COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 254** January 28, 2015

SPONSOR(S): Sosnowski

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: As of May 14, 2014, a Sangamon County Circuit Court judge granted the plaintiffs' motion for a stay of implementation of P.A. 98-0599 until all constitutional arguments have been adjudicated. This stay of implementation meant the State Systems performed their annual valuations on June 30, 2014 utilizing the Projected Unit Credit (PUC) actuarial cost method. That valuation tabbed the cumulative estimated appropriation across all 5 State Funds for FY 2016, the first FY affected by this bill, at $7.617 billion. If P.A. 98-0599 is deemed unconstitutional, then this bill takes effect with a fiscal impact of increased contributions to each of the 5 State-Funded Retirement Systems corresponding to raising the Funded Ratio goals from 90% to 100% by FY 2045.

SUBJECT MATTER: HB 254 amends the State Retirement Systems articles of the Illinois Pension Code if and only if the Illinois Supreme Court deems P.A. 98-0599 or the changes it makes to the funding method sections of those articles unconstitutional. This bill also raises the funded ratio goals of each System from 90% to 100% by FY 2045.

COMMENT: HB 254 provides a contingency plan if and only if the Illinois Supreme Court declares P.A. 98-0599 (SB 1) or the funding method therein unconstitutional. The contingency plan consists of reverting the funding method for each State Retirement System back to the PUC method. Currently in statute, as of P.A. 98-0599, each State System must make use of an Actuarially Required Contribution consisting of normal cost and a debt payment; however, the stay of implementation of P.A. 98-0599 has prevented the Entry-Age Normal cost method from becoming law.

This bill also changes the General Provisions and each of the State Retirement System articles of the Illinois Pension code to declare 100% funded by FY 2045 to be the universally-accepted goal of pension funds.

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