

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO:       **HB 2758**

February 9, 2017

SPONSOR (S):   Sosnowski

SYSTEM(S):     General Provisions Article

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**FISCAL IMPACT:** HB 2758 would theoretically have a positive effect on state pension systems. Eliminating overtime pay as compensation would limit its impact in boosting salary in the period before retirement, thereby reducing state pension obligations. The actuaries for the State systems have not yet calculated any potential savings that might result from HB 2758.

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**SUBJECT MATTER:** HB 2758 amends the General Provision article of the Illinois Pension Code. This legislation would eliminate overtime pay as a factor for determining employee compensation for pension purposes after July 1, 2017.

**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.). In general, Tier One retirees have a retirement benefit composed in part on final average compensation, which is calculated from the highest compensated four years within the last 10 years of service. In the case of SERS, as of the last published annual report (FY 16), SERS had 87,437 members and paid out approximately \$2.2 billion in benefits in FY 16. This legislation is similar to HB 253 from the 99<sup>th</sup> General Assembly.

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