



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 3520**

February 28, 2023

SPONSOR (S): Kifowit

SYSTEM: SERS, IMRF, General Provisions Article

FISCAL IMPACT

According to the State Employees Retirement System (SERS), reducing the Tier 2 alternative formula retirement age from 60 to 55 for security employees of the Departments of Corrections and Juvenile Justice would cause the overall accrued liability to increase by \$1.9 billion, with a corresponding increase to the State's annual contribution of \$84 million/year. A comprehensive actuarial study would be needed to assess the impact of the other components of the bill: granting the Tier 2 COLA after one year of retirement, regardless of age; lowering the normal (non-police) Tier 2 retirement age; and adding Tier 1 and 2 county correctional officers and probation officers to the IMRF SLEP program.

SUBJECT MATTER: HB 3520 amends the General Provisions and State Employees articles of the Illinois Pension Code to allow Tier 2 Department of Corrections and Department of Juvenile Justice security employees to retire under the alternative (state police) formula in SERS if the employee has withdrawn from service with at least 20 years of credible service and has attained age 55 (currently age 60).

The bill also retroactively changes the retirement age for Tier 2 employees in IMRF, Chicago Municipal, Cook County, SERS, and SURS members from age 67 to age 60 (the current Tier 2 vesting period of 10 years is unchanged; however, a Tier 2 employee would need to work 20 years to retire at age 60). HB 3520 permits Tier 2 employees in certain funds to begin receiving the Tier 2 cost-of-living increase (COLAs) after one year of retirement, regardless of age.

Additionally, this legislation authorizes Sheriff's Law Enforcement Employee (SLEP) status under the IMRF code to county correctional officers and probation officers.

COMMENT:*Reduction in Tier 2 Alternative Formula Retirement Age for IDOC and Dept. of Juvenile Justice Security Employees*

Currently, Tier 2 members of the Alternative Formula under SERS must work until age 60 with 20 years of service credit to qualify for a pension. Tier 2 security employees for the Departments of Corrections and Juvenile Justice currently qualify for and participate in the Alternative Formula. HB 3520 would lower the Tier 2 retirement age to 55 with 20 years of service for these two respective job titles.

Note - P.A. 102-0719, which became effective on May 6, 2022, lowered the Tier 2 Alt. Formula retirement age in a similar manner for 785 police officers across several job titles, including State troopers, investigators for the Secretary of State, Conservation Police officers, amongst others. CGFA's actuary estimated that this change will add an additional \$103 million in State contributions from FY 2023-FY 2045, and will increase the FY 2045 accrued liability by \$179 million.

Reduction in Tier 2 Retirement Age in the Following Systems: IMRF, Chicago Municipal, Cook County, SERS, and SURS

Currently, Tier 2 members in the above-mentioned systems can retire at age 67 with 10 years of service credit or between age 62-67 with 10 years of service credit with a 0.5% reduction/month under age 67. HB 3520 would lower the retirement age for individuals in these systems to age 67 with at least 10 years of service credit or age 60 with 20 years of service credit. Additionally, if any of these systems permit a retirement age of under 60 with a reduction in their annuity for Tier 1 members, such a provision would now also apply to Tier 2 members with the same benefit reduction schedule. For example, in SURS, Tier 1 members can retire at age 55 with 8 years of service credit, with a reduction of 0.5% for each month under age 60. Under HB 3520, this reduced-annuity provision would now apply to Tier 2 members who wish to retire before age 60.

Earlier Payment of Tier 2 COLA's in the Following Systems: IMRF, Chicago Municipal, Cook County, SERS, and SURS

HB 3520 would allow Tier 2 participants in the aforementioned systems to receive their Cost-of-Living Adjustment (COLA) yearly in the same manner and eligibility as Tier 1. Thus, Tier 2 retirees would receive the standard Tier 2 COLA after one year of retirement, regardless of age, rather than having to wait until the attainment of age 67 or one year of retirement, whichever is later. However, the proposed Tier 2 COLA rate would remain unchanged, at the lesser of ½ the increase to the CPI-U or 3%, non-compounded.

Eligibility for Sheriff's Law Enforcement Personnel (SLEP) Benefits for County Correctional Officers or Probation Officers in IMRF

SLEP refers to a special level of IMRF benefits that are available to Sheriffs and their assorted officers/deputies, as well as airport police, police chiefs, and other groups. SLEP participants

are split between Tier 1 and Tier 2, with lower age requirements to begin receiving a pension than the standard IMRF retirement benefit (20 years of service credit at age 50 for Tier 1 and 10 years of service credit and age 60 for Tier 2). This legislation would allow both Tier 1 and Tier 2 County Correctional Officers and Probation Officers in IMRF to qualify for SLEP benefits, whereas they currently qualify for Regular IMRF benefits. Under Regular IMRF, Tier 1 and Tier 2 employees contribute 4.5% of salary towards their pensions, whereas under SLEP, employees contribute 7.5% of salary. SLEP members accrue service credit at a rate of 2.5% of final average salary per year, up to a maximum of 75% of final average salary. Regular IMRF employees accrue service credit at the rate of 1.75% of final average salary for the first 15 years of service and 2% of final average salary for each additional year of service over 15 years, up to a maximum of 75% of final average salary.

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