

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 4532, as Amended by HA 1** April 21, 2016

SPONSOR (S): Sente – Nekritz (Biss)

SYSTEM(S): Illinois Municipal Retirement Fund (IMRF), State Employees' Retirement System (SERS), State Universities Retirement System (SURS), and Judges' Retirement System (JRS)

FISCAL IMPACT: Overall, there would be no discernible fiscal impact associated with HB 4532, HA 1. According to all of the systems impacted by this bill, the changes contained herein are for clarification purposes in an attempt to reflect current practice and policies in each system's respective Article of the Pension Code.

SUBJECT MATTER: HB 4532, as amended by HA 1, amends IMRF, SERS, SURS, and JRS Articles of the Illinois Pension Code respectively. This bill makes various technical and administrative changes in the aforementioned systems as summarized in the Comment Section below.

COMMENT: HB 4532, as amended by HA 1, is being sought for clarification purposes according to IMRF, SERS, SURS, and JRS. Details of corresponding provisions for each System are summarized below.

- **IMRF:** Payments to establish service credits or to receive a separation benefit shall be received by IMRF for certain cases, while an employee is a active participant with one exception of one late payment after termination. However, an application for a separation benefit must be submitted during a period of active employment.
- **SERS:** Occupational disability, temporary disability, and non-occupational benefits from SERS shall be paid retroactive to the date that an SERS participant becomes eligible for the benefit. The application deadline for occupational and temporary disability benefits can be waived by the Board of SERS. SERS notes that, sometimes, several members haven't been informed to submit applications for disability benefits and have failed to do so in a timely manner due to a common lack of understanding on the procedures and policies of the disability

- benefits. These changes would be expected to allow such members to receive the applicable disability benefits when they retain disability criteria.
- SURS: SURS must inform a participant in the Self-Managed Plan (SMP) to direct the investment of employee and employer contributions into one or more investment options offered by SURS at his or her initial retirement selection time. If a participant fails to do so, a participant's employee and employer contributions are required to invest in a default investment fund that shall be deemed to have been made by a participant. A participant has the right to transfer his or her account balances out of a default investment fund during time period designated by SURS.
 - JRS: The Tier 2 annual salary cap would apply to the rate of salary to determine a temporary total disability benefit for a Tier 2 member of JRS, and the survivor's annuities shall be calculated based on the total calculation of the annuity and be divided pro rata if 2 or more persons are eligible to receive survivor's annuities based on the same Tier 2 deceased participant. JRS notes that this bill is for clarification purposes to address the legislature's initial intent that the total payments of survivor benefits should be equal to 66.7% of earned annuity by a deceased member and divide the total payments among all survivors, rather than providing 66.7% of the earned annuity for each survivor.

JB:dkb

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