

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 3130** March 20, 2013
SPONSOR(S): Flowers
SYSTEM(S): General Assembly Retirement System (GARS), State Employees' Retirement System (SERS), State Universities' Retirement System (SURS), Teachers' Retirement System (TRS), Judges' Retirement System (JRS)

FISCAL IMPACT: The fiscal impact of HB 3130 is presently indiscernible. *Upon receipt of a cost study detailing the effects of a new 45-year, 80% funding schedule, CGFA will update this impact note.*

SUBJECT MATTER: HB 3130 amends the Illinois Pension Code to reduce the funding goal of each of the five State-funded Retirement Systems to 80%. Each funding schedule will be extended to FY 2057, and calculation of required State contribution will be adjusted to include a level-dollar amortization of unfunded liabilities. This bill also establishes a funding guarantee in which the State will properly fund each system.

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COMMENT: As of current law, the State-funded Retirement Systems have a statutory contribution rate that all participants must comply with via employer pickup. In combination with employee contributions, the State must make contributions that align with a funding schedule whose goal is to attain a 90% funded ratio by FY 2045.

HB 3130 amends the funding schedule of each of the 5 State-funded Retirement Systems.

- Funding Goal: At least 80%
- Duration of schedule: FY 2013 through FY 2057
 - Each system may recertify with the governor by July 1st, 2013.
- Initial payment to each fund is as follows:
 - GARS: \$14,520,000
 - SERS: \$1,382,880,000
 - SURS: \$1,229,640,000
 - TRS: \$3,427,920,000
 - JRS: \$83,160,000

- Calculation of State contribution beyond initial payment
 - For any given year between FY 2013 and FY 2057, the sum of
 - Normal Cost
 - *Base System Unfunded Liability Amortization Payments*, which are 1 of 45 equal annual installments of principal, sufficient to cover 80% of the present value of the unfunded liability, and interest
 - GARS & JRS: 7% interest
 - SERS & SURS: 7.75% interest
 - TRS: 8% interest
 - New unfunded liability payment (for any new UAAL accrued between FY 2013 and FY 2057)
 - Calculated as a 30-year, level-dollar amortization.
 - For any year starting FY 2058, the contribution will be the sum of
 - Normal Cost
 - New unfunded liability payment, calculated as a 30-year, level-dollar amortization

HB 3130 also includes a funding guarantee in which the State will properly fund each system.

MD:dkb

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