

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 4015**

March 2, 2009

SPONSOR (S): McCarthy

SYSTEM(S): State Employees' Retirement System

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. The actual number of employees at the Illinois State Toll Authority that would now be eligible to convert previous service credit to the alternative formula under this legislation is unknown.

SUBJECT MATTER: HB 4015 amends the State Employees Article of the Illinois Pension Code. The bill states that a person employed by the Illinois State Toll Highway Authority in the position of carpenter shop manager or carpenter shop supervisor on the effective date of the amendatory Act who has creditable service established in the position of structural H-4, structural H-6, painter H-4, or painter H-6 on or before that effective date shall have service in a position of structural H-4, structural H-6, painter H-4, or painter H-6 converted to alternative formula service credit upon the member submitting written application with the System. The legislation exempts the change from the provisions concerning new benefit increases. HB 4015 would be effective immediately.

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COMMENTS: Currently, the employees identified for the new benefit increase outlined in HB 4015 receive benefits based on the regular SERS formula, which provides an annuity of 1.67% of final average salary for each year of service credit for employees coordinated with Social Security. Members covered under this formula may retire at age 60 with at least 8 years of service credit, between ages 55-60 with 25-30 years of service credit, or whenever the member's age and years of service total 85. Members who are coordinated with Social Security contribute 4% of salary toward their pensions under the regular formula. HB 4015 would allow certain employees to convert

service credit time in which they served as a structural H-4, structural H-6, painter H-4, or painter H-6 into the SERS alternative formula, which provides an annuity of 2.50% of final salary per year of service credit for employees coordinated with Social Security. Members covered by the alternative formula and coordinated with Social Security contribute 8.5% of salary towards their pensions and may retire at age 50 with 25 years of service credit or at age 55 with 20 years of service credit.

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