

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 98TH GENERAL ASSEMBLY

BILL NO: **HB 1371**

February 11, 2013

SPONSOR (S): Harris, David

SYSTEM(S): Downstate Police, Fire

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**FISCAL IMPACT:** It is currently unknown how many Article 3 and 4 pension funds are scheduled to be impacted by the funding mechanism created by P.A. 96-1495, whereby the Comptroller is obligated to intercept State grants to cover delinquent pension payments. This mechanism takes effect in FY 2016, and the amounts that the Comptroller is empowered to intercept gradually increase until FY 2018, when the Comptroller is empowered to intercept 100% of State grants to cover delinquent pension payments.

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**SUBJECT MATTER:** HB 1371 amends the Downstate Police and Fire Articles of the Pension Code. The bill delays by one year the “funding hammer” put into place by P.A. 96-1495 wherein the State Comptroller is required to divert State grants to municipalities in order to cover delinquent or insufficient pension payments.

**COMMENT:** P.A. 96-1495, which became effective on January 1, 2011, implemented significant reforms for police and fire pension funds in Illinois. Specifically, the Act added a second tier of benefits for new hires, and the Act also mandated a new funding scheme under which municipalities are required to make annual contributions to their respective Article 3 and 4 pension funds such that a 90% funding ratio must be attained by FY 2040. In order to enforce these contributions, the Act provided for a mechanism whereby the State Comptroller would be empowered to intercept State grants to municipalities that fail to make contributions in accordance with the new funding schedule. Starting in FY 2016, the Comptroller must intercept one-third of State grants to delinquent municipalities; in FY 2017, two-thirds of State grants may be intercepted, and in FY 2018, the total amount of State grants may be intercepted.

HB 1371 delays the aforementioned process by one year. Hence, FY 2019 will now be the first year in which the Comptroller will be obligated to intercept the entire amount of State grants to satisfy delinquent municipal pension contributions.

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