COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO:	SB 0167, as amended	by SA 1

April 22, 2021

SPONSOR (S): Ellman – Villa, et al

SYSTEM(S): Downstate Fire Article (Article 4)

FISCAL IMPACT: According to the Department of Insurance, the purpose behind SB 0167, as amended by SA 1, is to extend the same inter-fund reciprocity that is currently extended to Tier 2 members of Article 3 (Downstate Police) pension funds. DOI says that the omission of reciprocity in Article 4 was an oversight in the adoption of the Tier 2 law in 2010. To date, DOI says that there are approximately 40 Tier 2 firefighters who would be eligible to take advantage of reciprocity that is provided retroactively by the bill.

<u>SUBJECT MATTER</u>: SB 0167 amends the Downstate Fire article of the Pension Code to extend eligibility for proportional annuity calculations (reciprocity) to Tier 2 members, under which they may receive a pension from their last pension fund as if they had performed their entire period of service with that fund, provided they serve notice to the relevant pension funds and the Department of Insurance within a prescribed timeframe.

<u>COMMENT:</u> Under current law, Tier 1 Article 4 (Downstate firefighters) are eligible to have their pensions calculated from the last pension fund in which they worked as if they had participated in that fund during their entire period of service for which they had participated in any Article 4 (Downstate Fire) pension fund. From this hypothetical amount is subtracted the original amounts of the retirement pensions payable to the firefighter by all other Article 4 pension funds in which the firefighter participated. This practice is known as "reciprocity." Reciprocity is utilized in situations where the firefighter has not worked the requisite 20 years to vest for a pension in any one Article 4 fund; thus, service across multiple funds can be combined and proportional annuities can be drawn accordingly from those funds.

SB 0167, as amended, extends this same reciprocal annuity calculation method to Tier 2 firefighters, provided they notify their new employer, all previous employers under Article 4, and the Department of Insurance within 21 months of service with the new employer or within 21 months of the effective date of the bill, whichever is later, of their intent to receive a reciprocal annuity. The amended bill contains a retroactive provision,

such that Tier 2 firefighters who gave similar notice to the same entities listed previously prior to the effective date of the bill can also become eligible to receive a reciprocal annuity from their last pension fund.

SA 1 stipulates that this reciprocity eligibility is extended to firefighters who "first become" firefighters after the Tier 1 cutoff of December 31, 2010, rather than firefighters "hired after December 31, 2010," as the underlying bill stated. This language change in SA 1 reflects the exact phraseology of the Tier 2 enabling legislation, P.A. 96-1495, which contained the words "*first becomes* a firefighter on or after December 31, 2010" to signify Tier 2 service. SA 1 made no other substantive changes to the underlying bill.

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