



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 1824

February 16, 2023

SPONSOR (S): Villa

SYSTEM: General Provisions Article & Illinois Municipal Retirement Fund (IMRF) Articles

FISCAL IMPACT

The fiscal impact of the authorized agent training outlined in SB 1824 is unknown because the cost of training is not known, but is expected to be minimal. To the extent that the fund would be responsible for covering the costs of this training, there would be a slight negative impact to the pension.

The fiscal impact of the additional end-of-career municipal contribution exemption outlined in SB 1824 is unknown because the number of effected employees is not known. To the extent that the fund would be responsible for paying a higher amount of benefits that would otherwise be defrayed by contributions made by IMRF municipalities and instrumentalities, there would be a negative impact to the pension fund.

SUBJECT MATTER: SB 1824 amends the General Provisions Article and the Illinois Municipal Retirement Fund Articles of the pension code. SB 1824 provides that all authorized agents under IMRF must have training regarding the duties of an authorized agent within three months of appointment and that training costs are the responsibility of IMRF. Additionally, the bill creates an exemption to IMRF's Final Average Salary Cap such that municipalities will be exempted from paying to the pension fund the present value of an increase in final average salary greater than 6% or 1.5 times the annual increase in the CPI-U. This exemption is granted in cases where earnings are paid to members as required by federal or state law or court mandate. An exemption to the FAS Cap is also being made for earnings increases paid to participating employees returning to their regular number of hours after having undergone a temporary reduction in hours.

COMMENT:*Authorized Agent Training*

Under current law, each municipality and instrumentality participating in IMRF must appoint an authorized agent to handle matters such as fund participation and ensure proper transfer of fund contributions. SB 1824 provides that all authorized agents appointed on or after the effective date of this amendatory Act must complete a course of training regarding the duties and responsibilities of being an authorized agent no less than 3 months after their initial appointment. The bill states that such training must be provided by the Fund and made available online to all authorized agents no less than quarterly at no cost to the authorized agent or their employer.

IMRF Final Average Salary Cap (FAS Cap) Exemption

Under current law, if the amount of an IMRF participating employee's reported earnings for any of the 12-month periods used to determine the final rate of earnings exceeds the employee's 12-month reported earnings with the same employer for the previous year by the greater of 6% or 1.5 times the annual increase in the Consumer Price Index-U, the participating municipality or instrumentality must pay to IMRF the increase in the actuarial present value from the excess salary described. There are several exemptions to this FAS Cap rule. SB 1824 adds an additional exemption for earnings increases due to amounts paid as required by federal or State law or court mandate or to earnings increases due to the participating employee returning to the regular number of hours worked after having undergone a temporary reduction in the number of hours worked.

GR

LRB103 24922 RPS 51256 b