

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: SB 0205

February 6, 2009

SPONSOR (S): Demuzio - Bomke

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 State electrical workers is unknown.

SUBJECT MATTER: SB 0205 amends the State Employee Article of the Illinois Pension Code. This bill seeks to provide the alternative formula to full-time State electrical workers who are employed by a Department. Furthermore, this bill exempts the State electrical workers from the provisions dealing with new benefit increases.

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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. SB 0205 would place full-time State electrical workers who are employed by a Department under this formula.

Pursuant to Public Act 94-4, a new benefit increase must adequately identify and provide for the payment of additional funding that will be accrued from the resulting annual increase in cost to the System. SB 0205 states that the "new benefit increase" does not apply to these additional workers, therefore identification and provision of additional funding is not necessary.

