

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 809, as amended by SA #1** March 26, 2007

SPONSOR (S): Koehler – Jones, Emil

SYSTEM(S): Illinois Municipal Retirement Fund

FISCAL IMPACT: The fiscal impact of SB 809, as amended by SA #1, cannot be calculated as it is unknown how many ERI participants would return to work for an IMRF employer. The costs are expected to be relatively minor.

SUBJECT MATTER: SB 809, as amended by SA #1, amends the Illinois Municipal Retirement Fund Article of the Pension Code. The bill provides that the prohibition on returning to service after accepting early retirement benefits applies only to (1) employment for which the person is required to participate in the Fund and (2) contractual personal services, which, if performed as an employee, would require the employee to participate in the Fund.

FISCAL IMPACT: The fiscal impact of SB 809, as amended by SA #1, cannot be calculated as it is unknown how many ERI participants would return to work for an IMRF employer. The costs are expected to be relatively minor.

COMMENTS:

Removal of Prohibition on ERI Participant Return-to-Work

Currently, the Illinois Municipal Retirement Article of the Pension Code affords municipalities and participating instrumentalities the right to offer an early retirement incentive to eligible employees. In order to be eligible for the early retirement incentive, an employee must have reached 50 years of age and have at least 20 years of creditable service by his or her retirement date. For all creditable service established under an ERI, the member must pay to the Fund an employee contribution of 4.5% of the member's highest annual salary rate used in the determination of the final rate of earnings for each year of creditable service established. Eligible employees may establish up to 5 years of service credit and age enhancement under an ERI.

Under current law, a person who retires under an early retirement incentive program forfeits the service credit established under the ERI if he or she later accepts employment with an IMRF employer or enters into a personal services contract with an IMRF employer. SB 809, as amended by SA #1, amends the IMRF Article of the Pension Code to specify that this prohibition applies only to employment for which the person is required (or is allowed and has elected) to participate in IMRF, and contractual employment that, if performed as an employee, would require the employee to participate in the fund.

Removal of ERI Return-to-Work Exemption for Elected Officials

Prior to the enactment of P.A. 94-0456, which became effective on August 4th, 2005, the prohibition on ERI participants returning to work for an IMRF employer applied to service in an elected office, even if the annuitant chose not to participate in IMRF with respect to service in that elected office. The Act thus created an exemption for elected officials who do not participate in IMRF with respect to service in the elected office. SB 0809, as amended by SA #1, would repeal this exemption.

SB 809, as amended by SA #1, amends the State Mandates Act to require implementation without reimbursement.

BB:dkb

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