



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 1235

February 7, 2023

SPONSOR (S): Martwick

SYSTEM: SURS

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#### **FISCAL IMPACT**

According to SURS, there will be a fiscal impact associated with eliminating the requirement that members must work 15 days in a month to earn one month of pension service credit in favor of an accrual schedule that would only require one day of service in a month for one month of service credit. SURS' actuary does not recognize the actuarial savings associated with part-time employees; the actuary assumes all employees are full-time. (Part-time employees comprise approximately 13% of active members who participate in the SURS defined benefit plan). Thus, while there is no adjustment to account for liability savings in the system's annual valuation attributable to part-time employees, SURS claims more assets will be necessary to pay enhanced benefits due to the new accrual schedule. The extent of the impact to the system has not been calculated. An updated impact note will be issued if an actuarial study is made available by SURS.

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**SUBJECT MATTER:** SB 1235 amends the State Universities Article of the Illinois Pension Code to redefine the amount of service time that comprises one month of pensionable service credit. Under the bill, the new standard for one month of service would be any fraction of a month for which earnings are received (the current standard is 15 or more days for which earnings are received). The proposed legislation also deems participants employed for ½ time or less as not subject to the "part time service credit adjustment," in which the proportion of time employed is reflected in service credit towards an annuity. The bill restates current law regarding the amount of time necessary to accrue one year of service, or fractions of a year of service.

COMMENT: SB 1235 is a measure to address service credit accruals for part-time and adjunct faculty in SURS. Currently, one month of service credit is granted to a member if they qualify as an employee for at least 15 or more days in a given calendar month during which earnings are received. With regard to defining years of service, the following service increments apply: within an academic year, 8 or more months of service constitutes a year of service; 6-8 months constitutes three-quarters of a year of service; 3-6 months as one-half a year of service; and less than 3 months as one-quarter of a year of service.

SB 1235 forms a new creditable service accrual schedule for active participants on or after January 1, 2024, in which one month of service is granted for any fraction of a month in which service is rendered and earnings received. In other words, the completion of one day of service or 31 days of service would constitute one month of service under this bill. The bill restates the existing schedule for what constitutes a full year of service (or fractions thereof), as previously enumerated.

In addition, SB 1235 amends the SURS Article of the Pension Code regarding part-time employment and its effect on service credit. Under current law, if an employee has worked part-time for more than 3 years, then the proportion of hours worked is reflected as creditable service for a retirement annuity. SB 1235 removes this requirement for active members on or after January 1, 2024. In essence, this change has the effect of allowing part-time members to accrue service credit in “real time” rather than having to wait three years as is required under statute. No additional service credit is being granted to part-time members via the elimination of the statutory part-time adjustment.

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