Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE
104th General Assembly

BILL NO: **SB 1937** February 25, 2025

SPONSOR (S): Martwick

SYSTEM: SERS

FISCAL IMPACT

SB 1937 provides that SERS shall provide an estimated Alternative Formula annuity payment no later than 30 days after the member's last day of employment or the date the member files for benefits, whichever is later. According to SERS, such alternative formula pension calculations are currently reviewed by 2 additional staffers to ensure accuracy. SB 1937 would double the number of calculations necessary to carry out the mandate of the bill. SERS maintains that this would increase the system's workload, which may result in additional overtime or cause a system-wide delay in the processing of claims.

SUBJECT MATTER: SB 1937 amends the SERS Article of the Illinois Pension Code. The bill provides for an estimated payment of Alternative Formula benefits to start no later than 30 days after the member's last day of employment or the date the member files for benefits, whichever is later. More detail is provided below in the Comment section.

COMMENT: SB 1937 amends the SERS Article of the Pension Code to add language to the provision regulating the Alternative Formula that creates an "estimated payment" of a retirement annuity to commence no later than 30 days after:

- the member's last day of employment, or;
- the date the member files for benefits, whichever is later.

The estimated payment shall be:

- the best estimate of SERS; and
- based on information that the System possesses at the time of the estimate.

In the event that a discrepancy exists between the “estimated payment” and the annuity a member is eligible to receive under statute, the System shall either pay or recover the difference within 6 months of the start of the affected annuity.

According to SERS, the Tier 1 Alternative Formula final average salary (FAS) calculation is a very complex exercise, without factoring in the various types of non-pensionable payments issued to employees during their final years of service. SERS asserts that there are often instances in which members have received non-pensionable compensation with the retirement contributions erroneously deducted by their payroll offices. The system maintains that substantial effort is required to sift through and rectify these errors before the proper annuity calculation can be made.

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