ISSUE BRIEF

House Bill 4078:
Set Employer Funding at 80%

Proposed Change in the Law

This bill would statutorily lower the IMRF funding goal to limit required employer contributions to no more than that required to achieve 80% funding:

- As of the end of 2040 for the period 2022 to 2040 and
- As of the end of each year for years 2041 forward

Reasons for Position

IMRF is currently funded in the aggregate at 91% with a funding goal set by the IMRF Board at 100%. **100% FUNDING IS THE UNIVERSALLY-ACCEPTED BEST PRACTICE FOR DEFINED BENEFIT (DB) PLANS.** The Government Finance Officers’ Association (GFOA) [Best Practices document](#) for the sustainability of DB pension funds recommends that **plan trustees should “[a]dopt a policy with a target funded ratio of 100 percent or more (full funding).”**

Current statutory funding levels for less successful Illinois plans are set at 90%, which was agreed to because 100% was practically and politically untenable. It is incomprehensible to set a lower goal for a fund that is, in the aggregate, already well above that level. This proposal is comparable to treating a healthy patient with dangerous medication reserved for the critically ill...it is not just unnecessary, but ill-advised. It would sicken the only healthy statewide fund. A goal of 100% funding is best practice and ultimately the lowest long-term cost for employers and taxpayers.

Technical concerns with the bill itself would also make implementation difficult, if not impossible. First, as of the end of 2018 (the most recent year for which information is available), just under one-half of IMRF employers had a funding level of 80% or greater in their regular plan. It is

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*Gwen Henry*  
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unclear if employers that are above 80% funding will be expected to take contribution holidays to reduce their funding level.

In addition, employers do occasionally become inactive if they no longer have qualifying employees. It would be financially risky to maintain only 80% funding for these employers and there is no exception in this bill for such instances.