

NO POSITION

March 4, 2009

***STATE RETIREMENT SYSTEMS
STAFF REPORT ON LEGISLATION AFFECTING
GENERAL ASSEMBLY RETIREMENT SYSTEM***

96th General Assembly

HOUSE BILL 3798 – Representatives McCarthy - Madigan

PROPOSAL

House Bill 3798 amends the General Assembly Retirement System (GARS) Article of the Pension Code to require GARS to create a self-managed program (SMP) of retirement benefits for persons who become members of the General Assembly after the effective date of the SMP, which may not be later than January 1, 2011. The bill allows members of the General Assembly on the effective date of the SMP to elect to terminate participation in the GARS defined benefit program and begin participation in the SMP.

COMMENT

SMP Creation and Administration

HB 3798 authorizes GARS to establish and administer an SMP to offer GARS participants an opportunity to accumulate assets for retirement through a combination of participant and State contributions that may be invested in various types of assets. GARS is deemed the plan sponsor and is required to prepare a plan document and adopt any rules and procedures necessary for the administration of the SMP. The GARS Board of Trustees may delegate aspects of plan administration to companies authorized to conduct business in the State of Illinois.

GARS is required to solicit proposals to provide administrative services and funding vehicles from financial institutions and contract with at least 2 but no more than 7 companies authorized to do business in the State. GARS may also offer an investment fund managed by GARS. HB 3798 requires the System to periodically review each contracted company.

SMP Participation

HB 3798 creates two groups of members who may elect to participate in the SMP.

Currently Eligible Participants

The bill defines this group as participants who are members of GARS on the date GARS first offers the SMP. Each participant will be given the choice to irrevocably elect in writing (within 5 years of the effective date of the SMP) to remain in the GARS defined benefit plan or switch to the SMP. Participants who fail to make an election will

