

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: SB 2520, as amended by HA #001 & HA #003 May 30, 2008

SPONSOR (S): Raoul (Molaro – Joyce)

SYSTEM(S): Chicago Police, SERS, Downstate Police Funds, Chicago Municipal, Chicago Laborers, Cook County, Cook County Forest Preserve, IMRF

FISCAL IMPACT: The provisions allowing Chicago police officers to establish optional service credit requires that employee contributions be made so that the unfunded liability of the pension fund is not adversely impacted. Therefore, the fiscal impact of this provision should be minimal.

SERS employees who convert optional military service credit from the regular formula to the alternative formula must make contributions to the fund equal to additional employee contributions, employer contributions, plus the actuarially assumed rate of interest. Therefore, the cost to SERS should be minimal.

The service credit transfer provisions between IMRF and Downstate Police pension funds should have a minimal fiscal impact to both IMRF and Downstate Police pension funds as the bill requires employees transferring service between funds to pay make up any difference in employee and employer contributions that would have been made had the member earned service in the original fund, plus interest at the actuarially assumed rate of return.

SUBJECT MATTER: SB 2520, as amended by HA #001 and HA #003, makes changes to various articles of the Illinois Pension Code as outlined in the Comments Section below:

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COMMENTS:

Eligibility Requirements for Disability Annuities for Certain Downstate Firefighters

Currently, a firefighter must have at least 7 years of creditable service with his or her employer in order to qualify for a non-duty related disability pension. SB 2520, as amended, eliminates this requirement in the event that the firefighter begins employment with a new employer as a result of an intergovernmental agreement that resulted in the elimination of the previous employer's fire department. The bill requires a firefighter to have 7 years of total combined creditable service time to qualify for a disability pension. The disability pension shall be paid by the previous employer and new employer in proportion to the firefighter's years of service with each employer.

Teunure of Office for Certain Chicago Police Pension Trustees

Currently, the board of trustees of the Chicago Police pension fund is composed as 8 members, of whom 4 are mayoral appointees, 3 of whom must be Chicago policemen with the following rank: one trustee shall be a lieutenant or higher, one trustee shall be at the rank of investigator or lower, and one trustee shall be a sergeant. The mayor must also appoint one annuitant. All trustees serve three-year terms. SB 2520, as amended, stipulates that for the 2008 election only, the trustee representing lieutenants and superior ranks and the sergeant trustee shall be for 3 years, and the investigator trustee shall serve a 4-year term. The bill states that after the terms of the 2008 election are completed, all members will serve 3-year terms.

Optional Chicago Police Service Credit

SB 2520, as amended, allows Chicago Police officers to establish service credit for service rendered in a law enforcement capacity while a member of the following Illinois public pension funds: Downstate Police pension funds, IMRF, Cook County Pension Fund, Cook County Forest Preserve Pension Fund, MWRD pension fund, SERS, Chicago Transit Authority pension fund, SURS, or while an employee of the Chicago Housing Authority. The bill stipulates that officers may establish up to 10 years of additional service in such capacity if certain conditions are met, namely that service credit is not available for that employment under any other provision of the Pension Code. The bill, as amended, stipulates that the policeman's required payment to establish this optional credit should result in no significant increase to the pension fund's unfunded liability.

Clarification of Disability Statutes for Chicago Municipal & Laborers Pension Funds

Currently, any member of the Chicago Municipal or Chicago Laborers' Pension Fund who becomes disabled as a result of an injury incurred in the performance of any act of duty has a right to receive a duty disability benefit in the amount of 75% of his or her salary at the date of the injury. If a member suffers a non-work related disability, he or she is entitled to an ordinary disability benefit equal to 50% of salary as of the last day worked. SB 2520, as amended, provides that any amounts awarded to the employee or surviving spouse as temporary total disability payments, permanent disability payments, a lump sum settlement award, or other payment under the Workers' Compensation Act or Worker's Occupational Diseases Act shall be applied as an offset to the disability benefit paid by the fund. The bill also stipulates that if such award amounts are not known, then the disability benefit shall be offset by 66 2/3% of the employee's salary as of the date of disability. Furthermore, the bill provides that if an employee who has been disabled and has received ordinary disability from the fund and also payments under the Workers' Compensation Act or the Worker's Occupational Diseases Act, then the ordinary disability benefits must be repaid to the fund before any other benefit can be granted.

Felony Forfeiture Provision for Cook County Forest Preserve Pension Fund

SB 2520, as amended, adds a felony forfeiture provision to the Cook County Forest Preserve Article of the Illinois Pension Code. The bill states that no benefit shall be paid to any person who is convicted of any felony relating to or arising out of or in connection with his service as an employee of the Cook County Forest Preserve.

Upgrade of SERS Military Service from Regular Formula to Alternative Formula

SB 2520, as amended, allows members of SERS who are working in a position covered under the Alternative Formula to convert up to 5 years of military service credit purchased in a non-Alternative Formula position by paying to SERS an amount equal to: 1) the additional employee contribution that would have been required; 2) the additional employer contribution that would have been required, and 3) interest on the foregoing items at the actuarially assumed rate (8.5%, compounded annually) from the date of service to the date of payment.

Transfer of Service Credit from Downstate Police Funds to IMRF

P.A. 95-0530 allowed members of IMRF who had less than 8 years of service credit to transfer all of their service credit in a Downstate Police Fund to IMRF until January 1, 2008 (P.A. 94-0356 had also allowed a limited "window" for such transfers). SB 2520, as amended, allows any active member of IMRF to transfer up to 8 years of service credit in a Downstate Police fund to IMRF. The member must apply for the transfer of service credit by January 1, 2009. The bill, as amended, requires persons seeking to reinstate service in a Downstate Police fund that was terminated by receipt of a refund to pay the actuarially assumed rate of return in order to reinstate service credit. (It should be noted that the actuarially assumed rate of return for Downstate Police funds varies by fund).

Transfer of Service Credit from IMRF to Downstate Police Funds

SB 2520, as amended, allows members of Downstate Police pension funds to transfer up to 8 years of service credit accumulated in IMRF to a Downstate Police pension

fund until January 1, 2009. The bill, as amended, provides that service credit will be transferred to a Downstate Police fund upon payment by the member to the Downstate Police fund of an amount equal to the difference between the amounts transferred from IMRF and the amounts that would have been contributed to the Downstate Police fund had the member been making contributions at the applicable rates at the time the service was earned. Members of Downstate Police funds seeking to transfer service credit must also pay interest on the aforementioned amount at the actuarially assumed rate of return from the date of service to the date of payment.

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