COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 5488** **February 27, 2012**

SPONSOR (S): Tryon - Ramey

SYSTEM(S): All State Systems

FISCAL IMPACT: HB 5488 will have a positive fiscal impact if any monies are disbursed from the Pension Stabilization Fund to any of the five State-funded retirement systems. However, under HB 5488, if the balance of the Pension Stabilization Fund is less than 30% of the combined unfunded liabilities of the State systems, monies from the Pension Stabilization Fund cannot be disbursed to the retirement systems unless one of the State systems is insolvent.

SUBJECT MATTER: HB 5488 amends the State Retirement Articles of the Illinois Pension Code to allow the systems to receive monies from the Pension Stabilization Fund. (The estimated revenue streams for the Pension Stabilization Fund are outlined in the Commission's Revenue and Debt Impact Notes for HB 5488). The bill specifies that any amounts that are received by the State systems from the Pension Stabilization Fund are in addition to, and not in lieu of, required State pension contributions under P.A. 88-593.

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COMMENT: P.A. 94-0839 (SB 1977), which became effective on June 6th, 2006, created a Pension Stabilization Fund in the State Treasury. Under P.A. 94-0839, for each fiscal year when general funds revenues grow by more than 4% over the prior year's estimated general funds revenues, the Comptroller is required to transfer from GRF 0.5% of the estimated general funds revenues to the Pension Stabilization Fund. For each fiscal year when the general funds revenues grow by more than 4% for two or more consecutive years, the Comptroller shall transfer from GRF 1% of the estimated general funds revenues to the Pension Stabilization Fund. The Act stipulates that the

Governor's Office of Management and Budget shall calculate the portion of the total unfunded liability attributable to each system, and the Comptroller and Treasurer shall pay an amount to each system in proportion to each system's share of the total All-systems unfunded liability.

HB 5488 repeals the foregoing provisions and creates a new Pension Stabilization Fund, which will consist of revenues from riverboat gambling, horse racing, video gaming, and any savings from a possible re-financing of the 2003 Pension Obligation Bonds authorized by P.A. 93-002. Unless one of the State systems has become insolvent, monies from the Pension Stabilization Fund shall not be disbursed until the balance in the Pension Stabilization Fund is at least 30% of the total accrued liabilities of the five State systems. If the balance in the Pension Stabilization Fund reaches at least 30% of the total accrued liabilities of the five State systems, then the Pension Stabilization Board may release funds to any of the State systems that has a funding ratio of less than 70%.

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