

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: **HB 5080**

January 31, 2022

SPONSOR (S): Halpin

SYSTEM(S): SERS, General Provisions Article

FISCAL IMPACT: According to SERS, only 59 people at most may possibly be affected by this legislation. To the extent that the amounts contributed by these officers to upgrade past regular formula service to alternative formula service, or by transferring service credit from IMRF and/or Cook County to establish alternative formula service credit in SERS are greater than or equal to the increase in actuarial liability associated with that service, there should be no fiscal impact to SERS.

SUBJECT MATTER: HB 5080 amends the General Provisions and State Employees articles of the Illinois Pension Code to allow both Tier 1 and Tier 2 Special Agents or Special Agent Chiefs of the Secretary of State Securities Department to participate in the alternative (State Police) formula in SERS. In addition, these officers may elect to establish up to five years of alternative retirement annuity service from prior IMRF police service or service as a county corrections officer or court services officer with Cook County.

COMMENT: Under current law, both Tier 1 and Tier 2 Special Agents or Special Agent Chiefs of the Secretary of State Securities Department participate in the regular formula in SERS. They contribute 9.0% of salary, are not coordinated with Social Security, and accrue service credit at the regular formula rate of 1.67% per year of service, subject to the retirement age associated with the applicable Tier status. HB 5080 would allow these officers to participate in the alternative (State Police) formula in SERS, under which they would contribute 12.5% of salary, and accrue service credit at the rate of 3.0% of final average salary, subject to the retirement age associated with the applicable Tier status.

HB 5080 permits investigators for the Secretary of State, Special Agents or Special Agent Chiefs of the Secretary of State Securities Department to establish up to 5 years of service credit as a person employed to perform police duties under IMRF, or a county corrections officer or court services officer with Cook County within 6 months of the effective date of the bill. In order to establish this service credit, the police officer must contribute to SERS a

payment equal to the difference between employer and employee contributions made for the prior service and the amounts that would have been contributed in SERS had the service been rendered in the SERS alternative formula, plus interest at the actuarially assumed rate of return of 6.75%, compounded annually, from the date of service to the date of payment.

HB 5080 also permits these officers to convert up to 12 years of prior regular formula service to alternative formula service by paying to SERS the difference between the amount of employee contributions originally paid for that service and the amounts that would have been contributed had such contributions been made at the alternative (State Police) rate, plus the difference between the employer's normal cost for the prior regular formula service and the amount that would have been contributed had such service been rendered under the alternative formula, plus interest at the actuarially assumed rate of 6.75%, compounded annually, from the date of service to the date of payment.

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