



## Commission on Government Forecasting and Accountability

### **PENSION IMPACT NOTE** *103<sup>RD</sup> General Assembly*

BILL NO:           **HB 1299**

January 24, 2023

SPONSOR (S):     Marron

SYSTEM:           SERS

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#### **FISCAL IMPACT**

**HB 1299 is estimated by SERS to add \$50 million to existing pension liabilities and affect approximately 1,761 current Tier Two Highway Maintenance workers. SERS had unfunded liabilities of \$29.8 billion and an overall funding ratio of 42.8% as of the June 30, 2022 actuarial valuation.**

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**SUBJECT MATTER:** HB 1299 amends the General Provisions and State Employees articles of the Illinois Pension Code to allow State Highway maintenance workers to qualify for the alternative (state police) formula in SERS for future service. The bill also allows these individuals the option to upgrade up to 8 years of past service under the regular formula with an application and payment of a specified contribution.

**COMMENT:** Under current law, Tier 2 State Highway maintenance workers are not eligible to participate in the SERS alternative formula. Tier 1 State Highway maintenance workers were added to the alternative formula via P.A. 92-0257, which became effective on May 17, 2001. Tier 2 members in the SERS alternative formula can retire at age 60 with 20 years of service credit, while Tier 2 members who participate in the regular SERS formula can retire at age 67 with 10 years of service credit, or at age 62 with a reduced annuity (reduced 1/2 of 1% for each month under age 67).

HB 1299 allows these individuals to convert up to 8 years of past regular formula service credit to alternative formula service by paying to SERS the difference between the employee contributions for that period of service and the amounts that would have been contributed had the member been participating in the alternative formula, plus interest compounded annually, from the date of service to the date of payment. Payments for past service credit upgrades must be made no later than one year after the effective date of this bill.

HB 1299 is exempt from the applicability of the definition of “new benefit increase;” no funding mechanism is provided in the bill to pay for the projected impact of this legislation.

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