COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 1723, as engrossed** May 3, 2007

SPONSOR (S): Miller – Froehlich, et al. (Viverito - DeLeo)

SYSTEM(S): State Employees' Retirement System

FISCAL IMPACT: According to SERS, adding additional members to the alternative formula increases the accrued liability of the system by $75,000 to $105,000 per person, depending on the amount of each individual's past service. There are currently 12 sign hangers and 40 automobile mechanics affected by this bill, resulting in a total increase of $3.9 million to $5.2 million in SERS total liabilities.

SUBJECT MATTER: HB 1723, as engrossed, amends the State Employees Article of the Illinois Pension Code to provide the alternative retirement formula to automotive mechanics employed by the Illinois State Toll Highway Authority who are assigned to retrieve or repair State vehicles on State roadways, and sign hangers employed by the Department of Transportation. The bill, as engrossed, does not entitle any person to recalculation of any pension benefit already granted.

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COMMENTS: The employees identified for the new benefit increase outlined in HB 1723, as engrossed, receive benefits based on the regular SERS formula, which provides an annuity of 1.67% of final average salary for each year of service credit for employees coordinated with Social Security. Members covered under this formula may retire at age 60 with at least 8 years of service credit, between ages 55-60 with 25-30 years of service credit, or whenever the member's age and years of service total 85. Regular formula members who are coordinated with Social Security contribute 4% of salary toward their pensions.

HB 1723, as engrossed, would place employees identified for this new benefit increase under the SERS alternative formula, which provides an annuity of 2.50% of final average salary for each year of service credit. Members covered by the alternative formula and coordinated with

Social Security contribute 8.5% of salary towards their pensions and may retire at age 50 with 25 years of service credit or at age 55 with 20 years of service credit. The increased contribution rate covers future costs, but does not offset the increased liabilities that result from granting employees the higher formula for their past service credit.

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