

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 1291, as amended by Senate Amendment 1** April 28, 2009

SPONSOR (S): Saviano – Lyons, et al. (DeLeo)

SYSTEM(S): Downstate Police Pension Funds, Chicago Police Pension Fund,
Chicago Fire Pension Fund, Illinois Municipal Retirement Fund,
Chicago Municipal Employees' Pension Fund, Cook County
Employees' Pension Fund, Metropolitan Water Reclamation
District Pension Fund, State Universities Retirement Fund

FISCAL IMPACT: Although the exact fiscal impact of HB 1291, as amended by Senate Amendment 1, cannot be calculated, the commission's actuary reports that requiring the employee to pay employee contributions, the employer's normal cost, plus the actuarially assumed interest rate will usually result in little or no cost to the pension fund when establishing optional service credit. However, this bill does not specify the actuarially assumed interest rate will be used in the calculations for all of the affected pension funds, thereby resulting in somewhat higher unfunded costs for them.

SUBJECT MATTER: HB 1291, as amended by Senate Amendment 1, amends the Downstate Police, Chicago Police, Chicago Firemen, Illinois Municipal Retirement, Chicago Municipal Employees, Cook County Employees, Metropolitan Water Reclamation District and State Universities Retirement System articles of the Illinois Pension Code. The bill allows employees to purchase a maximum of 24 months of service credit attributed to service in the armed forces of the United States that was served prior to membership in the aforementioned retirement systems.

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COMMENT: Under current law, employees in the various pension funds affected by HB 1291, as amended by Senate Amendment 1, cannot establish optional service credit for time spent in the military prior to beginning employment. In order to establish the optional military service credit set forth in this bill, the employee must pay to the appropriate pension fund an amount equal to a) the employee contributions that would have been required had the service been rendered as a member, b) an amount determined by the board to be equal to the employer's normal cost of the benefits accrued for that military service, plus c) interest at the effective rate.

GS:dkb

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