

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 2093**

March 4, 2008

SPONSOR(S): Sieben - Brady

SYSTEM(S): State Employees' Retirement System

FISCAL IMPACT: SB 2093 should not necessitate any increase in the required employer contributions during the period FY 2010 through FY 2045. HB 1697, as amended by House Amendment #002, made identical changes in both benefits and employee contributions, albeit for a larger population of similar employees. In analyzing that bill the System's actuary calculated there would be no impact on employer contributions because the higher contribution rate would totally offset the costs of the increased benefits.

SUBJECT MATTER: SB 2093 amends the State Employees' Article of the Pension Code to remove the Social Security offset against current and future widows' and survivors' annuities of any person with military service, beginning July 1, 2009.

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COMMENTS: When SERS became coordinated with Social Security in 1969, a reduced benefit formula for Social Security-covered members was implemented to reflect that a benefit would be provided through Social Security. While the same approach could have been utilized to determine widows' and survivors' annuities, an offset was adopted. The offset reduces widows' and survivors' annuities by 1/2 of the Social Security survivor benefit.

Prior to 1983, survivor benefits were based primarily on a percentage of the active salary, which was the same regardless of whether or not the member was covered by Social Security. However, in 1983, legislation was passed which established a minimum survivor annuity equal to 50% of the earned retirement benefit. Thus, even though survivor benefits for members covered by Social Security are computed based on a benefit formula already reduced to reflect Social Security, the Social Security offset continues, resulting in a double reduction for survivors of Social Security-coordinated members. SB 2093 allows employees with military service to file an election by March 1, 2009, thereby voluntarily increasing their employee contribution rate by 0.6% and thereby removing the Social Security offset for their current and future widow's annuity and survivor's annuity recipients.

LRB095 19108 AMC 45317 b