

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 2358**

February 16, 2010

SPONSOR(S): Dillard

SYSTEM(S): Downstate Police

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**FISCAL IMPACT:** The fiscal impact of SB 2358 cannot be determined as the number of police officers who may wish to purchase optional service credit for up to 2 years of military service before employment is unknown. The reduced interest rate payment (2.5% per year) required from police officers who purchase the service within six months of the Amendatory Act will have a negative impact on police pension funds.

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**SUBJECT MATTER:** SB 2358 amends the Downstate Police Article of the Illinois Pension Code to allow the purchase of optional service credit for military service of up to 2 years.

**FISCAL IMPACT:** The fiscal impact of SB 2358 cannot be determined as the number of police officers who may wish to purchase optional service credit for up to 2 years of military service before employment is unknown. The reduced interest rate payment (2.5% per year) required from police officers who purchase the service within six months of the Amendatory Act will have a negative impact on police pension funds.

**COMMENT:** SB 2358 provides that creditable service may be granted for up to 24 months of service in the armed forces of the United States that was not immediately preceded by employment as a police officer. In order to receive military service credit, a police officer must first apply to the Fund in writing and provide evidence of the military service and then also make contributions to the Fund equal to (1) the employee contributions that would have been required had the officer been contributing as a member, plus (2) an amount determined by the Board to be equal to the employer's normal cost of the benefits accrued for that military service, plus (3) interest from the date of first membership in the Fund to the date of payment. SB 2358 allows the required interest to be at the rate of 2.5% per year, compounded annually, if payment is made during the 6-month period that begins 3 months after the effective date of this amendatory Act; otherwise, the required interest will be calculated at the rate of 6% per year, compounded annually.

SB 2358 amends the State Mandates Act to require implementation without reimbursement.

MDM:bj  
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