

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 3600**

February 27, 2020

SPONSOR (S): Bennett

SYSTEM(S): State Universities Retirement System

FISCAL IMPACT: SB 3600 would free SURS employers from their obligation to make an employer contribution to the retirement system when employing certain annuitants (known as “affected annuitants” within the SURS article). This exemption would apply when the annuitant was hired to fill a position that has been unfilled for at least 180 days, and the employer only hires the affected annuitant for one academic year. The fiscal impact of SB 3600 is uncertain, as the number of exemptions that will be granted to universities and community colleges who employ affected annuitants under the aforementioned circumstances is unknown.

According to SURS, 37 affected annuitants have returned to work since 9/1/2014. Four of those are affected annuitants who returned to work in the 2019-2020 academic year.

SUBJECT MATTER: SB 3600 amends the State Universities Article of the Illinois Pension Code. The bill grants an exemption to a payment that universities and community colleges must make to SURS when employing certain annuitants, known as “affected annuitants,” as described below in the Comment section.

COMMENT: Currently, if a SURS annuitant returns to work and receives compensation in excess of 40% of his or her highest annual earnings prior to retirement, within a single school year, that annuitant is classified as an “affected annuitant.” This classification also applies to annuitants who receive at least \$10,000 annually in annuity payments.

Under current law, if an employer chooses to hire an affected annuitant, the employer is required to make an employer contribution to SURS equal to 12 times the amount of the gross monthly retirement annuity payable to the annuitant for the month in which the first paid day of that employment in that academic year occurs. This payment does not need to be made if the annuitant is paid solely from federal, corporate, foundation, or trust funds or grants of State funds made specifically for that individual’s employment.

SB 3600 would exempt SURS employers from having to make the affected annuitant payment in situations where the affected annuitant was hired to fill a position that has been unfilled for at least 180 days, and the employer only hires the annuitant for one academic year.

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