

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 3726**

February 25, 2010

SPONSOR(S): Frerichs

SYSTEM(S): State Universities Retirement System

FISCAL IMPACT: *Please see the tables below for the fiscal impact SB 3726 would have on SURS.*

SUBJECT MATTER: SB 3726 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.

FISCAL IMPACT: SB 3726 would have a significant increase in normal cost for SURS. The following chart shows the increase in normal cost to SURS in accordance with the number of SURS members who might choose to establish 5 furloughs days:

1 Member	\$154.1
100 Members	\$15,408.2
1,000 Members	\$154,082.4

The following information was used to determine the fiscal impact SB 3726 would have on SURS:

Average Salary for SURS Employee	Employer's Normal Cost	5 Furlough Days as % of Full Year	% of Employee Contribution
\$45,204.00	9.94%	1.90%	8.00%

The following chart shows the fiscal impact of SB 3726 on SURS for one member:

SURS Normal Cost for Granting Free Service Credit for 5 Furlough Days	=	$\$45,204.0 \times 9.94\% \times 1.9\%$	=	\$85.4
SURS Cost for Loss of Employee Contribution For 5 Days	=	$\$45,204.0 \times 8\% \times 1.9\%$	=	\$68.7
Total Impact to the System for Granting Free Service Credit for 5 Furlough Days	=	$\$85.4 + \68.7	=	\$154.1

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 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.

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