

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 253**

February 6, 2015

SPONSOR (S): Sosnowski

SYSTEM(S): SERS

FISCAL IMPACT: HB 253 would theoretically have a positive effect on the SERS. Eliminating overtime pay as compensation would limit its impact in boosting salary in the period before retirement, thereby reducing state pension obligations. SERS actuaries are not sure of any savings for the state at this time. Many people receiving overtime pay are younger and far from retirement, which means that they are unlikely to have this pay included in their retirement benefits.

SUBJECT MATTER: HB 253 amends the State Employee Article of the Illinois Pension Code. The proposed legislation would eliminate overtime pay as a factor for determining employee compensation for pension purposes.

FISCAL IMPACT: HB 253 would theoretically have a positive effect on the SERS. Eliminating overtime pay as compensation would limit its impact in boosting salary in the period before retirement, thereby reducing state pension obligations. SERS actuaries are not sure of any savings for the state at this time. Many people receiving overtime pay are younger and far from retirement, which means that they are unlikely to have this pay included in their retirement benefits.

COMMENT: The proposed legislation would limit compensation considered for pension purposes to regular take-home pay and other currently allowed compensation options (sick pay, etc.). Currently, Tier One retirees have a retirement benefit composed in part on final average compensation, which is calculated from the highest compensated previous four years of service within the past 20 years. As of the last published annual report (FY 13), SERS had 85,529 members and paid out approximately \$1.8 billion in benefits in FY 13. This legislation is similar to HB 1261 from the 98th General Assembly.

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