

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 2107, as engrossed**

April 26, 2021

SPONSOR (S): Martwick

SYSTEM(S): IMRF

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**FISCAL IMPACT:** It is estimated that at present, there are four FT employees of the Firefighters' Pension Investment Fund who would join IMRF, with the possibility of that number growing to eight in the foreseeable future as the fund adds professional staff. The number of employees of the Police Officers' Pension Investment fund who would join IMRF is unknown. In 2020, IMRF employers contributed, on average, between 10.15% and 10.65% of payroll on behalf of their covered employees to fund the present value of the employees' future pensions. Each employer's actual rate varies based on its IMRF assets, liabilities, and workforce demographics. The amount of annual employer contribution rates are calculated annually by the pension fund's actuary.

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**SUBJECT MATTER:** SB 2107, as engrossed, amends the IMRF article of the Pension Code to mandate full-time employees of the newly created Firefighters' Pension Investment Fund and the Police Officers' Pension Investment Fund to participate in IMRF, if those funds apply to join IMRF and are accepted by the IMRF board. The fire and police investment funds would then be deemed "participating instrumentalities" in IMRF.

**COMMENT:** P.A. 101-0610, which became effective on January 1, 2020, created the Firefighters Pension Investment Fund and the Police Officers' Pension Investment Fund for the purposes of commingling and investing the assets of Article 4 (Downstate Fire) and Article 3 (Downstate Police) pension funds, respectively. SB 2107, as engrossed, amends the IMRF article of the Pension Code to provide that both newly created funds shall be deemed "participating instrumentalities" under IMRF. The engrossed bill prohibits board members of both pension investment funds from participating in IMRF.

It should be noted that this bill simply adds these two funds to the list of instrumentalities that have the ability to join IMRF. It doesn't automatically put them into the system. Pursuant to current law, in order to join, both pension investment funds would have to undergo an actuarial cost study and then apply to the IMRF board with information that shows they have the ability to pay their accrued pension liabilities over time, consistent with IMRF's funding policy. Once approved, participation by FT employees in the

pertinent pension investment fund would be mandatory, pursuant to IMRF's federal safe harbor standing.

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