

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: **SB 3778, as engrossed**

March 1, 2022

SPONSOR (S): Belt – Bailey, et al. (Greenwood)

SYSTEM(S): SERS

FISCAL IMPACT: According to SERS, SA 4 to SB 3778 adds 4 people to the original 246 eligible to establish the optional service credit contemplated by SB 3778, as introduced. To the extent that the amounts contributed by the employee establishing the service credit are greater than or equal to the resulting increase in actuarial liabilities associated with that service, there should be no fiscal impact to SERS.

SUBJECT MATTER: SA 4 to SB 3778 amends the State Employees article of the Illinois Pension Code to allow Arson Investigators, as well as investigators for the Department of Revenue, the Illinois Gaming Board, and the Secretary of State to elect to establish up to five years of alternative formula service in SERS from prior service in IMRF, the Cook County pension fund, or a Downstate Fire pension fund.

COMMENT: SB 3778, as amended by SA 4, allows Arson Investigators, along with investigators for the Department of Revenue, Illinois Gaming Board, and the Secretary of State to establish up to 5 years of service credit in the alternative (State Police) formula in SERS for prior police service in IMRF, prior service as a county corrections officer or court services officer in Cook County, or for prior service as a firefighter in an Article 4 (Downstate Fire) pension fund. 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. This election to establish service must be made within six months of the effective date of this legislation.

SA 4 also allows people in the aforementioned positions to convert up to 5 years of regular SERS service to alternative (State Police) service by paying to SERS the difference between

the regular formula contributions of 4% and the alternative formula contributions of 12.5%, plus the difference between the employer's normal cost for the prior service and the normal cost for the alternative service being converted, plus interest at the actuarially assumed rate of return of 6.75%, compounded annually, from the date of service to the date of payment. As with the service credit transfers described above, the window for upgrading past SERS regular formula service is six months after the effective date of this bill.

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