 102ND GENERAL ASSEMBLY

BILL NO: HB 4677, as Amended by HA 1

March 1, 2022

SPONSOR (S): Burke

SYSTEM(S): Metropolitan Water Reclamation District

FISCAL IMPACT: HB 4677, as amended by HA 1, would result in an increase in statutory employer contributions by increasing the Metropolitan Water Reclamation District Retirement Fund's funding target to 100% from 90%. An actuarial study would be required to assess the increase in contributions necessary to attain a 100% funding ratio by 2050. An updated impact note will be issued if an actuarial study is provided by the pension fund.

<u>SUBJECT MATTER</u>: HB 4677, as amended by HA 1, amends the Metropolitan Water Reclamation District Article of the Illinois Pension Code to raise the Metropolitan Water Reclamation District Retirement Fund's funding target level to 100% from 90% in the year 2050, and to specify that unfunded liabilities shall be amortized as a level percentage of payroll until 2050, which is a restatement of current law.

<u>COMMENT</u>: Current law dictates that the Metropolitan Water Reclamation District shall annually levy a tax upon all the taxable real property within the District that consists of two components:

- 1. A sum that will be sufficient to meet the pension fund's actuarially determined contribution requirement for that year, but
- 2. A sum that shall not exceed an amount equal to the total employee contributions 2 years prior, multiplied by 4.19

The fund's actuarially determined contribution is equal to the employer's normal cost, plus an annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll, with a funding target of at least 90% by the year 2050.

Under HB 4677, as amended by HA 1, the fund's funding target increases to 100% from at least 90%, which was also contained in the underlying bill.

HA 1 deletes language from the underlying bill providing that, beginning in fiscal year 2032, the District shall contribute the "actuarially determined contributions." In other words, the new goal of achieving a 100% funding target by 2050 from the underlying bill is retained, and the District's statutory employer contribution for the purposes of

amortizing unfunded liabilities shall be calculated by the current level percentage of payroll method required under current law. The underlying bill defined "actuarially determined contributions" as incorporating the level percentage of payroll amortization method; hence, this language was duplicative.

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