

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 2808**

February 17, 2010

SPONSOR (S): Harmon

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.

Number of Additional Employees	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

SUBJECT MATTER: SB 2808 amends the State Employee Article of the Illinois Pension Code to provide the alternative retirement formula to certain tollway employees, automotive mechanics, mechanic/autobody technicians, automotive attendants, sign hangers, and sign hanger foremen.

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 total number of employees that would be added to the alternative formula by this legislation is not known.

Number of Additional Employees	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

COMMENT:**Additions to the SERS Alternative Retirement Formula**

Currently, the SERS alternative formula applies to members in certain positions with 20 years of 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 2808 would place certain tollway employees, automotive mechanics, mechanic/autobody technicians, automotive attendants, sign hangers, and sign hanger foremen under this formula.

Under SERS, the term “tollway employee” means a person who is employed by the Illinois State Toll Highway Authority as a lane walker, senior lane walker, toll collector, senior toll collector, money room truck driver, custodian II, custodian III, custodian supervisor, custodian manager, maintenance manager, maintenance supervisor, plaza manager, plaza supervisor, sign shop manager, sign shop supervisor, building maintenance manager, or roadway electric manager. The term “automotive mechanic” means a person who is employed as such on a full-time basis by the Illinois Department of Transportation, Department of Central Management Services, Illinois Department of Agriculture, or Illinois State Toll Highway Authority and who is assigned to retrieve or repair State vehicles on State highways or tollways. The terms “mechanic/autobody technician” and “automotive attendant” mean a person who is employed as such on a full-time basis by the Illinois State Toll Highway Authority and who is assigned to retrieve or repair State vehicles on State highways or tollways.

Contributions by the Illinois State Toll Highway Authority

SB 2808 states that the Illinois State Toll Highway Authority must make contributions to the System of amounts that will be sufficient to meet the cost of any additional liability created by this amendatory Act for its employees. The total amount of the contributions required will be determined by the Board on the basis of actuarial tables and other assumptions adopted by the Board and will certify the amount of the required contributions to the Governor and the Illinois State Toll Highway Authority on or

before November 15, 2009. The required contributions may be amortized over a period of not more than 10 years as a level dollar amount and in a manner consistent with the rules of the Board.

Language Concerning New Benefit Increases

SB 2808 provides that a new benefit increase be constituted for these additional employees added to the alternative formula. Funding for this new benefit increase will be provided by annual contributions directly from the Illinois State Toll Highway Authority (only for employees of the Illinois State Toll Highway Authority), increased employee contributions, and increased State contributions beginning in fiscal year 2010. This new benefit increase will expire 5 years after the effective date of this amendatory Act.

MDM:bj

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