



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 3297

February 28, 2023

SPONSOR (S): Moeller

SYSTEM: SERS, General Provisions Article

FISCAL IMPACT

According to the State Employees Retirement System (SERS), the prior service upgrade portion of HB 3297 would have minimal fiscal impact to the State as employer normal cost for the service credit being applied for by the participants is being paid by the member. However, moving this group to the alternative formula going forward would create approximately \$240 million in new liabilities and a recurring increase of \$10 million to the annual State contribution, according to SERS. Tier 2 security employees would accrue service credit under the alternative (state police) formula when the bill goes into effect.

SUBJECT MATTER: HB 3297 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2 Human Services security employees to qualify for the alternative (state police) formula in SERS if the employee has withdrawn from service with at least 20 years of credible service and has attained age 55. The bill also allows these members to convert up to nine years of prior regular service credit as a Human Services security employee into alternative formula service.

COMMENT: According to SERS, this legislation would affect approximately 700 active Human Services security employees. Of this group, only five individuals can currently retire, while most of the group is relatively “young” with a median age of 41 and a median service credit count of 4.3 years of service.

Age	Number of Security Employees	Service Credit Cohort	Number of Security Employees
60+	60	10 years or more	43
50-59	130	8-10 years	147
40-49	204	6-8 years	114
30-39	217	4-6 years	95
<30	99	<4 years	311

To upgrade up to 9 years of prior regular formula service in SERS, the employee is required to make a payment for the amount of the difference between the regular SERS employee contributions made and the employee contributions that would have been paid as a member of the alternative formula, for that period of service, plus interest at 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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