

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 95TH GENERAL ASSEMBLY

ACT NO:            **Public Act 95-0369 (SB 0377)**

September 28, 2007

SPONSOR (S):    Harmon (Molaro – Durkin, et al.)

SYSTETM(S):    Cook County Employees' Pension Fund, Cook County Forest Preserve Employees' Pension Fund, State Universities' Retirement System

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**FISCAL IMPACT:** The Cook County pension funds would realize an actuarial gain when older members choose the alternative retirement cancellation payment (ARCP), as the accrued liability associated with those members would be larger than the enhanced refund. An ARCP option was offered to members of SERS in 2005, and 293 SERS members chose to participate. The system made enhanced refund payments of \$12.2 million and \$14.6 million in SERS liability was eliminated.

PA 95-0369 will have no discernable fiscal impact on the Cook County pension funds, however the elimination of the reserve accounts will streamline the accounting operations of the funds.

Implementation of the Illinois Century Network section of PA 95-0369 would have no fiscal impact on any pension fund or retirement system in the State of Illinois.

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**SUBJECT MATTER:** PA 95-0369 makes several changes to the Illinois Pension Code to provide an Alternate Retirement Cancellation Payment (ARCP) option for the employees of the Cook County Employees' Pension Fund and the Cook County Forest Preserve Employees' Pension Fund. The act also deletes provisions relating to certain obsolete reserve accounts (expense reserve, county contributions reserve, annuity payments reserve, etc.).

PA 95-0369 amends the State Universities' Article of the Illinois Pension Code to update certain references to the Illinois Century Network, which is now a part of the Bureau of Communication and Computer Services.

**FISCAL IMPACT:** Each pension fund would realize an actuarial gain when some members choose the alternative retirement cancellation payment (ARCP), as the accrued liability associated with that member would be larger than the enhanced refund. The same ARCP option was offered to members of SERS in 2005, and 293 SERS members chose to participate. The system made payments of \$12.2 million and \$14.6 million in SERS liability was eliminated.

PA 95-0369 will have no discernable fiscal impact on the Cook County pension funds, however the elimination of the reserve accounts will streamline the accounting operations of the funds.

Implementation of the Illinois Century Network section of PA 95-0369 would have no fiscal impact on any pension fund or retirement system in the State of Illinois.

COMMENTS:

Cook County Alternative Retirement Cancellation Payment – PA 95-0369 provides an alternative retirement cancellation payment for specified employees applying for such payment within 45 days of the enactment date. All job titles in the Cook County Employees' Pension Fund and the Cook County Forest Preserve Employees' Pension Fund will have access to the enhanced refund offering. Employees in eligible job titles are required to be in active payroll status on the effective date of this act and in an eligible position continuously since December 31, 2006.

Participating employees must terminate service within 60 days of the effective date of this act. There is no maximum limit on the number of employees who would be allowed to participate.

The ARCP would amount to all of the employee's contributions, with regular interest, multiplied by 1.5. The regular refund provision only allows for a refund of employee contributions, without interest. PA 95-0369 specifies the ARCP could be given to the member in a lump sum, rolled into another qualified plan, or both. Upon accepting the ARCP, the member would waive all rights to any type of retirement benefit, including survivor's benefits and death benefits.

Employees who accept the ARCP and return to employment with Cook County will be required to repay to the pension fund the amount of that payment, less the amount of employee contributions (or regular refund amount), within 60 days of the return to service, unless returning as a temporary employee. The normal refund amount (employee contributions only) could then be repaid, with interest, in order to re-establish the service credit that was forfeited by the acceptance of the refund.

Elimination of Cook County Obsolete Accounts - Currently, the Cook County pension funds have a number of obsolete "reserve" accounts on their books that were created by statute for the purpose of tracking liabilities in excess of the money purchase annuities. Due to changes in the benefit structure of the pension plans over the years, the reserve accounts no longer serve their original purpose since all benefits are currently paid from one account (and have been for many years). Hence, the need for tracking payments through reserve accounts has long since been eliminated. However, because the reserve accounts are enshrined in the Pension Code, the Cook County pension funds are required to make numerous time-consuming and essentially meaningless accounting entries into and out of the reserve accounts. PA 95-0369 would delete all statutory references to the reserve accounts and eliminate this burden from the pension funds.

Illinois Century Network - The Illinois Century Network is now part of the Bureau of Communication and Computer Services. PA 95-0369 expands the Code to add the Bureau of Communication and Computer Services to the list of employing departments under Central Management Services. In addition, PA 95-0369 expands the definition of an employee under this Article to include those now employed by the Bureau of Communication and Computer Services. There is no increase in total employment as these individuals were previously listed under the Illinois Century Network.

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