



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **HB 2484**

February 27, 2025

SPONSOR (S): Kifowit

SYSTEM: Downstate Police, IMRF

FISCAL IMPACT

IMRF is unable to determine the number of police chiefs who would participate in the fund as a result of the bill. Further, as police chief IMRF participation is an option for the member and not a requirement, the pension fund has no mechanism to determine who might elect the option offered in the bill.

Regarding the impact of discontinuing Article 3 DC plans, it is presumed that all newly hired police officers in the municipality would default to the Article 3 DB plan. CGFA's actuary has stated that the general impact of more members entering a DB plan is a net positive for the fund in question. New members contribute immediately while accruing little liability, creating a net positive cash flow. Their contributions are invested, generating returns that help offset future costs. It is unknown how many municipalities statewide currently operate DC plans under Article 3 of the Pension Code.

SUBJECT MATTER: HB 2484 amends provisions in the Downstate Police and Illinois Municipal Retirement Fund (IMRF) Articles of the Illinois Pension Code pertaining to police chief participation in IMRF and the discontinuation of defined contribution (DC) plans in Downstate Police pension funds. Each change is discussed in the Comment section below.

COMMENT:

Reversal of Prohibition on Police Chiefs Participating in IMRF

Public Act 86-0273, effective August 23rd, 1989, allowed any person employed as the chief of police for an IMRF "participating municipality" to irrevocably elect to participate in IMRF

instead of a fund created under the Downstate Police Article if the relevant municipality had established such a fund. P.A. 90-0460, effective August 17th, 1997, allowed a chief of police that has elected to participate in IMRF to rescind that election and transfer to the relevant Downstate Police pension fund until January 1, 1999.

P.A. 100-0281, effective August 24th, 2017, ended IMRF eligibility for those chiefs of police in participating municipalities on or after January 1, 2019, unless the chief became an IMRF participant before that date. HB 2484 would nullify the prohibition on police chiefs participating in IMRF if a Downstate Police fund has been established in the pertinent municipality, essentially reversing the prohibition established by P.A. 100-0281.

Phased Elimination of DC Plans Under Article 3

P.A. 100-2081 required each municipality under the ambit of Article 3 to establish an optional defined contribution (DC) plan. After the effective date of August 24, 2017, newly hired police officers could choose the traditional DB or DC option. Members with 10 or more years of service in an Article 3 fund who entered active service in a different municipality could elect to participate in the DC plan instead of the traditional DB plan of that municipality.

HB 2484 does away with the requirement that municipalities that have Downstate Police pension funds must maintain the DC plans established by P.A. 100-0281, with three exceptions:

- 1) the DC plans must be maintained for those who opted to participate before the effective date of the bill;
- 2) if an officer with 10 or more years of service in a Downstate Police pension fund before the effective date of the bill transfers to another municipality with a Downstate Police pension fund, that officer may participate in the DC plan of the new municipality, if it has one; and
- 3) police officers who are receiving an annuity from a Downstate Police pension fund may enroll in the DC plan of another Downstate Police fund, if the municipality has one, and still be able to receive an annuity from the original fund, but only if they re-enter service before the effective date of HB 2484.

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