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- State Employees' Retirement System of Illinois
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Senate Bill 1673, as amended by House Amendment 10

For all SERS members, SB 1673 proposes to reduce and delay the automatic annual increases, gradually increase employee contribution rates by 2%, and “cap” the amount of compensation that can be used in the calculation of the final average salary. The bill also provides funding language that makes it more difficult for the State to eliminate or reduce the annual required contribution.

Frequently Asked Questions

Who is affected by the proposed changes?

All active employees, retirees and inactive members of SERS with a membership date prior to January 1, 2011 (Tier 1 members). Current Tier 2 members of SERS would not be affected.

What are the proposed changes?

Automatic Annual Increases Limits

The bill eliminates all 3% automatic annual increases until January 1, 2020. At January 1, 2020 and thereafter, automatic annual increase will be granted on the January 1st following the attainment of age 67. Current retirees would retain automatic annual increases already received, but would not receive additional increases until reaching the new eligibility requirements.

The automatic annual increase would remain 3%, but would only be applied to the first \$20,000 of pension for coordinated retirees and the first \$25,000 of pension for non-coordinated retirees.

Salary Limitations

For both contributions and pensionable earnings, SB 1673 caps pensionable earnings at the greater of the Social Security wage base or the compensation of the member during the 365 days immediately preceding the effective date. This limitation does not apply to earnings that are determined under an employment contract or collective bargaining agreement in effect on the effective date and has not been amended or renewed after that date.

Employee Contribution Increase

The bill requires all active employees to contribute an additional 1% of salary in FY 2014 and an additional 2% of salary in FY 2015 and thereafter.

When would the proposed changes take effect?

SB 1673 provides the proposed changes would take effect upon becoming law.

Does the proposal address the financial condition of SERS?

The current statutory funding plan provides for employer contributions to SERS in an annual amount that will provide for a 90% funded ratio by FY 2045. SB 1673 provides for increasing the annual employer contributions to SERS so the funded ratio will reach 100% by the end of FY 2043 and provides certain judicial legal remedies if the State fails to make the required employer contributions to SERS.