



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5449**

February 29, 2024

SPONSOR (S): Kifowit

SYSTEM: SERS

FISCAL IMPACT

According to SERS, HB 5449 would increase the present value of actuarial liabilities by an estimated \$468 million. Approximately 700 DHS Tier 2 security employees will be impacted by the transition to the SERS alternative formula under HB 5449, while there are only two Tier 2 investigators for the Department of the Lottery who would be similarly impacted. The system maintains that 150-200 members will be impacted by the removal of an educational requirement for Department of Juvenile Justice Employees to allow participation in the alternative formula.

SUBJECT MATTER: HB 5449 amends the Illinois Pension Code to allow Tier 2 security employees of the Department of Human Services and investigators for the Department of the Lottery to earn service credit under the SERS Alternate Formula. HB 5449 also removes the advanced education requirement for certain employees of the Department of Juvenile Justice to be eligible for the alternative formula. More detail is provided below in the Comment section.

COMMENT:

Alternative Formula Eligibility for Investigators/Security Employees of the Departments of Lottery and Human Services

The chart below details the current SERS Alternative Formula eligibility status of security employees and investigators employed the Department of Human Services and the Illinois State Lottery:

| Alternative Formula Participation for Security Employees of the Departments of Human Services and Lottery | | |
|--|---------------|---------------|
| Security Employee / Investigator for: | Tier 1 | Tier 2 |
| Department of Human Services | Yes | No |
| Department of the Lottery | No | No |

The current retirement benefits for the above-mentioned employees are detailed in the chart found below:

| Retirement Requirements for Employees Currently Ineligible for the Alternative Formula | | | | | | |
|---|-------------|------------------------|--------------------------|-------------------|---|---|
| Employee | Tier | SS-Coordinated? | Contribution Rate | Multiplier | Full Retirement | Reduced Retirement |
| DHS Security Employee | 2 | Yes | 4% | 1.67% | Age 67 with 10 years service credit | Ages 62-67 with 10 years (Reduced 1/2 of 1% every year under age 67) |
| Investigator for the Dept. of Lottery | 1 | No | 8% | 2.20% | Age 60 with 8 years of service credit OR Rule of 85 | Ages 55-60 with 25-30 years (Reduced 1/2 of 1% every year under age 60) |
| Investigator for the Dept. of Lottery | 2 | No | 8% | 2.20% | Age 67 with 10 years service credit | Ages 62-67 with 10 years (Reduced 1/2 of 1% every year under age 67) |

HB 5449 amends the Illinois Pension Code to allow participation in the SERS Alternative Formula for Tier 1 and Tier 2 investigators for the Department of the Lottery, and for Tier 2 DHS security employees.

HB 5449 allows affected Department of Human Services (DHS) Tier 2 security employees to convert up to 13 years of regular formula service credit as a Human Services security employee into alternative formula service no later than 2 years after the effective date of the bill. Members must pay an amount equal to the difference between the employee contributions for that period of service and the amounts that would have been contributed had the member been participating in the alternative formula, plus interest at 6%, compounded annually, from the date of service

to the date of payment. The bill does not require the payment of the employer's normal cost for the periods of regular formula service that the member wishes to upgrade.

Alternative Formula Participation for Certain Security Employees of the Department of Juvenile Justice

Currently, in order for a security employee of the Department of Juvenile Justice to participate in the SERS alternative formula, the employee must be employed in a position at a DJJ facility and have involvement in areas such as training of delinquent youths, providing rehabilitative and vocational training, and assisting other personnel who perform these duties. Additionally, the employee must:

- Be over the age of 21; and
- Possess a high school diploma or equivalent and either:
 - A bachelor's or advanced degree from an accredited college or university; or
 - 2 or more years of experience providing direct care to youth in the form of residential care, coaching, case management, or mentoring.

HB 5449 stipulates that the bachelor's or advanced degree requirement shall no longer determine eligibility for the alternative formula for the above-mentioned positions at DJJ. Affected employees may convert their prior regular formula service to alternative formula service by paying the difference between the employee contributions for that period of service and the amounts that would have been contributed had the member been participating in the alternative formula from the date of service to the date of payment. The member is not required to pay the employer's normal cost nor interest for the period of service they wish to upgrade.

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