

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 4209, as amended by SA 2**

April 8, 2022

SPONSOR (S): Stuart – Brady (Crowe – D. Turner)

SYSTEM(S): IMRF, SURS, Downstate Police

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**FISCAL IMPACT:** To the extent that the amounts transferred between pension funds in this bill (from IMRF and/or SURS to a Downstate Police Pension Fund, and from a Downstate Police Pension Fund to IMRF) are greater or equal to the increase in the actuarial accrued liability associated with the service credit to be established in the fund to which transfers are being made, there should be no fiscal impact associated with HB 4209, as amended by SA 1.

The bill requires that any difference between the amounts transferred from IMRF and/or SURS to a Downstate Police pension fund and the amounts that would have been contributed had such contributions been made while a member of the relevant Downstate Police fund will be made by the member transferring the service credit, plus interest at the actuarially assumed rate of return. In the case of transfers from Downstate Police to IMRF, the bill requires that the "true cost" of the IMRF service to be established must be contributed by the member, minus any amounts transferred to IMRF from the pertinent Downstate Police pension fund.

IMRF says that in prior service credit transfer window openings of this nature, only a handful (2-3 at most) have transferred service. The number of Downstate Police officers who may wish to transfer previous service credit in SURS to a Downstate Police Pension Fund is unknown, as is the number of IMRF SLEP members who may wish to transfer service from a Downstate Police Pension fund.

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**SUBJECT MATTER:** HB 4209, as amended by SA 1, amends the IMRF, SURS, and Downstate Police Articles of the Pension Code. The bill reopens the IMRF-to-Downstate Police service credit transfer window established in P.A. 102-0113, and expands service credit transfer eligibility to include Downstate Police members who performed "administrative duties related to law enforcement" with an IMRF employer. In addition, the bill allows for Downstate Police-to-IMRF SLEP service credit transfers of up to 10 years. The bill also allows for police duty service credit transfers between SURS and Downstate Police pension funds, with payment amounts and the prescribed timeframe enumerated in the Comment Section below.

COMMENT:*Service Credit Transfer from IMRF to a Downstate Police (Article 3) Pension Fund*

P.A. 102-0113 (HB 126), which took effect on July 23<sup>rd</sup>, 2021, opened a window during which a member of a Downstate Police pension fund may apply to transfer to that fund his or her credits and creditable service accumulated in IMRF as a sheriff's law enforcement employee, person employed by a participating IMRF municipality to perform police duties, or law enforcement officer employed on a full-time basis by a forest preserve district. The service credit transfer will only occur upon payment by IMRF to the Downstate Police fund in an amount equal to 1) the amounts accumulated to the credit of the applicant for the service to be transferred, including interest, and 2) an amount representing employer contributions, and 3) any interest paid by the applicant to reinstate service. The Act did not limit the amount of service credit that can be transferred. The transfer of service credit must have occurred within six months of the effective date of the act (by January 23<sup>rd</sup>, 2022).

P.A. 102-0113 required that any difference between the amounts transferred from IMRF to the Downstate Police pension fund and the amounts that would have been made had the IMRF service been rendered in the relevant Downstate Police fund will be paid to the Downstate Police fund by the member transferring the service credit, plus interest at the actuarially assumed rate of return, compounded annually, from the date of service to the date of payment.

SA 2 to HB 4209 re-opens this window. The IMRF-to-Downstate Police service credit transfer provision enumerated above must occur no later than September 30, 2023.

*Service Credit Transfer Provision from IMRF to Downstate Police for "Administrative Duties Related to Law Enforcement"*

HB 4209, as amended by SA 2, expands the eligibility of the service credit transfer provision of P.A. 102-0113 as enumerated above. The bill allows for active Article 3 (Downstate Police) members to transfer service credit from IMRF to a Downstate Police Pension Fund that was rendered with an IMRF municipality while performing "administrative duties related to law enforcement." All payment amounts to establish service credit in a Downstate Police pension fund are identical to those previously enumerated, i.e., identical to those provided for in P.A. 102-0113. HB 4209, as amended by SA 2, states that this service credit transfer must occur no later than June 30, 2023.

*Service Credit Transfer from Article 3 (Downstate Police) to IMRF*

HB 4209, as amended by SA 2, provides that on or after July 1, 2022 but no later than January 1, 2023, an active IMRF sheriff's law enforcement officer may transfer up to 10 years of service credit from an Article 3 (Downstate Police) pension fund to IMRF. Participation in the Downstate Police pension fund will terminate as of the date of transfer. The IMRF article of the Pension code is amended to require that the member transferring the service must make a contribution to IMRF that is equal to the difference between the amounts transferred from the Downstate Police fund and the amounts that would have been contributed had such service been rendered in the IMRF SLEP program, plus interest at the IMRF actuarially assumed rate of 7.25%, compounded annually, from the date of service to the date of payment. The police officer may take a reduction in service credit in IMRF if the

dollar amount transferred from the Downstate Police fund does not purchase a commensurate amount of service credit in IMRF as was earned in the Downstate Police fund.

*Transfers of Service Credit from SURS to Downstate Police*

HB 4209, as amended by SA 1, amends the SURS and Downstate Police Articles of the Pension Code to allow a member of a Downstate Police pension fund to transfer creditable service in SURS as a police officer to a Downstate Police Pension Fund no later than June 30, 2023. The amounts that the member must transfer from SURS to a Downstate Police pension fund to establish service in a Downstate Police fund are identical in all respects to those amounts previously enumerated under P.A. 102-0113 for IMRF-to-Downstate Police service credit transfers. The amount of service to be transferred shall be determined by the individual Downstate Police Pension board.

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