

**COMMISSION ON GOVERNMENT  
FORECASTING AND ACCOUNTABILITY**

## PENSION IMPACT NOTE

## 96TH GENERAL ASSEMBLY

**BILL NO: SB 3726, as amended by SA #1**

March 5, 2010

**SPONSOR(S):** Frerichs – Bomke, et al.

SYSTEM(S): State Universities Retirement System

**FISCAL IMPACT:** The fiscal impact associated with SB 3726, as amended, cannot be calculated as the number of employees who may elect to establish creditable service and earnings credit for periods of furlough beginning on or after July 1, 2009 and ending on or before June 30, 2011 is not known. However, SB 3726, as amended, clarifies that any employee who opts to establish this service credit must make all required employee contributions, the employer's normal cost of the benefit, and compounded interest at the actuarially assumed rate from the date of furlough to the date of payment. Therefore, the cost to SURS should be minimal.

**SUBJECT MATTER:** SB 3726, as amended, amends the State Universities Article of the Illinois Pension Code to make a provision regarding the purpose of defining final rate of earnings for an employee. In addition, SB 3726, as amended, allows a participant to establish creditable service and earnings credit for periods of furlough beginning on or after July 1, 2009 and ending on or before June 30, 2011.

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**COMMENT:** Currently, there are specific guidelines on what earnings can and cannot be included in the determination of the final rate of earnings for an employee of SURS. For instance, that part of an employee's earnings for any academic year beginning after June 30, 1997, which exceeds the employee's earnings with that employer for the preceding year by more than 20%, is to be excluded. In the event that an employee has

more than one employer, this limitation is calculated separately for the earnings with each employer. In making this calculation, only the basic compensation of employees is to be considered, without regard to vacation or overtime or to contracts for summer employment. In addition, intermittent periods of service are considered as consecutive when determining final rate of earnings. SB 3726, as amended, adds that compensation that would have been paid to an employee but was not paid due to a mandatory furlough shall be credited to the employee for the purpose of defining final rate of earnings in SURS.

Also, SB 3726, as amended, states that an employee may establish creditable service and earnings credit for periods of furlough beginning on or after July 1, 2009 and ending on or before June 30, 2011. To receive this credit, the employee must (1) apply in writing to the System before December 31, 2011; (2) not receive compensation from an employer for any furlough period; and (3) make required employee contributions based on the rate of basic compensation during the periods of furlough, plus an amount equal to the employer's normal cost of the benefit plus compounded interest at the actuarially assumed rate from the date of voluntary or involuntary furlough to the date of payment. At the time of application, SB 3726, as amended, requires that the employee provide written certification from the employer providing the total number of furlough days a participant has been required to take.

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