COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: SB 1826 March 1, 2019

SPONSOR (S): McConchie

SYSTEM(S): Illinois Municipal Retirement Fund (IMRF)

FISCAL IMPACT: SB 1826 allows municipalities and participating instrumentalities to establish an alternative retirement plan under IMRF, as described below. The number of employers who wish to create a new retirement plan and the number of eligible new employees are unknown, and thus the precise fiscal impact of this legislation cannot be determined. The details of the alternative retirement plans would need to be known before the fiscal impact could be determined. A comprehensive study by IMRF's actuary would need to be undertaken to evaluate any costs or savings to a municipality vis-à-vis the current defined benefit plans offered by IMRF.

<u>SUBJECT MATTER</u>: SB 1826 amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. This proposed legislation authorizes employers participating in IMRF to create an alternative retirement plan to replace or supplement IMRF's already existing retirement plans.

<u>COMMENT</u>: Currently, there are 3 Defined Benefit (DB) retirement plans under IMRF: the regular formula plan, the Elected County Officers (ECO) plan, and the Sheriff's Law Enforcement Personnel Plan (SLEP). (Please note that the ECO plan has been closed to new participants since August 8, 2011, pursuant to P.A. 97-0272.) Although retirement eligibility or formula rates of the respective plans may be different from one another, all 3 plans provide survivor and disability benefits and are subject to the Illinois Retirement Systems Reciprocal Act.

Under SB 1826, the governing body of a municipality or instrumentality may create an alternative retirement plan under IMRF for <u>its eligible new employees</u>, and this alternative retirement plan would have different characteristics compared to the existing plans, as follows:

- 1. The new plan need not be a DB plan;
 The new plan can be a DB plan, Defined Contribution (DC) plan or a plan with the combination of both.
- 2. No requirements for disability or survivor benefits; and

It may, but is not required to, include disability or survivor benefits and any other benefits that are permitted under federal law. As long as mandatory Social Security coverage is provided, if applicable, the plan is not required to provide any minimum level of benefits.

3. Not covered by the Illinois Retirement Systems Reciprocal Act.

The alternative retirement plan may not be subject to the Illinois Retirement Systems Reciprocal Act. It means service established under the new alternative plan may not be transferred to any other retirement system or used to meet age and service requirements under another article of the Illinois Pension code via the Illinois Retirement Systems Reciprocal Act.

SB 1826 stipulates that in no event shall participating employers diminish or impair the benefits of participants of the existing plans when creating the new alternative retirement plan.

JB:bj LRB101 11002 RPS 56194 b