

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 2247**

March 8, 2013

SPONSOR (S): McCann

SYSTEM(S): SERS

FISCAL IMPACT: Inasmuch as SB 2247 removes the requirement that a member must pay the employer's normal cost in order to purchase optional service credit, SB 2247 would have a negative impact on SERS. Generally, requiring an employee to pay the employer's normal cost, the employee contribution, plus interest for the purchase of optional service results in very little increase in accrued liability to the retirement system.

SUBJECT MATTER: SB 2247 amends the SERS article of the Illinois Pension Code. The bill strikes the requirement that members purchasing optional service credit for military service must pay the employer's normal cost of the benefit plus interest.

FISCAL IMPACT: Inasmuch as SB 2247 removes the requirement that a member must pay the employer's normal cost in order to purchase optional service credit, SB 2247 would have a negative impact on SERS. Generally, requiring an employee to pay the employer's normal cost, the employee contribution, plus interest for the purchase of optional service results in very little increase in accrued liability to the retirement system.

COMMENT: Under the SERS article of the Pension Code, if a member wishes to establish service credit for military service, the member must pay an amount equal to the employee contributions that would have been required for that period of service, the employer's normal cost, plus interest. SB 2247 strikes the requirement that the member pay the employer's normal cost for the period of service credit being purchased. The SERS article of the Pension Code states that a member can "buy back" up to 5 years of military service credit.

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