

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 2993**

March 11, 2013

SPONSOR (S): Nekritz

SYSTEM(S): SURS

FISCAL IMPACT: To the extent that HB 2993 provides for a clearer interpretation of the Tier 2 provisions of SB 1946 (96th G.A.) as they apply to SURS, the bill should have no discernible fiscal impact.

SUBJECT MATTER: HB 2993 amends the SURS article of the Pension Code. The bill incorporates the language from the Tie 2 reform act, P.A. 96-0889, into the SURS article of the Pension Code (the Tier 2 language currently resides in the General Provisions article of the Pension Code). SURS claims this change is necessary to address issues of statutory interpretation that have arisen since P.A. 96-0889 took effect.

FISCAL IMPACT: To the extent that HB 2993 provides for a clearer interpretation of the Tier 2 provisions of SB 1946 (96th G.A.) as they apply to SURS, the bill should have no discernible fiscal impact.

COMMENT: P.A. 96-1889 (SB 1946) implemented a second tier of benefits for new hires after January 1, 2011 in most of the retirement systems covered under the Pension Code, with the exception of police and fire. The Tier-2 language in SB 1946 (96th G.A.) was placed in the General Provisions Article of the Pension Code, which applies to all articles of the Pension Code unless otherwise specified. SURS claims that the placement of the Tier 2 language in the General Provisions has caused some interpretive difficulties, particularly with regard to applying the Tier 2 final average salary period to alternative formula employees, and also with regard to the payment of Tier 2 survivor's benefits on a pro-rata basis. HB 2993 also corrects various cross-references to the General Provisions Article that are no longer correct.

DH:dkb

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