

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 96TH GENERAL ASSEMBLY

BILL NO: **SB 1581**

February 24, 2009

SPONSOR (S): Demuzio

SYSTEM(S): State Employees' Retirement System

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**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 Central Management Services automotive shop supervisors is unknown.

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**SUBJECT MATTER:** SB 1581 amends the State Employees Article of the Illinois Pension Code. This bill seeks to provide the alternative formula to full-time Central Management Services automotive shop supervisors. Furthermore, this bill exempts Central Management Services automotive shop supervisors from the provisions dealing with new benefit increases.

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**COMMENT:** Currently, the SERS alternative formula applies to members in certain positions with 20 years of alternative service. This formula provides an annuity of 2.5% of final average salary for each year of service credit for employees coordinated with Social Security. Members covered by the alternative formula and who are coordinated with Social Security contribute 8.5% of their salary toward their pensions. Members covered by the alternative formula may retire at age 50 with 25 years of

service credit, or at age 55 with 20 years of service credit. SB 0205 would place full-time Central Management Services automotive shop supervisors under this formula.

Pursuant to Public Act 94-4, a new benefit increase must adequately identify and provide for the payment of additional funding that will be accrued from the resulting annual increase in cost to the System. SB 0205 states that the “new benefit increase” does not apply to these additional workers, therefore identification and provision of additional funding is not necessary.

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