

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 97TH GENERAL ASSEMBLY

BILL NO:           **HB 4996, as engrossed**

April 17, 2012

SPONSOR(S):       Biss (Steans)

SYSTEM(S):        State University Retirement System (SURS)

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**FISCAL IMPACT:** The fiscal impact of HB 4996, as engrossed, is indiscernible as it varies across scenarios. However there will be a positive impact if employers are in a situation where they must pay the stipulated contributions and any fines to SURS. Since they will not be used to calculate increased benefits, all funds will go directly to paying off current unfunded liabilities.

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**SUBJECT MATTER:** HB 4996, as engrossed, amends the SURS article of the Illinois Pension Code concerning annuitants who return to employment. Defines an “affected annuitant,” provides procedures for the employer to follow regarding the determination of “affected annuitant” and for making the employer contribution, and authorizes the System to audit employers. Makes technical changes and administrative corrections.

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**COMMENT:** HB 4996, as engrossed, makes a number of changes in the Illinois Pension Code for SURS. These changes apply to all annuitants returning to service after August 2012. First, HB 4996, as engrossed, defines an “affected annuitant” as anyone receiving a retirement annuity from SURS while being employed by an employer also under SURS in the previous academic year for a total of 18 or more paid weeks (which need not have been all with the same employer or in the same academic year) but not full-time, and receiving, or becoming entitled to receive, compensation in excess of 40% of his or her highest annual earnings prior to retirement, less any compensation provided by Federal, foundation, or trust funds. The employer must determine whether any annuitant is an affected annuitant and notify SURS accordingly within 60 days after hiring the annuitant with a notice and a contract of employment or equivalent. Additionally, the employer must also record all paid days, compensation, and the amount of compensation paid from Federal, foundation, and trust funds during the academic year. By employing an affected annuitant, the employer agrees to contribute to SURS an amount equal to 12 times the gross monthly retirement annuity that the affected annuitant received in the month of their first day of re-employment less any applicable deductions, and in the case of multiple employers, this amount shall be split proportional to the amount of compensation paid to the affected annuitant. Late payments are subject to interest charges and, ultimately, having the Comptroller divert funding

equal to the payment from the employer to pay SURS. Failure to adequately determine affected annuitant status by an employer is an offense fined at an amount equal to the above-stipulated employer contribution. If, at any time during employment, the affected annuitant attains full-time status, then the required employer contribution shall be waived or refunded as appropriate. All funds generated by HB 4996, as engrossed, will not go towards increasing the pension benefit of the affected annuitant. Finally, SURS acquires the power to audit employer and payroll records to ensure compliance.

MD:dkb

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