COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 5210, as amended by SA 1&2** January 3, 2013

SPONSOR (S): Nekritz (Cullerton)

SYSTEM(S): SERS, GARS

FISCAL IMPACT: HB 5210, as amended by SA 1&2, does not make significant substantive changes to HB 1447. The Commission's impact note for HB 1447 indicated a range of annual State pension contribution savings between $23.1 and $31.1 billion over the period FY 2014 – FY 2045, depending on how many participants elected to receive a reduced COLA in exchanged for an ongoing health insurance subsidy in retirement. This estimated savings amount was based upon an actuarial study performed by SERS' actuary on May 26th, 2012.

SUBJECT MATTER: HB 5210, as amended by SA 1-2, is a trailer bill to HB 1447, which passed the Senate on May 31st, 2012, and is intended to take effect only if HB 1447 becomes law. HB 1447 presents active members and retirees of both SERS and GARS with a choice of receiving a compounded COLA and no retiree health insurance subsidy, or a reduced non-compounded COLA with a retiree health insurance subsidy. HB 5210, as amended, makes technical changes to the provisions of HB 1447 with regard to the dates of when the election will take place if HB 1447 becomes law. The bill also adds severability language in the event that certain parts of HB 1447 are found unconstitutional or invalid.

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COMMENT: In addition to changing the dates of the election for members of SERS and GARS, HB 5210 also postpones the implementation of the new amortization schedule contained in HB 1447. The 50% threshold for triggering the new 30-year, 100% funding amortization schedule remains unchanged from HB 1447. Rather than commencing the new amortization schedule in FY 2014, HB 5210, as amended, provides that it would begin in FY 2015 if 50% of Tier I employees choose the lesser COLA and the retiree healthcare subsidy. If fewer than 50% of Tier I employees choose the lesser COLA, then the current amortization schedule remains in force, whereby the systems must attain a 90% funding ratio by FY 2045.

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