

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: SB 2467

January 22, 2020

SPONSOR (S): Schimpf

SYSTEM(S): SERS

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**FISCAL IMPACT:** According to SERS, approximately 600 active Tier 2 DHS security employees would be eligible to upgrade 8 years of past service under the regular formula to alternative (State Police) service credit under SB 2467. SERS notes that this would have a negative fiscal impact to the system, as employer normal cost for the past service credit upgrade is not required to be paid by the members. Security employees of the Department of Human Services would accrue service credit under the alternative formula going forward when the bill goes into effect.

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**SUBJECT MATTER:** SB 2467 amends the General Provisions and State Employees articles of the Illinois Pension Code to allow Department of Human Services (DHS) Tier 2 security employees to qualify for the alternative (State Police) formula in SERS, and to convert up to eight years of prior regular formula service credit as a DHS security employee into alternative formula service.

**COMMENT:** According to SERS, approximately 600 active Tier 2 DHS security employees would be eligible to upgrade up to 8 years of prior service from regular formula service to alternative formula service. To upgrade the past service, the employee would have to pay the difference in employee contributions between the regular formula and the alternative formula, plus interest at the actuarially assumed rate of return. The bill contains no provision for payment of the employer normal cost portion of the eight years of optional service credit – that amount would vary by employee.

DHS security employees are coordinated with Social Security. Thus, Tier 2 security employees contribute 4% of salary to SERS for their regular formula contribution, while Tier 1 security employees with DHS pay 8.5% of salary under the alternative formula. Under this bill, Tier 2 DHS security employees would accrue future service credit under the alternative formula after the effective date of this legislation, and thus would begin contributing 8.5% of salary.

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