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Fiscal Year	Annual Payout	Total Payout	State Contribution	State Contribution as Percent of Payroll	Actuarial Liability	Assets	Unfunded Liability	Funded Ratio	Unfunded Liability as Percent of Payroll	New-Participant Count	New-Participant Statistics Payroll	21.89% SMP Contribution	Total DB Plus SMP	Current DB Only	Incl/Dec
2008	\$14.2	\$16.5	\$8.8	62.27%	\$235.8	\$75.4	\$160.4	32.0%	1155.97%	0	\$0.0	\$0.0	\$ 8.85	8.85	\$
2009	14.2	17.3	21.4	150.38%	239.5	75.2	164.2	31.4%	1099.24%	7	0.6	0.1	21.49	10.5	11.0
2010	14.2	18.3	21.3	150.38%	243.3	87.1	156.1	35.8%	1044.26%	15	1.2	0.3	21.54	10.9	10.7
2011	13.6	19.3	20.4	150.38%	249.6	98.8	147.8	40.1%	1033.42%	29	2.4	0.5	20.91	11.3	9.6
2012	13.0	19.7	19.6	150.38%	252.4	109.5	140.1	43.9%	1020.68%	42	3.6	0.8	20.36	11.7	8.6
2013	12.4	20.0	18.7	150.38%	255.0	129.3	125.7	50.7%	1010.19%	55	4.7	1.0	19.75	12.2	7.6
2014	11.8	20.4	17.8	150.38%	257.2	138.3	118.9	53.8%	1004.90%	65	6.0	1.3	19.10	12.6	6.5
2015	11.3	20.7	17.0	150.38%	259.1	146.9	112.2	56.7%	990.52%	76	7.2	1.6	18.61	13.1	5.5
2016	10.7	21.1	16.1	150.38%	260.5	154.8	105.7	59.4%	985.90%	85	8.5	1.9	17.98	13.6	4.4
2017	10.3	21.4	15.5	150.38%	261.5	162.3	99.3	62.0%	982.38%	94	9.8	2.1	17.65	14.2	3.4
2018	9.9	21.7	14.8	150.38%	262.2	169.3	92.9	64.6%	942.76%	102	11.0	2.4	17.23	14.8	2.5
2019	9.4	22.0	14.2	150.38%	262.4	175.8	86.6	67.0%	919.24%	109	12.3	2.7	16.86	15.4	1.5
2020	8.8	22.3	13.3	150.38%	262.1	181.6	80.6	69.3%	910.88%	116	13.6	3.0	16.28	15.9	0.4
2021	8.3	22.8	12.5	150.38%	261.1	186.5	74.7	71.4%	894.96%	122	15.0	3.3	15.83	16.5	(0.7)
2022	7.7	23.1	11.6	150.38%	259.5	190.4	69.1	73.4%	895.64%	128	18.5	3.6	15.21	17.1	(1.9)
2023	7.2	23.4	10.8	150.38%	257.2	193.4	63.8	75.2%	889.09%	134	18.0	3.9	14.73	17.8	(3.1)
2024	6.5	23.7	9.8	150.38%	254.2	195.2	59.0	76.8%	907.45%	139	19.5	4.3	14.05	18.4	(4.4)
2025	6.0	23.8	9.0	150.38%	250.8	196.2	54.5	78.3%	910.55%	144	21.2	4.6	13.63	19.2	(5.6)
2026	5.4	24.0	8.1	150.38%	246.4	196.0	50.4	79.6%	932.42%	150	22.7	5.0	13.10	19.9	(6.8)
2027	5.0	24.0	7.5	150.38%	241.7	195.2	46.5	80.8%	928.26%	153	24.4	5.3	12.87	20.8	(7.9)
2028	4.5	24.0	6.8	150.38%	236.5	193.5	43.0	81.8%	946.42%	158	25.9	5.7	12.50	21.6	(9.1)
2029	4.2	23.8	6.3	150.38%	230.9	191.3	39.6	82.9%	940.13%	160	27.6	6.0	12.37	22.5	(10.1)
2030	3.7	23.7	5.8	150.38%	224.9	188.3	36.6	83.7%	980.18%	163	29.2	6.4	12.01	23.3	(11.3)
2031	3.4	23.5	5.2	150.38%	218.5	184.7	33.8	84.5%	986.87%	165	30.9	6.8	11.93	24.3	(12.4)
2032	3.0	23.1	4.6	150.38%	211.8	180.6	31.2	85.3%	1023.33%	168	32.8	7.1	11.71	25.2	(13.5)
2033	2.8	22.7	4.2	150.38%	204.9	176.2	28.8	86.0%	1038.44%	170	34.3	7.5	11.67	26.2	(14.6)
2034	2.5	22.2	3.8	150.38%	198.0	171.5	26.5	86.6%	1041.44%	172	36.1	7.9	11.71	27.3	(15.6)
2035	2.3	21.7	3.4	150.38%	190.9	166.5	24.4	87.2%	1068.76%	173	37.8	8.3	11.71	28.4	(16.7)
2036	2.0	21.2	3.0	150.38%	183.7	161.2	22.6	87.7%	1125.69%	174	39.7	8.7	11.70	29.5	(17.8)
2037	1.9	20.6	2.8	150.38%	176.6	155.8	20.8	88.2%	1116.05%	175	41.5	9.1	11.89	30.7	(18.8)
2038	1.8	20.0	2.5	150.38%	169.6	150.3	19.3	88.6%	1176.47%	176	43.4	9.5	11.97	31.9	(19.9)
2039	1.5	19.3	2.3	150.38%	162.6	144.8	17.8	88.0%	1191.57%	177	45.4	9.9	12.20	33.2	(21.0)
2040	1.3	18.6	2.0	150.38%	155.8	139.2	16.5	89.4%	1233.02%	178	47.5	10.4	12.41	34.5	(22.1)
2041	1.2	18.0	1.8	150.38%	149.1	133.7	15.4	89.7%	1292.79%	178	49.6	10.9	12.65	35.9	(23.3)
2042	1.0	17.3	1.5	150.38%	142.7	128.2	14.4	89.9%	1401.44%	179	51.7	11.3	12.87	37.3	(24.5)
2043	0.9	16.6	1.3	150.38%	136.3	122.7	13.6	90.0%	1563.71%	179	54.0	11.8	13.13	38.8	(25.7)
2044	0.7	15.9	1.1	150.38%	130.2	117.2	13.0	90.0%	1784.71%	180	56.3	12.3	13.42	40.4	(26.9)

