



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5235**

February 27, 2024

SPONSOR (S): Fritts

SYSTEM: **SERS**

FISCAL IMPACT

According to SERS, 470 Tier 2 members would be grandfathered into Tier 1 under this bill by virtue of having completed some portion of service prior to January 1, 2011, the effective date of P.A. 96-0889, the Tier Two Act of 2011. The bill essentially grants Tier 1 membership to Tier 2 members who did not complete the 6-month SERS “qualifying period” prior to December 1, 2010.

CGFA’s actuary estimates that State contributions to SERS’ will increase by \$5.6 million by granting Tier 1 status to the aforementioned members. \$4.4 million of this amount is attributable to the increase in the system’s normal cost (i.e., the annual expense of future service accruals), plus \$1.2 million annually to amortize unfunded liabilities attributable to past service. The normal cost component will grow commensurate with the system’s payroll, while the unfunded liability amortization amount will remain constant through 2045.

SUBJECT MATTER: HB 5235 amends the State Employees Article of the Illinois Pension Code. The bill extends the definition of “Tier 1 member” to include any member who was employed by the State in any capacity for which the member may purchase service credit for employment that began before January 1, 2011. This bill essentially grandfathers into Tier 1 all Tier 2 members who would have been classified as Tier 1 members but for a failure to complete the 6-month qualifying period previously enacted in the SERS Article.

COMMENT: Under current law, a “Tier 1 member” is defined in the State Employees Article as a member of the system who initially became a participant of any reciprocal retirement system or pension fund before January 1, 2011, the effective date of P.A. 96-0889, the Tier 2 Act of 2010.

Prior to Dec. 1, 2010, new members in SERS were subject to what was known as the “qualifying period,” which consisted of an employee’s first 6 months of State service during which the employee did not make contributions or accrue service credit in the retirement system. P.A. 096-1490, which took effect January 1, 2011, abolished the qualifying period, stating that those entering service on or after December 1, 2010 would begin making contributions on their first day of service.

HB 5235 amends the SERS Article of the Pension Code to stipulate that any member who was employed by the State in any capacity for which the member may purchase service credit for employment that began before January 1, 2011 will be considered a Tier 1 member. This bill essentially grandfathers Tier 2 members into Tier 1 if they would have been classified as Tier 1 members upon completion of the aforementioned 6-month qualifying period. HB 5235 does not stipulate that such members must purchase prior service credit for their qualifying period. Rather, the bill would grant blanket Tier 1 status to such members for all service credit under SERS. The retirement system says that there are 470 such Tier 2 members who would be grandfathered into Tier 1 under this bill.

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