

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 3909**

January 24, 2022

SPONSOR (S): Martwick

SYSTEM(S): Cook County Forest Preserve

FISCAL IMPACT: As of December 30th, 2020, the Cook County Forest Preserve District fund had an unfunded liability of \$145.4 million as reported in the 2020 actuarial valuation, with a funding ratio of 59.05%. The Forest Preserve fund's actuary projects that the fund will be insolvent by 2041. A comprehensive actuarial cost study would be required to assess the long-term impact of the funding changes made by SB 3909. An updated impact note will be made available if an actuarial study is made available from the pension fund.

SUBJECT MATTER: SB 3909 amends the Cook County Forest Preserve Article of the Pension Code. The bill replaces the current "multiplier methodology" of funding, and replaces it with a 30-year layered amortization schedule, as articulated below.

COMMENT: Under current law, the Cook County Forest Preserve District makes annual employer contributions to the Cook County Forest Preserve Pension fund using what is known as the "multiplier" methodology. Under this methodology, the district contributes an amount equal to the amount of contributions made by employees of the pension fund in the calendar year 2 years prior to the year for which the annual applicable tax is levied, multiplied by 1.30.

SB 3909 would do away with the multiplier methodology after payment year 2022, in favor of the following funding formula. The Forest Preserve District would be required to contribute the following amounts in the applicable payment years:

2023	\$6.1 million
2024	\$8.1 million
2025	\$10.2 million

Note - according to the pension fund's 2020 actuarial valuation, under the current multiplier methodology funding formula, the Forest Preserve District was scheduled to

make contributions to the pension fund in the amount of \$3.9 million in 2021 and \$3.8 million in 2022.

The District may contribute an additional amount to the pension fund in each of the foregoing years, not to exceed \$13.0 million in any one year.

For fiscal years 2026 through 2063, the Forest Preserve District contribution shall not be less than the sum of the following amounts:

- The projected normal cost for the applicable fiscal year; plus
- A projected unfunded accrued liability amortization payment; plus
- Projected expenses for that fiscal year; plus
- Interest to adjust for the payment pattern during the fiscal year; plus
- Projected employee contributions for that fiscal year.

The minimum employer contribution in any given year shall be based on the entry age normal actuarial cost method, 5-year asset smoothing, and a 30-year layered amortization of unfunded liabilities with payments increasing at 2% per year.

For payment years after 2063, the Forest Preserve District's annual required contribution amount shall be equal to the amount needed, if any, to bring the total actuarial assets of the pension fund up to 100% of actuarial liabilities by the end of the applicable fiscal year.

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