

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 96TH GENERAL ASSEMBLY

BILL NO: **HB 3900, as engrossed**

February 27, 2009

SPONSOR (S): Miller - Hernandez (Sandoval)

SYSTEM(S): State Employees' Retirement System

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**FISCAL IMPACT:** According to an analysis prepared by the Commission's actuary, adding additional members to the alternative formula in SERS increases the accrued liability of the System by an estimated \$63,910 per person and increases the retirement system's normal cost by an estimated \$4,622 per person. These estimates are based on an actuarial valuation of SERS using a sample employee's age of 44.9 years, a period of service of 14 years, and an annual salary of \$55,000. SERS reports that 11 employees would be added to the alternative formula by this legislation. Using the Commissions' actuarial assumptions, HB 3900 would increase the accrued liability of the system by \$703 thousand.

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**SUBJECT MATTER:** HB 3900, as engrossed amends the State Employee Article of the Illinois Pension Code. This bill seeks to provide the alternative formula to certain sign hangers and sign hanger foremen employed by the Department of Transportation. The bill would apply to persons in service on or after June 28, 2001. HB 3900, as engrossed would be effective immediately.

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**COMMENT:** Currently, the SERS alternative formula applies to members in certain positions with 20 years of alternative service. This formula provides an annuity of 2.5% of final average salary for each year of service credit for employees coordinated with Social Security. Members covered by the alternative formula and who are coordinated with Social Security contribute 8.5% of their salary toward their pensions. Members covered by the alternative formula may retire at age 50 with 25 years of service credit, or at age 55 with 20 years of service credit. HB 3900, as engrossed adds 11 sign hangers and sign hanger foremen employed by the Department of Transportation to the alternative formula.