



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 1692

February 15, 2023

SPONSOR (S): Martwick

SYSTEM: SERS, Downstate Police, IMRF

FISCAL IMPACT

- (1) In terms of the IMRF and SERS to Downstate Police service credit transfers, this legislation is expected to be cost neutral as members who transfer service will be required to pay the employee contribution, the employer's normal cost, plus interest at the actuarially assumed rate of return, compounded annually, from the date of service to the date of payment.**
- (2) State Troopers and Conservation Police Officers who upgrade regular service in SERS to Alternative Formula service will be required to pay the difference between contributions made at the Regular Formula rate and those contributions that would have been required had the service been rendered in the Alternative Formula, plus the difference in the employer's normal cost for that period of service, plus interest at the actuarially assumed rate of 6.75%, compounded annually, from the date of service to the date of payment. This should ensure cost neutrality for such service upgrades.**
- (3) Regarding State Police officers who are being allowed to retire before the statutory retirement age due to having "maxed out" service, SERS claims this provision should be cost-neutral as affected officers must pay the present value of the future increases in benefits upon "early" retirement. SERS claims that 90 State Troopers would be impacted by this provision.**

SUBJECT MATTER: SB 1692 amends the Downstate Police, IMRF, and State Employees articles of the Illinois Pension Code to make various technical changes and conforming edits to PA 102-857 and PA 102-1061 from the 102nd GA. Additionally, this legislation allows Secretary of State and Conservation police officers to transfer service credit to Downstate Police Pension

Funds by paying the amounts explained below in the Comment Section. The bill allows certain law enforcement officers in SERS to upgrade service under the Regular Formula to the Alternative Formula by paying the requisite amounts to SERS. Finally, SB 1692 allows Tier 1 State Police officers who have earned their maximum compensation in the Alternative Formula to retire at any age, rather than having to wait until age 50 to retire. According to SERS, this would affect approximately 90 officers.

COMMENTS:

Service Credit Transfers to Downstate Police Funds

P.A. 102-0857, which became effective on May 13th, 2022, allowed for service credit transfers from IMRF to Downstate Police Pension Funds for county correctional officers or persons employed by an IMRF municipality to perform administrative duties related to law enforcement. P.A. 102-1061, which became effective on June 10, 2022, contained duplicative language pertaining to the persons performing administrative duties related to law enforcement, but did not contain the county correctional officer transfer provision. Hence, a technical cleanup is needed that includes service credit transfer eligibility for both classes of employees.

SB 1692 thus permits IMRF-Downstate Police service credit transfers for persons performing administrative duties pertaining to law enforcement and county correctional officers. Whereas P.A. 102-0857 had a sunset date of Dec. 10, 2022, and P.A. 102-1061 had a sunset date of Sept. 30, 2023, SB 1692 does not have a sunset date for IMRF-Downstate Police service credit transfers for these two classes of employees. Both classes of employees may transfer an unlimited amount of service credit from IMRF to a Downstate Police pension fund by paying to the pertinent Downstate Police Fund the difference between the employee and employer rate that would have been paid had the service been rendered in a Downstate Police fund, plus interest at the Downstate Police Fund's actuarially assumed rate of return, compounded annually, from the date of service to the date of payment.

Additionally, SB 1692 allows investigators for the Secretary of State and State Conservation Police Officers to transfer service credit from SERS to a Downstate Police Pension Fund in the same manner as stated above.

Early Retirement for Alternative Formula Members who have "Maxed Out" Service Credit

Under the Tier 1 Alternative Formula in SERS, members may retire at age 50 with 25 years of service, or at age 55 with 20 years of service. Members in the Alternative Formula accrue service credit at the rate of 2.5% of final average salary per year of service up to a maximum of 80% of final average salary, meaning that they "max out" for pension purposes after 27 years. SB 1692 provides that if a member of the SERS formula has "maxed out" at 80% of final average salary before reaching age 50, they may retire upon the first of the month upon "maxing out," or the effective date of this bill, whichever is later. In order to begin drawing a retirement annuity before the statutory retirement age, a member of the SERS Alternative Formula must pay to SERS an amount equal to the actuarial increase in the present value of future benefits that

results from retiring earlier than they would otherwise be able, but for the enactment of this bill. SERS claims that 90 police officers would be eligible for this “early” retirement.

Upgrade of Regular SERS Service to Alternative Service for Certain Law Enforcement Officers
SB 1692 amends the SERS Article of the Pension Code to allow State Troopers and Conservation Police Officers to convert an unlimited amount of Regular Formula service to Alternative Formula Service by paying to SERS an amount equal to the difference between the Regular Formula employee contributions and the Alternative Formula contributions that would have been made had the service been rendered under the Alternative Formula, plus the difference between the employer’s normal cost for the period of service to be upgraded, plus interest at the actuarially assumed rate of return of 6.75%, compounded annually, from the date of service to the date of payment.

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