



## Commission on Government Forecasting and Accountability

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

BILL NO:           **HB 4870**

February 8, 2024

SPONSOR (S):     Kifowit

SYSTEM:           SERS

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#### FISCAL IMPACT

**HB 4870 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 4870 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 4870 stipulates that if an estimated annuity is granted to an Alternative Formula annuitant and if that annuity is greater or less than the actual amount of the monthly annuity, then the difference shall be paid or recovered, as the case may be, by SERS within 6 months of the start of the annuity. This bill 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 8-10 weeks after the member separates from service to report the payroll data necessary for the system to calculate pension amounts.

This bill is an attempt to expedite the commencement of retirement annuities for employees of these two agencies, but SERS maintains that they do 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. It should be noted that, pursuant to

current law, these annuitants would receive a retroactive payment for this 8-10 week time period included in their first payment once they begin receiving their pension payments, according to SERS.

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