

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 5136**

January 30, 2022

SPONSOR (S): Ortiz

SYSTEM(S): Downstate Fire

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**FISCAL IMPACT:** The fiscal impact of HB 5136 cannot be calculated. To the extent that Downstate Fire pension funds would be obligated to pay proportional annuities due to members utilizing reciprocal service to meet vesting requirements in a reciprocal system, the bill could have a fiscal impact on those fire pension funds that would pay a proportional annuity. Under current law, members who do not work the required number of years to vest for a Downstate Fire pension are entitled to a refund of contributions.

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**SUBJECT MATTER:** HB 5136 amends the Downstate Fire article of the Pension Code to apply the Retirement Systems Reciprocal Act to Downstate Fire pension funds, such that a member of a Downstate Fire pension fund could apply service credit in reciprocal system to meet the applicable number years needed to vest for a pension by tier status.

**COMMENT:** Under current law, The Retirement Systems Reciprocal Act applies to all public pension funds governed under the Pension Code, with the exception of police and fire pension funds. Utilizing the principal of reciprocity allows a member to meet the vesting requirements of any of the participating reciprocal funds by using prior service in a reciprocal system. For example, if a Tier 2 member began service in SERS and accumulated 4 of the 10 years needed to vest, but later moved to a position covered under IMRF, that member could apply the 4 years of SERS service to meet the ten years needed to vest in IMRF for a Tier 2 pension. At retirement, that member would receive a proportional annuity from SERS based on his or her years of SERS-covered service with the applicable SERS formula applied to the member's IMRF final average salary.

HB 5136 amends the Downstate Fire article of the Pension Code to apply the Retirement Systems Reciprocal Act to Downstate Fire pension funds, but only with respect to persons who, on or after the effective date of the bill, would be entitled to begin receiving a retirement annuity or survivor's annuity, and who elects to proceed under the Retirement Systems Reciprocal Act. Under current law, Tier 1 Downstate firefighters can retire at

age 50 with 20 years of service; Tier 2 Downstate firefighters can retire at age 55 with 10 years of service credit.

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