COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 0304** February 11, 2009

SPONSOR (S): Brady

SYSTEM(S): State Employees' Retirement System, Teachers' Retirement System, Judges' Retirement System, General Assembly Retirement System

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FISCAL IMPACT: SB 0304 is being reviewed by the Commission's actuary. An updated impact note will be issued when the cost study is completed.

SUBJECT MATTER: SB 0304 amends the Illinois Pension Code to require the General Assembly Retirement System, the State Employees' Retirement System, the Teachers' Retirement System, and the Judges' Retirement System to enroll their new employees in a self-managed program of retirement benefits, commonly called a defined contribution plan. In addition, SB 0304 allows currently eligible employees to elect to participate in the self-managed program.

FISCAL IMPACT: SB 0304 is being reviewed by the Commission's actuary. An updated impact note will be issued when the cost study is completed.

COMMENTS: The Illinois Pension Code provides members of GARS, SERS, TRS and JRS with participation in a defined benefit plan for retirement. Under this employer-managed plan the participant accumulates retirement benefits through a combination of employee and employer contributions subsequently invested at the direction of the employer. The participant receives a specific monthly retirement benefit based on years of service, qualifying salary and specific retirement plan benefit rates. The actual returns on the invested funds do not affect the participant's benefits as the entire risk for low investment returns is borne by the employer.

SB 0304 requires new members of GARS, SERS, TRS and JRS to participate in a defined contribution retirement plan, and allows currently eligible employees to voluntarily elect to participate in this plan. Under this self-managed plan the participant would accumulate assets for retirement through a combination of employee and employer contributions that may be invested at the employee's direction in mutual funds, collective investment funds or other investment products used to purchase annuity contracts. The participant's retirement benefits are largely determined by the actual rates of return achieved by the employee's investment decisions. The entire risk for poor investment decisions would be borne by the employee and would reduce eventual retirement payments. SB 0304 provides that, to the extent these changes are determined to be a new benefit increase, the changes are exempt from the 5-year expiration provision.

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