



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 4508**

February 1, 2024

SPONSOR (S): Kifowit

SYSTEM: Downstate Police and SURS

FISCAL IMPACT

HB 4508 would bring the Downstate Police article of the Pension Code under the ambit of the Retirement Systems Reciprocal Act. CGFA staff has consulted with the systems most likely to have members who would receive reciprocal annuities comprised of service with Downstate Police pension funds. IMRF and SERS do not anticipate a significant actuarial cost due to bringing the 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.

P.A. 101-0610 lowered the Tier 2 retirement age for SURS public safety employees in 2020, subsequently increasing liabilities by \$1 million. An actuarial study would be needed to assess the fiscal impact associated with reducing the Tier 2 retirement age requirement for SURS police officers as detailed in **HB 4508**.

SUBJECT MATTER: HB 4508 amends the Downstate Police article of the Pension Code to bring the associated funds under the ambit of the Retirement Systems Reciprocal Act, which permits members to combine years of service across various reciprocal funds for the purposes of meeting the minimum vesting requirements of the fund in which they currently participate.

HB 4508 also amends the State Universities article of the Pension Code to reduce the Tier 2 normal retirement age (age 60, with 20 years of service) for SURS police officers to age 55, with 20 years of service.

COMMENT:*Retirement Reciprocity for Downstate Police*

Under current law, the Downstate Police article of the Illinois Pension Code is not included under the Retirement Systems Reciprocal Act (the Downstate Police Article does allow for reciprocity between Downstate Police Funds). 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 before terminating active service. 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 4508 would bring the Downstate Police system under the ambit of the Reciprocal Act. The bill states that participation under the Reciprocal Act would only apply to members who have not yet begun receiving retirement annuities as of the effective date. In other words, retired members would not be entitled to a recalculation of their pensions based upon reciprocal service.

Reducing Tier 2 Retirement Age for SURS Police Officers

Under current law, Tier 2 SURS police officers can retire with the following combinations of age and years or service:

- Age 60 with 20 years of service; or
- Age 67 with 10 years of service

Tier 1 SURS police officers can retire at the following combination of age and years of service:

- Age 55 with 20 years of service; or
- Age 50 with 25 years of service

HB 4508 would reduce the normal Tier 2 retirement age (age 60, with 20 year of service) for SURS police officers to age 55 with 20 years of service. The bill states that the benefit increases are intended to apply prospectively and do not entitle a police officer to retroactive benefit payments or increases. SURS reported that, as of June 30th, 2023, there were 268 active and 154 inactive Tier 2 police officers.

P.A. 101-0610, which became effective on January 1st, 2020 (and was applied retroactively to January 1st, 2011), reduced the Tier 2 retirement age for SURS police officers from age 62 to age 60 with 20 years of service. According to SURS, this reduction increased the system's accrued liabilities by \$1 million. An actuarial study would be needed to determine the precise impact of the retirement age reduction contained in this bill, HB 4508.

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