

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **SB 3487**

March 13, 2018

SPONSOR (S): Althoff

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

FISCAL IMPACT: There are 356 active Downstate Police pension funds that could be consolidated into a single Downstate Police Pension Fund under SB 3487. Currently, there is no actuarial analysis for SB 3487 available. It is difficult to discern the extent of a fiscal impact of SB 3487, without an actuarial study. An updated impact note will be submitted, when a proper analysis is available.

SUBJECT MATTER: SB 3487 amends the Downstate Police and IMRF Articles of the Illinois Pension Code, most notably by consolidating individual Downstate Police pension funds into the aggregated Downstate Police Pension Fund.

COMMENT: SB 3487 proposes the following changes to Illinois Pension Code:

Individual Police Pension Fund Consolidation

On January 1, 2020, all of the individual Downstate Police pension funds will be consolidated into a single pension fund, known as the Downstate Police Officers Pension Fund. By the direction of the Transition Board, any city, village or incorporated town with 5,000 or more, but less than 500,000 inhabitants shall participate in the Downstate Police Officers Pension Fund for pension benefits of police officers. All police pension funds under Article 3 of the Pension Code and the municipalities that established the funds shall cooperate with the Transition Board. All assets and liabilities belonging to the individual police pension funds will become assets and liabilities of the Downstate Police Officers Pension Fund. This consolidation shall not diminish or impair the benefits of any current or former police officer.

Upon consolidation, creditable service acquired while participating in a Downstate Police pension prior to January 1st, 2020, shall be deemed to be creditable service under the consolidated pension funds, subject to the following:

- Service credit cannot be counted more than once.

- Any creditable service established prior to the consolidation for an activity that would no longer be allowed, shall be preserved under the consolidated Downstate Police Pension Fund, but no additional creditable service shall be established for that activity.
- The consolidation shall not entitle any person or pension fund to a refund of any contribution or payments previously paid in order to establish creditable service

Members who have acquired creditable service under more than one participating municipality shall have those service credits calculated as though they were from a single fund. However, the Board shall consider those municipalities and pension funds separately in determining how benefits will be chargeable to the appropriate municipal accounts and reserves.

Transition Board

This bill proposes the creation of the Downstate Police Pension Fund Transition Board. Each transition board shall consist of 11 members who are in charge of planning, overseeing, and administering the consolidation of all existing downstate police funds into IMRF. The 11 members shall be as follows:

- The Director of the Illinois Department of Insurance, or his or her designee;
- Two persons with experience in managing an Illinois public employee pension fund, appointed by the Governor;
- One person with experience in providing actuarial services to an Illinois public employee pension fund, appointed by the Governor;
- One person with experience auditing Illinois public pension funds, appointed by the Attorney General;
- Two members of the labor organization representing the largest number of participating police officers, appointed by the Governor:
 - One member must be an active participant: and
 - One member must be a retired participant.
- Two persons who are mayors or chief elected officers of municipalities that maintain a Downstate Police pension fund, appointed by the Governor;
- One person familiar with the operation and administration of IMRF, appointed by the Executive Director of IMRF;
- One person familiar with the investment authority and practices of the Illinois State Board of Investment, appointed by the Executive Director of the Illinois State Board of Investment.

The DOI shall provide all reasonably necessary temporary office space, technical and clerical support, and monetary or other assistance at the request of the Transition Board. In preparation for the consolidation into IMRF, the Transition Board is authorized to expend the assets of IMRF for any of the reasonable expenses resulting from this consolidation. All members of the Transition Board will be compensated for their service. After 60 days of accomplishment of the consolidation of the individual funds into IMRF, the Transition Board would be abolished.

Tier 1 Member Contribution

Current law provides that Tier 1 members of Downstate Police pension funds must contribute 9.91% of salary. SB 3487 proposes that beginning on January 1st, 2020, each Tier 1 participant shall instead contribute 35% of his or her salary.

Tier 2 Election

A Tier 1 member of a Downstate Police pension fund may elect to irrevocably become a Tier 2 member with respect to future service. All previous service shall still qualify as Tier 1.

The Role of IMRF

IMRF's Pension Board shall assist in the consolidation of the Downstate Police pension funds to the consolidated Downstate Police Officers Pension Fund and shall provide assistance to the Transition Boards.

JL:bj

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