COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 3514, as amended by HA #3 and HA #5** May 26, 2010

SPONSOR (S): Schoenberg (Currie – Dunkin)

SYSTEM(S): General Assembly Retirement System, Judges' Retirement System, State Employees' Retirement System, State Universities' Retirement System, Teachers' Retirement System

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FISCAL IMPACT: SB 3514, as amended by HA #3 and HA #5, authorizes the issuance of $4.1 Billion in new pension bonds. These new State of Illinois bonds will be sold and the proceeds will be transferred to the various retirement systems to support the FY 2011 appropriations from the State.

<u>SUBJECT MATTER</u>: SB 3514, as amended by HA #3 and HA #5, amends the General Obligation Bond Act to authorize the issuance of new pension bonds totaling $4.1 billion. In addition, the method to be used for determining the state contributions to each state pension system for FY 2011 is specified.

<u>FISCAL IMPACT</u>: SB 3514, as amended by HA #3 and HA #5, authorizes the issuance of $4.1 Billion in new pension bonds. These new State of Illinois bonds will be sold and the proceeds will be transferred to the various retirement systems to support the FY 2011 appropriations from the State.

<u>COMMENTS</u>: SB 3514, as amended by HA #3 and HA #5, requires the issuance of new pension bonds totaling $4.1 billion by September 30, 2010. These new pension bonds will be sold and the net proceeds will support the FY 2011 contributions from the State to the various retirement systems. Each of these retirement systems will be required to recertify the required FY 2011 State contribution by June 15, 2010. The amounts of these recertifications will be used to determine the pro rata relationships between the various retirement systems.

The subsequent State contribution to each State retirement system will equal the proceeds from the bond sale, less (i) the pro rata share of bond sale expenses determined by each System's pro rata share of total bond proceeds, (ii) any amount received from the General Revenue Fund in FY 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable. If the net amount received from the new bond sale exceeds the amount required for the State to make contributions sufficient to reach the recertified amounts, the overage shall be designated the “Fiscal Year 2011 Overpayment” and these funds will be deposited in the General Revenues Fund. If the net amount received from the new bond sale is not sufficient to make all the State contributions required to reach the recertified amounts, the deficiency will be designated the “Fiscal Year 2011 Shortfall” and will be offset by a matching withdrawal of funds from the General Revenue Fund. No FY 2011 funds will be transferred to any of the various State retirement systems prior to September 30, 2010.

SB 3514, as amended by HA #3 and #5, also establishes the principle retirement schedule for the newly issued bonds over their 8 year life. There will be no retirement of bond principle during years #1 and #2. In year #3, $110,712,120 of bond principle will be retired, $332,136,360 will be retired in year #4 and $664,272,720 will be retired in year #5. Finally, $996,409,080 in bond principle will be retired annually in years #6, #7 and #8.

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