COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 5011, as engrossed** May 16, 2008

SPONSOR (S): Molaro (Raoul)

SYSTEM(S): State Employees' Retirement System

FISCAL IMPACT: The fiscal impact of HB 5011, as engrossed, cannot be determined because the number of employees taking leaves and the length of their leaves are not known. If the employees make the necessary payment after 90 days from the leave's end, they are required to pay both the employer and employee contributions plus interest. However, if they pay within 90 days the interest charges are waived, leading to a minor fiscal impact to SERS because most, if not all, such employees would take advantage of the opportunity to lower their total required payments.

SUBJECT MATTER: HB 5011, as engrossed, amends the State Employee Article of the Illinois Pension Code to add a provision stating whenever an employee on a leave of absence makes appropriate contributions at the specified time, the rate of compensation used in pension calculations is assumed to be equal to the rate of compensation on the date the leave commenced. In addition, HB 5011, as engrossed, specifies the payments required to purchase earnings credit for these leaves and details the payment timing options together with their effects upon total payment amount.

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COMMENTS: Employees on a leave of absence, with or without pay, may receive service credit for the time off work by making all appropriate contributions within the specified time period. HB 5011, as engrossed, mandates whenever no contributions are required to establish service credit for the period of leave, the employee may elect to establish earnings credit for the leave period anytime within 48 months after returning to work by making the required employee and employer contributions, plus interest at the actuarially assumed rate. The interest shall be calculated from the beginning of the leave of absence to the date of payment, unless the employee establishes this earnings credit within 90 days after returning to work, in which case no interest is required. If the time spent on leave is part of the calculation for final average compensation used in determining their pension annuity, HB 5011, as engrossed, amends the Code to provide that the rate of compensation for the entire leave period will be considered the rate of compensation on the date the leave began.

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