COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 0319** February 11, 2009

SPONSOR (S): Forby

SYSTEM(S): State Universities' Retirement System

FISCAL IMPACT: The Commission's actuary reviewed SURS' salary increase assumptions as set forth in their 2008 actuarial valuation. For employees with 9 or more years of service, the salary increase assumption is 5.0% per year. This assumption is based on a recent experience study performed by the system's actuary. Therefore, the system's actuaries are not assuming any excess salary increases in the years before retirement.

In comparison, the June 30, 2008 actuarial valuation of the Teachers' Retirement System shows that 75% of teachers who retire with 30 or more years of service will receive a severance payment of 15.35% of salary during their last year of service.

Essentially, CGFA's actuary is saying that experience shows that SURS employers have not, on average, granted salary increases in excess of 6% in the years prior to retirement since P.A. 94-0004 took effect. Therefore, the actuary cannot put a dollar amount on the impact of SB 319, as it is unknown how this bill will change end-of-career salary increases for the group of employees affected by this bill.

SUBJECT MATTER: SB 0319 amends the State Universities' Article of the Illinois Pension Code to provide that, when assessing payment for any amount due for salary increases in excess of 6%, the System shall exclude any increase (1) Awarded to tenured faculty based upon the completion of certain criteria that is specified in a collective bargaining agreement, (2) Resulting from a promotion for academic professionals, or (3) Resulting from a peer group study of compensation.

FISCAL IMPACT: The Commission's actuary reviewed SURS' salary increase assumptions as set forth in their 2008 actuarial valuation. For employees with 9 or more years of service, the salary increase assumption is 5.0% per year. This assumption is based on a recent experience study performed by the system's actuary. Therefore, the system's actuaries are not assuming any excess salary increases in the years before retirement.

In comparison, the June 30, 2008 actuarial valuation of the Teachers' Retirement System shows that 75% of teachers who retire with 30 or more years of service will receive a severance payment of 15.35% of salary during their last year of service.

Essentially, CGFA's actuary is saying that experience shows that SURS employers have not, on average, granted salary increases in excess of 6% in the years prior to retirement since P.A. 94-0004 took effect. Therefore, the actuary cannot put a dollar amount on the impact of SB 319, as it is unknown how this bill will change end-of-career salary increases for the group of employees affected by this bill.

COMMENTS: The Illinois Pension Code requires the teacher's employer to pay to the System the present value of the increase in pension benefits resulting from the portion of any salary increase (during the period used to determine final average salary) that is in excess of 6%. In addition, a number of specific situations are excluded from the requirement for these employer payments. SB 0319 amends the Code to provide that, when assessing payment for any amount due for salary increases in excess of 6%, the System shall also exclude any increase (1) Awarded to tenured faculty based upon the completion of certain criteria that is specified in a collective bargaining agreement, (2) Resulting from a promotion for academic professionals, or (3) Resulting from a peer group study of compensation.

GS:dkb
LRB096 04370 AMC 14417 b