



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 1518

February 8, 2023

SPONSOR (S): Bryant

SYSTEM: SERS, General Provisions Article

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#### FISCAL IMPACT

According to the State Employees Retirement System (SERS), the prior service upgrade portion of SB 1518 would have minimal fiscal impact to the State as employer normal cost for the service credit being applied for by the participants is being paid by the member. However, moving this group to the alternative formula going forward would create approximately \$154 million in new liabilities and a recurring increase of \$6.5 million to the annual State contribution, according to SERS. Tier 2 security employees would accrue service credit under the alternative (state police) formula when the bill goes into effect.

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SUBJECT MATTER: SB 1518 amends the General Provisions and State Employees articles of the Illinois Pension Code to allow Tier 2 Human Services security employees to qualify for the alternative (state police) formula in SERS, and to convert up to eight years of prior regular service credit as a Human Services security employee into alternative formula service.

COMMENT: According to SERS, this legislation would affect approximately 700 active Human Services security employees. To upgrade up to 8 years of prior regular formula service in SERS, the employee is required to make a payment for the amount of the difference between the regular SERS employee contributions made and the employee contributions that would have been paid as a member of the alternative formula, for that period of service, plus interest at the “effective rate” of 6.5%, compounded annually, from the date of service to the date of payment. Human Services security employees would accrue future service credit under the alternative formula after the effective date of this legislation.

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