



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 3266**

February 28, 2023

SPONSOR (S): Hoffman

SYSTEM: SERS, General Provisions

FISCAL IMPACT

According to SERS, the fiscal impact from this legislation should be minimal as affected members would need to contribute on their earnings above the current Tier Two pensionable salary cap were this bill to become law.

SUBJECT MATTER: HB 3266 amends the State Employees and General Provisions articles of the Illinois Pension Code to allow Tier Two police officers' benefits/etc. to not exceed the Social Security Contribution and Benefit Base, rather than the current statutory Tier Two pensionable salary cap.

COMMENT: Currently, the Tier Two pensionable salary cap was \$130,166 in 2022; the Department of Insurance has set the cap at \$134,071 in 2023. The 2023 maximum Social Security taxable earnings amount is \$160,200. According to SERS, there are currently 797 Tier Two state police officers and 981 Tier One state police officers. This legislation would be part of a fix of the Social Security Safe Harbor compliance issue in regard to Tier Two benefits, as the current system could theoretically be ruled non-compliant with the aforementioned federal law due to the projected rates of contributions and benefits received by Tier Two members and annuitants. Specifically, the Tier Two benefits could reach a point where they are less generous than those granted by Social Security. Were this to happen, the system would fail the Safe Harbor standard.

The increase in benefits that results from this legislation is excluded from the "new benefit increase" definition under P.A. 94-0004 and this legislation is effective immediately.

AB:bs

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