

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 4658**

February 3, 2012

SPONSOR (S): Cavaletto

SYSTEM(S): SERS

FISCAL IMPACT: The fiscal impact of HB 4658 has not yet been calculated; however it would likely have a positive fiscal impact. It is unknown what percentage of total pension payout from SERS is based upon overtime wages earned during an employee's final average salary period.

SUBJECT MATTER: HB 4658 amends the State Employees' Article of the Illinois Pension Code to prohibit any overtime compensation earned after July 1, 2012 from being included in a participant's pensionable salary.

FISCAL IMPACT: The fiscal impact of HB 4658 has not yet been calculated; however it would likely have a positive fiscal impact. It is unknown what percentage of total pension payout from SERS is based upon overtime wages earned during an employee's final average salary period

COMMENT: P.A. 96-0889 (SB 1946) implemented a second tier of benefits for employees hired after January 1, 2011. Among the changes made by SB 1946 was a cap on pensionable salary of \$106.8 thousand, indexed for inflation. The Illinois Pension Code does not place a cap on pensionable salary for Tier 1 employees hired before Jan. 1, 2011. HB 4658 changes the definition of "compensation" so that overtime pay will not be included in a member's pensionable salary, beginning on July 1, 2012. The bill does not make an exception for members who are currently in their final average salary period (e.g., within 4 years of retirement).

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