continue to participate in the defined benefit plan. The System is required to provide written educational information regarding the participant's retirement program choices and counseling from the GARS prior to making the election.

Currently eligible participants who elect to participate in the SMP will begin participation the month following the election and participation in the defined benefit plan will end on that same day. At that time all employee and employer contributions, plus interest would be transferred from the defined benefit plan to the participant's SMP account. The interest rate is set at the average annual rate of return the System has earned over the last 20 fiscal years.

Newly Eligible Participant

HB 3798 defines this group as all participants who become members of the General Assembly after the effective date of the SMP, which may not be later than January 1, 2011. These participants will be automatically enrolled in the SMP.

Employee and Employer Contributions

HB 3798 requires employees to contribute 11.5% of salary to the SMP accounts and allows GARS to adopt rules to allow participants to make additional contributions to the SMP account. The bill requires the State to contribute to each SMP account an amount equal to the actual cost of benefits for the service credit that would have been earned had the participant chosen to participate in the defined benefit plan.

The bill specifies that an SMP participant becomes vested in the State contributions to the SMP account after attainment of 5 years of service credit, the death of an active member with at least 1½ years of service, or the member's election to retire under the Reciprocal Act.

SMP Benefits

HB 3798 specifies that an SMP participant who is vested in State contributions is eligible for a benefit based on both employee and State contributions and any interest earned thereon upon termination of employment. Participants who are not vested upon termination of employment will be eligible for a benefit based on employee contributions only, and any investment interest earned thereon. The State contribution shall be forfeited by the participant and held in escrow to reduce future allocations of State contributions.

RECOMMENDATION

It is the recommendation of the staff that the System take no position on House Bill 3798.

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2008	\$14.2	\$16.5	\$8.8	62.27%	\$235.8	\$75.4	\$160.4	32.0%	1155.97%	0	\$0.0	\$	\$	\$
2009	14.2	17.3	21.4	150.38%	239.5	75.2	164.2	31.4%	1099.24%	7	0.6	8.85	8.85	11.0
2010	14.2	18.3	21.3	150.38%	243.3	87.1	156.1	35.8%	1089.24%	7	0.1	21.43	10.5	10.6
2011	14.2	19.3	20.4	150.38%	246.6	98.8	147.8	40.1%	1044.26%	15	1.2	21.42	10.9	9.4
2012	13.6	19.7	19.6	150.38%	249.6	109.5	140.1	43.9%	1033.42%	29	2.4	20.66	11.3	8.2
2013	13.0	20.0	18.7	150.38%	252.4	119.6	132.8	47.4%	1020.68%	42	3.6	19.98	11.7	7.1
2014	12.4	20.0	17.8	150.38%	255.0	129.3	125.7	50.7%	1010.19%	55	4.7	19.26	12.2	5.9
2015	11.8	20.4	17.0	150.38%	257.2	138.3	118.9	53.8%	1004.90%	65	6.0	18.48	12.6	4.8
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2018	10.3	21.4	14.8	150.38%	261.5	162.3	99.3	62.0%	962.38%	94	9.8	16.64	14.2	1.3
2019	9.9	21.7	14.2	150.38%	262.2	169.3	92.9	64.6%	942.76%	102	11.0	16.09	14.8	0.2
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2045	0.7	15.9	1.1	150.38%	130.2	117.2	13.0	90.0%	1784.71%	180	56.3	7.57	40.4	(32.8)

D.C.