

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 95TH GENERAL ASSEMBLY

BILL NO:           **HB 4603, as engrossed**

May 13, 2008

SPONSOR (S):    Beiser – (Haine)

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

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**FISCAL IMPACT:** The fiscal impact of HB 4603, as engrossed, cannot be determined as the number of members who will seek to enhance their service credit is unknown. The impact to IMRF should be minimal as the bill requires the member to pay any difference between the amount being transferred from Downstate Police pension funds to IMRF and the amount that would have been required had the member earned that service under IMRF.

The impact to Downstate Police Retirement Funds should be minimal as the bill requires the member to pay any difference between the amount being transferred from IMRF to Article 3 and the amount would have been required had the member earned the service under the Downstate Police Retirement Systems.

According to IMRF 468 applicants applied to transfer credit in 2005 and 385 of those actually made the transfer. All of the members transferring service from IMRF to an Article 3 fund would have had their service credit reduced and most (but not all) of those transferring into IMRF from an Article 3 fund were reduced.

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**SUBJECT MATTER:** HB 4603, as engrossed, amends the Downstate Police and Illinois Municipal Retirement Articles of the Police Pension Code. This bill provides that, until January 1, 2010, a police officer who transferred service from the Illinois Municipal Retirement Fund or a member of IMRF who transferred service from a pension fund under the Downstate Police Article of the Code under P.A. 94-356 may establish additional credit, but only in an amount equal to any reduction in credit transferred from one fund to another.

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pay any difference between the amount being transferred from Downstate Police pension funds to IMRF and the amount that would have been required had the member earned that service under IMRF.

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According to IMRF 468 applicants applied to transfer credit in 2005 and 385 of those actually made the transfer. All of the members transferring service from IMRF to an Article 3 fund would have had their service credit reduced and most (but not all) of those transferring into IMRF from an Article 3 fund were reduced.

COMMENT:

*Transfer of Service Credit to IMRF from Article 3 (Downstate Police)*

HB 4603, as engrossed, provides that until January 1, 2010, members who transferred service from an Article 3 system under the provisions of P.A. 94-356 may establish additional credit in IMRF, but only up to the amount of the service credit reduction in that transfer, as calculated under the actuarial assumptions. This credit may be established upon payment by the member of an amount to be determined by the board, equal to (1) the amount that would have been contributed as employee and employer contributions had all the service been as an employee under IMRF, plus interest thereon compounded annually from the date of service to the date of transfer, less (2) the total amount transferred from the Article 3 system, plus (3) interest on the difference at the effective rate for each year, compounded annually, from the date of the transfer to the date of payment.

*Transfer of Service Credit to Article 3 (Downstate Police) from IMRF*

HB 4603, as engrossed, provides that until January 1, 2010, a member of a Downstate Police retirement fund who transferred service from IMRF under the provisions of P.A. 94-356 may establish additional credit but only for the amount of service credit reduction in that transfer. This credit may be established upon payment by the police officer of an amount to be determined by the board, equal to: (1) the amount that would have been contributed as employee and employer contributions had all of the service been rendered as an employee of a Downstate Police Fund, plus interest calculated at 6% per year, compounded annually from the date of service to the date of the transfer, less (2) the total amount transferred from the IMRF fund, plus (3) interest on the difference at the rate of 6% per year, compounded annually, from the date of transfer to the date of payment.

HB 4603, as engrossed, amends the State Mandates Act to require implementation without reimbursement.

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