COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 5459** February 1, 2022

SPONSOR (S): Mason

SYSTEM(S): Downstate Police, Chicago Municipal

FISCAL IMPACT: To the extent that the amounts transferred from the Chicago Municipal Fund to a Downstate Police pension fund for service rendered in the municipal fund do not result in any increase in actuarial liabilities for that service, there should be no impact to the pertinent Downstate Police pension fund. The provision of HB 5459 that confers Tier 1 status on a current Tier 2 Downstate Police officer would have a fiscal impact commensurate with the difference in normal cost for future service and any increase in actuarial liability that would accrue in the affected Downstate Police pension fund. An actuarial study would be needed to determine the precise amount of the increase in normal cost and resulting actuarial liabilities.

<u>SUBJECT MATTER</u>: HB 5459 amends the Downstate Police and Chicago Municipal Articles of the Pension Code. The bill allows a Downstate Police officer to transfer an unlimited amount of service credit from the Chicago Municipal Fund to a Downstate Police pension fund by paying the amounts described below. The bill also provides a mechanism by which a Tier 2 Downstate Police officer will attain Tier 1 status by virtue of transferring Tier 1 service from the Chicago Municipal fund.

<u>COMMENT:</u> HB 5459 amends the Downstate Police and Chicago Municipal Articles of the Pension Code. The bill allows a Downstate Police officer to transfer an unlimited amount of service credit from the Chicago Municipal Fund to a Downstate Police pension fund by paying to the Downstate Police fund the difference between the amount of employee and employer contributions transferred from the Chicago Municipal Fund to a Downstate Police fund and the amounts that would have been contributed had such service been rendered in the Downstate Police pension fund, plus interest at the police fund's actuarially assumed rate, compounded annually, from the date of service to the date of payment.

Under current law, there is no "once in Tier 1, always in Tier 1" provision for the Downstate Police Article of the Pension Code. HB 5459 contains a provision stipulating that if the service credit transferred from the Chicago Municipal fund as described above

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was rendered as a Tier 1 employee, and if such service exceeds the amount of Tier 2 service that the police officer has rendered in the Downstate Police pension fund, then the police officer who transfers service credit in the manner previously stated will be considered a Tier 1 member of the pertinent Downstate Police pension fund.

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