



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5261**

February 13, 2024

SPONSOR (S): Moylan

SYSTEM: SERS

FISCAL IMPACT

HB 5261 is anticipated to affect a few dozen employees with a total pension liability impact of \$5 million to \$10 million annually, according to SERS. Appendix I on page 3 shows a breakdown of SERS alternative formula job titles by tier status and Social Security coverage.

SUBJECT MATTER: HB 5261 amends the State Employee Article of the Illinois Pension Code to include Illinois Department of Transportation (IDOT) sign hanger and sign hanger foremen in the alternative retirement annuity formula. These individuals may also elect to convert an unlimited amount of service credit from regular formula service to alternative formula service by paying a specified amount to the system, as specified below in the Comment section.

COMMENT: Under the SERS alternative formula, Tier 1 members may retire between ages 50-54 with 25 years of service credit, or at age 55 with 20 years of service. Tier 1 pensions are based on the highest earning 48 consecutive months of service within the member's final 120 months of service. Tier 2 alternative formula members may retire at age 60 with 20 years of service. Certain Tier 2 public safety officers such as State Troopers and SOS Investigators may retire at age 55 with 20 years of service (see Appendix I on page 3).

Currently, sign hangers and sign hanger foremen who are employed by IDOT participate in the regular SERS formula, under which they may retire at age 60 with 8 years of service credit in Tier 1 (or under the "Rule of 85," when age and service equal 85). Tier 1 regular formula pensions are based on the highest earning 48 consecutive months of service within the last 120 months of service. Tier 2 regular formula pensions are based the average of the 96 highest consecutive months of service within the last 120 months of service.

HB 5261 permits active sign hangers and sign hanger foremen employed by IDOT to participate in the SERS alternative formula as of the effective date of the bill (retirees and vested inactive members would be excluded). The bill also allows these members to convert an unlimited amount of regular formula service to alternative formula service by paying to SERS the difference between the amount of employee contributions paid for that service and the amounts that would have been contributed had such service been rendered under the alternative formula. Additionally, members must pay the difference in the employer's normal cost between the regular formula service to be upgraded and the employer's normal cost for the alternative formula service that the member wishes to establish, plus interest at the actuarially assumed rate of return (6.75%), compounded annually, from the date of service to the date of payment.

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APPENDIX I

I. Tier 1 and Tier 2 Positions under the SERS Alternative Formula

Tier 1 Alternative Formula	Tier 2 Alternative Formula	Social Security Coverage
State Police Officer	State Police Officer (added by P.A. 96-0889)	Not coordinated with Social Security
Firefighter	Firefighter (added by P.A. 96-0889)	
Commerce Commission Police Officer	Commerce Commission Police Officer (added by P.A. 101-0610)	
Conservation Police Officer	Conservation Police Officer (added by P.A. 101-0610)	
Gaming Board Investigator	Gaming Board Investigator (added by P.A. 101-0610)	
Secretary of State Investigator	Secretary of State Investigator (added by P.A. 102-0956)	
Arson Investigator	Arson Investigator (added by P.A. 102-0956)	
Attorney General Investigator	Attorney General Investigator (added by P.A. 102-0956)	
Dept. of Revenue Investigator	Dept. of Revenue Investigator (added by P.A. 102-0956)	
Investigator for the State's Attorneys Appellate Prosecutor		
 		
DOIT Security Employee	DOIT Security Employee (added by P.A. 100-611)	Coordinated with Social Security
IDOC Security Employee	IDOC Security Employee (added by P.A. 96-0889)	
DJJ Security Employee	DJJ Security Employee (added by P.A. 96-0889)	
Air Pilot		
DHS Security Employee		
State Highway Maintenance Worker		