

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 5486**

February 2, 2022

SPONSOR (S): Cassidy

SYSTEM(S): SERS

FISCAL IMPACT: The number of employees of the Department of Children and Family Services who conduct home visits to qualify for the alternative formula under HB 5486 is not known. A comprehensive actuarial study would be required to assess the impact of granting this benefit to this class of employees. To the extent that the amounts contributed for upgrading past regular service to alternative formula service are equal to or greater than any actuarial liabilities associated with that service, there should be no impact to SERS.

SUBJECT MATTER: HB 5486 amends the SERS article of the Pension Code to allow employees of the Department of Children and Family Services who conduct home visits to qualify for the alternative formula. The bill also allows these employees to convert up to 12 years of regular formula service to alternative formula service by paying the amounts enumerated below in the Comment section.

COMMENT: HB 5486 amends the State Employees Article of the Pension Code to allow both Tier 1 and Tier 2 employees of the Department of Children and Family Services who conduct home visits to qualify for the alternative formula. Currently, these employees are coordinated with Social Security, participate in the regular formula, make contributions to SERS in the amount of 4% of payroll, and accrue service credit at 1.67% of final average salary, with retirement at the age applicable to the pertinent Tier status (age 67 for Tier 2, age 60 or "Rule of 85" for Tier 1). HB 5486 would place these employees in the Social Security-coordinated alternative formula, meaning they would contribute 8.5% of payroll and accrue service credit at 2.5% of final average salary for each year of service credit, and be eligible to retire at age 55 with 20 years of service, or age 50 with 25 years of service (Tier 1) or at age 60 with 20 years of service (Tier 2).

HB 5486 also allows employees of the Department of Children and Family Services who conduct home visits to upgrade up to 12 years of regular formula service to alternative formula service by contributing to SERS an amount equal to the difference between the amount of employee contributions and employer's normal cost contributed and the

amount that would have been contributed had the 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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