

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: SB 2073

March 10, 2021

SPONSOR (S): Castro

SYSTEM(S): SERS

FISCAL IMPACT: According to SERS, approximately 500-600 Human Services security employees would begin to accrue service credit in the alternative (State Police) formula in SERS under SB 2073. The provision for upgrading prior service credit would have a fiscal impact to the system, inasmuch as the members would not be paying the employer's normal cost for upgrading the prior service, but rather only the difference between regular formula and alternative formula contributions for any years upgraded, plus interest at the service credit upgrade interest rate of 6.5%, compounded annually, from the date of service to the date of payment.

SUBJECT MATTER: SB 2073 amends the General Provisions and State Employees articles of the Illinois Pension Code to allow Tier 2 Human Services security employees to qualify for the alternative (state police) formula in SERS, and to convert up to nine years of prior service credit as a Human Services security employee into eligible pensionable service under the SERS alternative formula.

COMMENT: According to SERS, this legislation would affect approximately 500-600 active Human Services security employees. Some unfunded liability would be created if the prior service credit provision is utilized by the eligible security employees, as there is no provision for payment of the employer normal cost portion for upgrading prior service credit. The employee is still required to make a payment for the amount of employee contributions that would have been paid normally for Tier 2 service credit, plus interest at the service credit upgrade interest rate (known in statute as the "effective rate") of 6.5%, compounded annually, from the date of service to the date of payment. Human Services security employees would accrue future service credit under the alternative formula after the effective date of this legislation.

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