

## Bill Hanney

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**From:** Bill Hanney  
**Sent:** Tuesday, January 04, 2011 10:44 AM  
**To:** Vickie Haas  
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**Attachments:** image001.jpg



### **Tier 2 Legislation**

On April 14, 2010, Governor Patrick Quinn signed Senate Bill 1946 into law (P.A. 96-0889) creating a second tier of benefits and retirement rules for new employees covered by SERS. An employee under SERS or any other Illinois public retirement system participating in the Retirement Systems Reciprocal Act, prior to January 1, 2011, is considered a Tier 1 member. A person who has *never* been an employee under SERS, or any other Illinois public retirement system participating in the Retirement Systems Reciprocal Act, after December 31, 2010, is considered to be a Tier 2 member.

This legislation had the following impact on retirement issues related to processing agency payrolls:

- Added retirement codes to identify Tier 1 and Tier 2 members of the retirement system.
  1. Limited Tier 2 employees covered under the alternative formula to Department of Corrections Security Employees (including the Illinois Department of Juvenile Justice), State Policemen, and Firefighters.
- Established Tier 2 retirement eligibility for employees that are at least 67 years old with 10 or more years of service.

- Placed a limitation on the calculation of retirement benefits by setting a limitation on the final average salary to \$106,800 (with a provision for annual adjustments).

On December 30, 2010, Governor Patrick Quinn signed Senate Bill 550, passed during the fall veto session into law, (P.A. 96-1490), clarifying the administration of the previous pension reform legislation. This trailer bill had the following impact on retirement issues related to processing agency payrolls:

- Placed the \$106,800 annual limitation on salary subject to retirement contributions. This annual limitation includes a provision for an annual adjustment to be certified and reported by the Department of Insurance.
- Removed the qualifying period for all current and future state employees as of December 1, 2010.
- Clarified that Tier determination is based on **membership** (not employment) with SERS or one of the reciprocal retirement systems (special rules may apply to Judges' and General Assembly Retirement Systems members).

Please review the [January 2011 Payroll Bulletin](#) posted on the SERS website for specific payroll coding.

As a result of this legislation becoming law, SERS realizes there will be coding issues with December 2010 payrolls. We will continue to submit Form 1000s to agencies for payroll corrections and bill/refund members for the elimination of the qualifying period (effective 12-01-2010) and other payroll matters. Your cooperation in making corrections to the payroll retirement deductions in an expedient manner is appreciated.

If you have any questions regarding the information contained within the payroll bulletin, call the Accounting Division at 217-785-7202 or 217-785-7191.