

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 3482**

March 5, 2014

SPONSOR(S): McCann

SYSTEM(S): State Employees' Retirement System (SERS)

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**FISCAL IMPACT:** SB 3482 reduces the cost of purchasing the optional service credit for the military member, which in turn increases SERS' unfunded liabilities. The degree to which this bill will increase SERS' liabilities is indiscernible as the utilization rate of this program is unknown.

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**SUBJECT MATTER:** SB 3482 amends the State Employee Article of the Illinois Pension Code by removing a provision relating to purchasing service credit for certain military service, deletes the requirement of paying an additional amount representing the employer's normal cost of the benefit plus interest. This bill goes on to clarify that this does not constitute a refund on previously paid contributions or interest.

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**COMMENT:** As of current law, there are two types of optional military service credit in SERS. A member may purchase up to 4 years of service credit if he or she was honorably discharged from active duty. Although it is possible to receive free service credit under more stringent criteria, SB 3482 only deals with purchasable military service credit. Purchasable service credit requires the member to provide employee and employer contributions plus interest for each year purchased.

SB 3482 would require the member to only pay employee contributions plus interest for each year of credit. Another provision clarifies that this does not constitute a refund of any sort for members purchasing optional military service credit prior to the effective date of this bill.

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