

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 96TH GENERAL ASSEMBLY

BILL NO: **SB 2483**

February 16, 2010

SPONSOR (S): Demuzio

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.

Number of Additional Electricians	Increase in Accrued Liability	Increase in Normal Cost
1	\$63,910	\$4,622
50	\$3,195,500	\$231,100
100	\$6,391,000	\$462,200
200	\$12,782,000	\$924,400

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**SUBJECT MATTER:** SB 2483 amends the State Employee Article of the Illinois Pension Code to provide the alternative formula to electricians employed on a full-time basis by the Department of Agriculture, the Department of Central Management Services, the Historic Preservation Agency, the Department of Human Services, the Department of Juvenile Justice, the Department of Military Affairs, the Department of Revenue, the Department of State Police, and the Department of Veterans' Affairs. Furthermore, this bill exempts the bridge tenders 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 2483 would place electricians employed on a full-time basis by the Department of Agriculture, the Department of Central Management Services, the Historic Preservation Agency, the Department of Human Services, the Department of Juvenile Justice, the Department of Military Affairs, the Department of Revenue, the Department of State Police, and the Department of Veterans' Affairs under this formula. SB 2483 allows for conversion of creditable service as an electrician before the effective date of this amendatory Act upon payment prior to retirement in an amount equal to the difference between the employee contributions that would have been required for such service under the alternative formula and the amount of employee contributions actually paid (plus interest).

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 2483 states that the "new benefit increase" does not apply to these additional workers, therefore identification and provision of additional funding is not necessary.

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