



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *104<sup>th</sup> General Assembly*

BILL NO: **HB 3193, as amended by HA 001**

April 11, 2025

SPONSOR: Yang Rohr

SYSTEM: State Universities Retirement System (SURS)

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#### FISCAL IMPACT

According to SURS, the underlying provisions of bill regarding calculation of final average salary are purely technical in nature and consistent with their current interpretation and administration of the law. The provision allowing an extended timeframe for beneficiaries to waive survivor benefits will have no fiscal impact.

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#### Impact of HA 001

HA 001 is a combination of the introduced versions of both HB 3193 and HB 3194.

#### SUBJECT MATTER:

HB 3193, as amended by HA 001, clarifies that SURS non-faculty annuitants have their pensions calculated using the higher of their monthly or annual salary. The bill also provides that survivors are notified of their right to waive benefits within six months of the system's eligibility notice, rather than six months from the member's death. Both provisions are initiatives of SURS that are intended to facilitate streamlined administration of benefits.

#### COMMENT:

##### Calculation of Final Average Salary (FAS) using Monthly or Annual Salary

P.A. 96-1490, The Tier 2 Act of 2011, effective 1/1/2011, allowed Tier 2 SURS participants two different means of calculating Final Average Salary (FAS), which is further explained in the chart below.

Type	Method of Calculation
Monthly	The total earnings of the employee during the 96 consecutive months in which the total earnings were the highest within the last 120 months
Annual	Average earnings during the 8 highest consecutive academic years of the last 10 academic years

Under current law, SURS Tier 2 participants who are paid hourly, or receive an annual salary in installments (non-faculty members) have their FAS determined by the monthly calculation. All other SURS Tier 2 participants instead have their FAS determined by the annual calculation. HB 3193, as amended by HA 001, amends the SURS article to calculate Tier 2 non-faculty members' FAS using either the yearly or monthly calculation, depending on which has the highest FAS. The system maintains that the bill is intended to ensure that SURS Tier 2 is administered consistently with the legislative intent of the 2011 Tier 2 Act and also consistent with the practices of other reciprocal systems governed under the Illinois Pension Code.

*Timeline for Waiving Survivor Benefits*

Currently, under the State Universities Article of the Illinois Pension Code, a survivor's insurance beneficiary or their personal representative may waive the right to survivorship benefits, but the waiver must be submitted within six months of the participant or annuitant's death. HB 3193, as amended by HA 001, requires the waiver to be submitted within six months of the system notifying the beneficiary of their eligibility for benefits, rather than from the date of death. This gives beneficiaries more time to make an informed decision, as some may waive the benefit for estate planning, tax reasons, or if the payment is minimal and not worth the administrative burden.

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