COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 4691** February 24, 2014

SPONSOR(S): Phelps

SYSTEM(S): Illinois Municipal Retirement Fund (IMRF), Downstate Police

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FISCAL IMPACT: HB 4691 will improve the initial asset level of downstate police funds established after its passage, either caused by the next Census or by local referendum. With no effect on liabilities, the funded ratio of these funds will be higher than young funds established under current law. With a higher starting point, the municipality does not have to make as large of contributions to raise the new police fund's funded ratio over the remaining years of the funding ramp under P.A. 96-1495.

SUBJECT MATTER: HB 4691 provides for the transfer of funds between IMRF and a newly-formed downstate Police pension fund in the event a police officer had to participate in IMRF prior to the creation of a fund in the municipality he/she serves.

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COMMENT:

Current Law Transfers from IMRF to Article 3

- Occurs when a municipality must create a downstate Police pension fund.
    - Police officers who participate in IMRF before the new local fund established may transfer credit and contributions with some stipulations.
        - Credit only for full-time work at the municipality in which the work was performed:
        - Only face-value employee contributions are subject to transfer.
            - No interest nor employer contributions may carry over in the transfer from IMRF to an Article 3 fund.
    - Since IMRF retains excess assets in the name of the municipality, these excess funds improve the funded ratio of the employer's IMRF account.

This unfunded liability decrease may then lead to a reduction in employer contributions to IMRF.

HB 4691 Proposal

- Within 30 days of the new fund's establishment, IMRF will terminate an officer's participation in IMRF after transferring the following:
  - The face value of their employee contributions
    - Along with 6% interest per year, compounded annually.
  - An amount representing the employer contribution equal to the present value (face value and 6% interest) of employee contributions
    - Along with an additional 6% interest per year, compounded annually.

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