



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 1516

February 1, 2023

SPONSOR (S): Moylan

SYSTEM: Chicago Firefighters, Retirement Systems Reciprocal Act

FISCAL IMPACT

CGFA staff has consulted with the systems most likely to have members who would receive reciprocal annuities comprised of service with the Chicago Fire pension fund. IMRF and SERS do not anticipate a significant actuarial cost due to bringing the Chicago Fire Pension Fund under the ambit of the Reciprocal Act. The Cook County Pension Fund says that some increased liability is possible, but the extent of the increase cannot be known as the number of members who would receive proportional annuities between the impacted funds is not known. Any such liability would result from a member using service in a reciprocal fund to fulfill the vesting requirement of the pension fund in which he or she wishes to retire. For example, if the Cook County fund had to pay a proportional annuity for 2 years of service for a retiring Chicago Firefighter, that pension benefit would create an actuarial liability that would not arise under current law.

SUBJECT MATTER: HB 1516 amends the Chicago Firefighter Article of the Illinois Pension Code as well as the Retirement Systems Reciprocal Act Article of the Illinois Pension Code. This bill adds the Chicago Fire Pension Fund as a qualifying system within the Retirement Systems Reciprocal Act. The bill allows for active members to combine service credit between multiple reciprocal systems to apply toward pension benefits in the system in which they currently participate.

COMMENT: Under current law, Article 6 of the Illinois Pension Code (Chicago Firefighters) is not included under the Retirement Systems Reciprocal Act. The Retirement Systems Reciprocal Act allows for active employees to combine service credit earned from various

participating systems to apply towards the minimum vesting requirements of the fund that they participate in currently or the fund that they last participated in. For example, a Tier 2 member in IMRF could utilize reciprocity and combine 4 years of prior service in SERS and 6 years in IMRF to meet the 10-year Tier 2 vesting requirement in IMRF.

HB 1516 would extend the reciprocity benefit to both Tier 1 and Tier 2 members of the Chicago Firefighters fund who are entitled to begin receiving a retirement annuity on or after the bill's effective date (in other words, current retirees cannot have their annuities recalculated utilizing reciprocity). Members of the Chicago Fire fund who wish to utilize reciprocity must complete applications from all systems they have participated in 60 days prior to retirement for all service credits from all reciprocal systems to be calculated towards their pensions.

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