

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 95TH GENERAL ASSEMBLY

BILL NO: SB 0610, as amended by SA 001

March 6, 2007

SPONSOR (S): Wilhelmi

SYSTEM(S): Illinois Municipal Retirement Fund

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**FISCAL IMPACT:** The fiscal impact of SB 0610, as amended, cannot be calculated as the number of municipalities that will file a resolution or ordinance with the Illinois Municipal Retirement Fund to increase the regular retirement formula is not known.

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**SUBJECT MATTER:** SB 0610, as amended by SA 001, amends the Illinois Municipal Retirement Fund Article of the Illinois Pension Code to provide that a participating municipality may elect to increase the regular retirement formula for its employees.

**FISCAL IMPACT:** The fiscal impact of SB 0610, as amended, cannot be calculated as the number of municipalities that will file a resolution or ordinance with the Illinois Municipal Retirement Fund to increase the regular retirement formula is not known.

**COMMENTS:** The Illinois Municipal Retirement Fund Article of the Illinois Pension Code does not permit participating municipalities to increase the regular retirement formula for its employees. Existing IMRF regular employees pay a 4.5% employee contribution and receive a pension amount equal to: (1) 1.67% of the employee's final rate of earnings for each employment year from 1 through 15, plus (2) 2.0% of the employee's final rate of earnings for each employment year in excess of 15, up to a maximum annuity of 75% of the final rate of earnings. Regular formula employees are eligible for full benefits at age 60 with 8 or more years of service. These employees also may retire with full benefits at age 55 with 35 years of service.

SB 0610, as amended by SA 001, amends this Article to allow municipalities to file a resolution or ordinance which increases the regular formula to 2.25% of the final rate of earnings for the first 15 years of service and 2.5% of the final rate of earnings for each additional year of service, up to a maximum annuity of 75% of the final rate of earnings. In addition, the employee contribution is increased to 4.5% of earnings plus any additional amount the Board of the Fund deems necessary to support the increased benefit level. Increased formula employees remain eligible for full benefits at age 60 with 8 or more years of service, or at age 55 with 35 years of service.

SB 0610, as amended, also permits employees of municipalities choosing implementation of the increased regular retirement formula to convert all prior years of creditable service into service under the increased formula. Any such conversion requires the employee make the additional required contributions, plus interest thereon at the prescribed rate from the date of service to the date of payment. There is no limit on the number of years which may be converted.

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