

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 4925**

February 2, 2022

SPONSOR (S): Hoffman

SYSTEM(S): SERS

FISCAL IMPACT: The fiscal impact of HB 4925 is not known as the number of State Police troopers, special agents, or sergeants who would participate in a deferred retirement option plan, or DROP plan, is not known. A comprehensive actuarial study would be needed to assess the fiscal impact of implementing a DROP plan for these members.

SUBJECT MATTER: HB 4925 amends the SERS article of the Pension Code to create a deferred retirement option plan, or DROP plan, for state police officers who hold the rank of trooper, special agent, or sergeant, and make an election to participate in the DROP plan on or before January 1, 2027.

COMMENT: Generally speaking, DROP plans work in the following manner: for the years that an active employee participates in the DROP plan, rather than having those years of service included in future pension benefit calculations, the employer places a lump sum of money into a separate account for each year the employee remains on the job. This account earns interest as long as the employee remains active. Once the member retires, the money held in the DROP account is paid to the member, with accrued interest, on top of whatever pension benefit the member had accumulated over the course of his or her career.

HB 4925 specifies that participation in the DROP plan cannot exceed 5 years. Employee contributions that would otherwise have been made to SERS for active service during the DROP period will be placed into the member's DROP account. All COLA's that would have otherwise been payable had the member elected to retire instead of participating in the DROP plan will be placed in the member's DROP account and will apply to the member's annuity upon expiration of the DROP period.

DH:bs

LRB102 24937 RPS 34192 b