



## Commission on Government Forecasting and Accountability

### **PENSION IMPACT NOTE** *103<sup>RD</sup> General Assembly*

**BILL NO:** HB 3718

February 21, 2023

**SPONSOR (S):** Ortiz

**SYSTEM:** Article 4 (Downstate Fire), Article 20 (Retirement Systems Reciprocal Act)

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#### **FISCAL IMPACT**

**CGFA staff has consulted with the systems most likely to have members who would receive reciprocal annuities comprised of service with Downstate Fire pension funds. IMRF and SERS do not anticipate a significant actuarial cost due to bringing the Downstate Fire Pension Funds 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 Downstate Firefighter, that pension benefit would create an actuarial liability that would not arise under current law.**

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**SUBJECT MATTER:** HB 3718 amends the Downstate Fire Article of the Illinois Pension Code as well as the Retirement Systems Reciprocal Act Article of the Illinois Pension Code. This bill adds the Downstate Fire Pension Fund as a qualifying system within the ambit of 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 4 of the Illinois Pension Code (Downstate Fire) 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 3718 would extend the reciprocity benefit to both Tier 1 and Tier 2 members of Downstate Fire Pension Funds 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).

DH:bs

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