

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 102ND GENERAL ASSEMBLY

BILL NO: **HB 4677**

January 26, 2022

SPONSOR (S): Burke

SYSTEM(S): Metropolitan Water Reclamation District

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**FISCAL IMPACT:** HB 4677 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% and by requiring the District to contribute actuarially determined contributions beginning in fiscal year 2032. 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.

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**SUBJECT MATTER:** HB 4677 amends the Metropolitan Water Reclamation District Article of the Illinois Pension Code to require that beginning in fiscal year 2032, the District shall contribute to its pension fund (Metropolitan Water Reclamation District Retirement Fund) the actuarially determined contribution. This legislation also increases the pension fund's funding target, used in calculation of the actuarially determined contribution, to 100% from 90%. Other Codes are amended by this legislation as well.

**COMMENT:** 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 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, until the end of fiscal year 2031, the District's statutory contribution shall be calculated in the same manner dictated by current law, except that a 100% funding target by 2050 shall be the new long-term requirement.

The bill further states that, beginning in fiscal year 2032 and each year thereafter, the District shall contribute the actuarially determined contribution which shall be determined using a 100% funding goal and the entry age normal actuarial cost method by the year 2050.

The Property Tax Code and Metropolitan Water Reclamation District Act are amended accordingly to authorize the corporate authorities of the district to issue from time to time bonds of the district in the principal amount of \$600 million for the purpose of making contributions to the pension fund without submitting the question of issuing bonds to the voters of the district.

JB:bs

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