



## Commission on Government Forecasting and Accountability

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

BILL NO:           **HB 3263**

February 21, 2023

SPONSOR (S):     Hoffman

SYSTEM:           SERS

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#### **FISCAL IMPACT**

**This legislation would not have a discernible actuarial impact upon SERS, though SERS claims that the significant increase in processing time required to implement the expedited retirement payments mandated by the bill would result in additional administrative expenses to the pension system.**

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**SUBJECT MATTER:** HB 3263 amends the State Employees article of the Illinois Pension Code to allow eligible alternative retirement annuity members to receive an estimated initial retirement payment starting no later than 30 days after their last day of employment or when the member files for their retirement benefit. This legislation stipulates the conditions for the payment and how to handle an over/under payment.

**COMMENT:** HB 3263 comes about as a result of delays by the payroll offices for the Illinois State Police and the Illinois Department of Corrections in providing SERS with payroll data for retiring members. The normal time between retirement and the start of annuity payment by SERS (paperwork processing time) is approximately one month. SERS claims that these payroll offices often take up to 5-6 weeks after the member separates from service to report the payroll data necessary for the system to calculate pension amounts. The bill is an attempt to expedite the commencement of retirement annuities for employees of these two agencies, but SERS does not believe that this legislation can be implemented as drafted in accordance with their fiduciary obligations, since, as previously mentioned, the processing time between the pension system and the member's former department would take longer than what is allocated in this legislation. SERS also notes that the system has a further fiduciary duty to ensure the member has left active service before it can issue retirement annuity payments, and this bill does nothing to ensure that the retirement system will be notified that a member has left service such that a retirement annuity can properly commence. It should be noted that, pursuant to current law, these annuitants would

receive a retroactive payment for this 5-6 week time period included in their first payment once they begin receiving their pension payments, according to SERS.

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