

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 2666**

February 24, 2009

SPONSOR (S): Colvin

SYSTEM(S): State Employees' Retirement System

FISCAL IMPACT: According to an analysis prepared by the Commission's actuary, adding additional members to the alternative formula in SERS increases the accrued liability of the System by an estimated \$63,910 per person and increases the retirement system's normal cost by an estimated \$4,622 per person. These estimates are based on an actuarial valuation of SERS using a sample employee's age of 44.9 years, a period of service of 14 years, and an annual salary of \$55,000. The actual number of employees at the Department of Juvenile Justice that would now be eligible for the alternative formula under this legislation is unknown.

SUBJECT MATTER: HB 2666 amends the State Employees' Article of the Illinois Pension Code. The bill adds certain employees of the Department of Juvenile Justice whose position is equivalent to a parole officer to the alternative formula.

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COMMENTS: Currently, the employees identified for the new benefit increase outlined in HB 2666 receive benefits based on the regular SERS formula, which provides an annuity of 1.67% of final average salary for each year of service credit for employees coordinated with Social Security. Members covered under this formula may retire at age 60 with at least 8 years of service credit, between ages 55-60 with 25-30 years of service credit, or whenever the member's age and years of service total 85. Members who are coordinated with Social Security contribute 4% of salary toward their pensions under the regular formula. HB 2666 would place employees identified for this new benefit increase under the SERS alternative formula, which provides an annuity of 2.50% of final salary per year of service credit for employees coordinated with Social Security. Members covered by the alternative formula and coordinated with Social Security contribute 8.5% of salary towards their pensions and may retire at age 50 with 25 years of service credit or at age 55 with 20 years of service credit.