COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 3687** February 18, 2020

SPONSOR (S): DeWitte

SYSTEM(S): Downstate Police

FISCAL IMPACT: SB 3687 amends the Downstate Police article of the Pension Code. The bill allows for multi-fund reciprocal pensions. Current law states that a Downstate police officer must work 20 years in one pension fund to vest for a pension. Downstate police service credit is not reciprocal amongst the various funds, meaning if an officer has worked in a particular department for less than 20 years and accrued service in that pension fund, then a pension would not be payable from that fund. The Retirement Systems Reciprocal Act addresses this issue of multi-fund reciprocity amongst the majority of pension funds regulated under the Pension Code, however the Chicago and Downstate police and fire pension funds are not included in the Reciprocal Act.

The fiscal impact of SB 3687 is not known, however proportionate retirement and occupational disease pensions would be payable from Article 3 pension funds that are not currently obligated to pay anything other than a refund of contributions for an officer who has not worked the requisite 20 years to vest for a pension. An actuarial cost study would be required to examine the potential impact of this change.

SUBJECT MATTER: SB 3687 amends the Downstate Police article of the Pension Code. The bill sets up a mechanism for the payment of multi-fund reciprocal pensions in cases where a police officer has worked less than the requisite 20 year vesting period. The bill also provides for a means by which an officer can repay a refund to a previous pension fund in which he or she has at least one year of service credit.

COMMENT: SB 3687 amends the Downstate Police article of the Pension Code. The bill allows a police officer in service on or after the effective date of the bill to receive a pension from each pension fund under Article 3 in which he or she has participated for a period of at least one year. For each pension fund other than the last pension fund from which the officer retires, a pension of $1/12^{th}$ of 2.5% of his or her final monthly salary under that fund shall be payable. SB 3687 holds that the last pension fund from which the officer retires shall pay to the officer a pension amount calculated as if he or she had participated in that fund for the duration of their service under all Article 3 funds in which they have service, less the amounts paid by all other funds.

If the police officer has received a refund from a previous pension fund and wishes to reinstate service credit for receiving a proportional, multi-fund annuity as described above, then the officer may repay the refund amount with interest at 6% per year, compounded annually, from the date of the refund to the date of payment. An officer may take up to 10 years to pay the refund in equal annual installments. The refund must be repaid prior to retirement.

In cases where a line of duty disability pension becomes payable, SB 3687 states that only the last pension fund shall pay that annuity based on the officer's service in that fund. In cases where an occupational disease pension becomes payable, each Article 3 pension fund in which the officer has service credit must pay a portion of that benefit equal to that fund's proportionate share of the officer's total service under Article 3. Both line of duty and occupational disease disability pensions are payable at the greater of 65% of the salary of the police officer at the time of his or her removal from the department, or the pension that the officer would have otherwise been entitled to receive upon removal from the department.

DH:bs
LRB101 15657 RPS 65006 b