



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **SB 3786**

February 29, 2024

SPONSOR (S): Halpin

SYSTEM: Illinois Municipal Retirement Fund (IMRF) Article

FISCAL IMPACT

IMRF maintains that the extension of the end-of-career excess salary penalty repayment period from 3 years to 7 years under SB 3786 will have a negligible fiscal impact, inasmuch as interest at IMRF's actuarially assumed rate of 7.25% would be charged on any outstanding balances, as is being done under current law.

SUBJECT MATTER: SB 3786 amends the Illinois Municipal Retirement Fund article of the Illinois Pension Code. In cases where municipalities must pay an end-of-career salary increase "penalty" to IMRF, the bill would extend the payment due date from 3 years from receipt of the bill from the pension fund to 7 years from receipt of the bill.

COMMENT: 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 above within 3 years of the receipt of the bill from IMRF. This end-of-career salary increase "penalty" was implemented by P.A. 97-0609, which became effective on August 26, 2011, and applies to Tier 1 and Tier 2 members alike. SB 3786 would extend the deadline for the municipality or instrumentality to pay the penalty amount to IMRF to 7 years from the receipt of the bill.

AO:bs

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