

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 1726**

February 22, 2011

SPONSOR(S): Farnham

SYSTEM(S): General Assembly Retirement System

FISCAL IMPACT: While the bill doesn't have a specific date to restrict membership into GARS, the retirement system's actuary performed a similar cost study assuming no new entrants into GARS after July 1, 2012. The results of the cost study show a \$344.5 million decrease in State contributions between FY 2010 – FY 2045. Because the bill prohibits new entrants into the System, State contributions as a percentage of payroll do increase significantly. Hence, State contributions for the next ten years will be higher than under current law. The actuary projects that the State will not realize any annual savings until FY 2023, after which the annual savings will increase.

Please refer to the table at the end of this impact note to see a chart depicting the year-by-year comparisons of State contributions and State contributions as a percentage of payroll.

SUBJECT MATTER: HB 1726 amends the General Assembly Article of the Illinois Pension Code to restrict membership into GARS beginning on the effective date of this amendatory Act. In addition, HB 1726 requires a person who becomes a constitutional officer or member of GARS on or after that date to participate in the State Employees' Retirement System.

FISCAL IMPACT: While the bill doesn't have a specific date to restrict membership into GARS, the retirement system's actuary performed a similar cost study assuming no new entrants into GARS after July 1, 2012. The results of the cost study show a \$344.5 million decrease in State contributions between FY 2010 – FY 2045. Because the bill prohibits new entrants into the System, State contributions as a percentage of payroll do increase significantly. Hence, State contributions for the next ten years will be higher than under current law. The actuary projects that the State will not realize any annual savings until FY 2023, after which the annual savings will increase.

Please refer to the table at the end of this impact note to see a chart depicting the year-by-year comparisons of State contributions and State contributions as a percentage of payroll.

COMMENT: Currently, the General Assembly Retirement System provides retirement annuities, survivor's annuities, and other benefits for members of the General Assembly,

certain elected state officials, and their beneficiaries. HB 1726 clarifies that such annuities and benefits are only provided to members of the General Assembly who were participants before the effective date of this amendatory Act. Under HB 1726, participation in GARS will be restricted to members who become participants before the effective date of this amendatory Act. Beginning on the effective date of this amendatory Act, the System will not accept any new participants. In addition, HB 1726 clarifies that any person who becomes a constitutional officer or member of the General Assembly on or after the effective date of this amendatory Act and is not eligible to participate in GARS will automatically be deemed an employee of SERS for purposes of membership.

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General Assembly Retirement System						
System Projections of Reduction in State Contributions Based on HB 1726*						
(\$ in millions)						
Fiscal Year	State Contributions Under Current Law	State Contributions as % of Payroll Under Current Law	State Contributions Under HB 1726*	State Contributions as % of Payroll Under HB 1726*	Reduction in State Contributions	Increase in State Contributions as % of Payroll
2011	\$12.1	82.22%	\$11.0	75.27%	\$1.0	-6.95%
2012	10.5	68.75%	22.8	148.94%	-12.2	80.19%
2013	11.3	70.50%	24.5	153.03%	-13.2	82.53%
2014	12.1	72.10%	24.9	157.07%	-12.8	84.97%
2015	13.0	73.55%	24.5	161.06%	-11.5	87.51%
2016	13.7	73.51%	22.9	160.94%	-9.2	87.42%
2017	14.2	73.51%	21.9	160.94%	-7.7	87.42%
2018	14.9	73.51%	21.1	160.94%	-6.2	87.42%
2019	15.6	73.51%	20.3	160.94%	-4.7	87.42%
2020	16.2	73.51%	19.5	160.94%	-3.3	87.42%
2021	16.6	73.51%	18.3	160.94%	-1.7	87.42%
2022	17.3	73.51%	17.3	160.94%	0.0	87.42%
2023	17.9	73.51%	15.9	158.50%	2.0	84.99%
2024	18.6	73.51%	14.6	154.48%	4.0	80.97%
2025	19.0	73.24%	12.9	149.27%	6.1	76.03%
2026	19.7	73.37%	11.7	145.23%	8.1	71.86%
2027	20.4	73.50%	10.4	140.67%	10.0	67.17%
2028	21.1	73.39%	9.3	134.70%	11.9	61.31%
2029	21.7	73.25%	7.9	126.81%	13.8	53.55%
2030	22.4	72.97%	6.9	118.49%	15.5	45.52%
2031	23.1	72.73%	5.6	107.30%	17.4	34.57%
2032	24.0	72.91%	4.8	98.66%	19.2	25.75%
2033	25.0	73.41%	4.1	91.87%	20.9	18.46%
2034	26.1	73.86%	11.8	288.16%	14.2	214.30%
2035	27.0	73.86%	10.9	288.16%	16.1	214.30%
2036	28.0	73.86%	9.8	288.16%	18.1	214.30%
2037	29.0	73.86%	8.9	288.16%	20.1	214.30%
2038	30.1	73.86%	8.3	288.16%	21.8	214.30%
2039	31.2	73.86%	7.5	288.16%	23.7	214.30%
2040	32.3	73.86%	6.8	288.16%	25.5	214.30%
2041	33.6	73.86%	6.1	288.16%	27.4	214.30%
2042	34.8	73.86%	5.3	288.16%	29.5	214.30%
2043	36.1	73.86%	4.5	288.16%	31.5	214.30%
2044	37.4	73.86%	3.9	288.16%	33.5	214.30%
2045	38.8	73.86%	3.1	288.16%	35.7	214.30%
TOTAL	\$784.6		\$440.1		344.5	

* HB 1726 Restricts Membership into GARS After the Effective Date of this Amendatory Act;
This Cost Study Assumes No New Entrants into GARS After July 1, 2012