



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 1427

February 7, 2023

SPONSOR (S): Stoller

SYSTEM: SERS

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#### **FISCAL IMPACT**

**According to the State Employees Retirement System, SB 1427 is not expected to have any fiscal impact, as an employee who establishes service credit for a layoff period must pay to SERS the employee contribution, the employer's normal cost, and regular interest at 6.5% for the period of the layoff, compounded annually, from the date of service to the date of payment.**

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**SUBJECT MATTER:** SB 1427 amends the State Employees article of the Illinois Pension Code to allow a previously laid-off State employee to establish creditable service in SERS for the period of the layoff under certain criteria and with the payment of specified required contributions, as described below in the Comment section.

**COMMENT:** The proposed legislation allows a former employee in SERS to establish creditable service for a layoff period upon payment of specified required contributions with four conditions. First, the applicant must apply for creditable service. Secondly, the applicant must not have already received credit for that period under any other retirement system governed under the Pension Code. Thirdly, at the time of the layoff, the applicant was not under initial probationary status (based on Department of Central Management Service rules). Finally, the total amount of creditable service established by the applicant must be three years or less.

Under the provisions of SB 1427, an employee who establishes service credit for a layoff period must pay to SERS the employee contribution that would have been required during the layoff period, the employer's normal cost, plus "regular" interest at 6.5% for the period of the layoff, compounded annually, from the date of service to the date of payment (SERS has a statutory "regular" interest rate for service credit purchases that is different than the actuarial rate of 6.75%. The regular interest rate is set by administrative rule).

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