



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **HB 2705, as amended by HA 1**

April 7, 2026

SPONSOR (S): Kelly – Gordon-Booth

SYSTEM: Chicago Police, Chicago Fire, Downstate Police, Downstate Fire,
Retirement Systems Reciprocal Act

FISCAL IMPACT

HB 2705, as amended by HA 1, amends various provisions of the Illinois Pension Code pertaining to public safety employees, including ensuring Tier 1 status and providing for reciprocity, among other changes. An actuarial study would need to be completed in order to determine the fiscal impact of HB 2705, as amended by HA 1.

To the extent that this bill allows public safety employees with prior service (including non-public safety Tier 1 service) in other pension funds to qualify for Tier 1 status, liabilities of the applicable pension funds would increase.

In regard to reciprocity, to the extent that the affected pension funds would be required to pay a pension for non-vested service that currently only qualifies for a refund of contributions, there could be a financial impact, as liabilities would increase in such situations. The magnitude of this impact would depend on the number of affected members and the length of reciprocal service credited. An actuarial study would be needed to analyze several different sample scenarios under which members may avail themselves of reciprocity.

SUBJECT MATTER: HB 2705, as amended by HA 1, amends the Chicago Police, Chicago Firefighter, Downstate Police, and Downstate Firefighter articles of the Pension Code to extend the benefits of the Retirement Systems Reciprocal Act to public safety employees who would retire on or after the effective date of the bill. The bill would allow such police officers/firefighters to combine service credit across multiple pension funds, as explained below.

HB 2705, as amended by HA 1, adds language to the previously mentioned articles ensuring Tier 1 status based on an individual's first date of participation in any pension fund established under the Pension Code, regardless of whether that service was public safety service or whether the fund started participation in the Reciprocal Act. The bill would also clarify the current law surrounding "de facto firefighters" and open SLEP eligibility to certain members.

COMMENT:

Ensuring the Tier 1 Status for Downstate Police & Fire and Chicago Police & Fire

HB 2705, as amended by HA 1, amends the Chicago Police, Chicago Firefighter, Downstate Police and Downstate Fire Articles of the Pension Code to provide that an individual's first date of participation in any pension fund or retirement system established under the Pension Code is considered to be the date that the individual became a police officer/firefighter for purposes of determining the applicable tier of benefits, regardless of whether that fund started participation in the Reciprocal Act. This would allow public safety employees with prior Tier 1 service in another system to retain Tier 1 status.

Placing Downstate Police & Fire and Chicago Police & Fire Articles Under the Ambit of the Retirement Systems Reciprocal Act

The Retirement Systems Reciprocal Act (Article 20 of the Illinois Pension Code) allows public employees who have worked in multiple Illinois pension systems to combine their service credits to qualify for an annuity utilizing the service credit earned in each fund. Under current law, neither the Chicago Police and Chicago Fire, nor the Downstate Police and Downstate Firefighters' Articles of the Illinois Pension code are included under the Retirement Systems Reciprocal Act, although reciprocity exists between the funds within each respective article (e.g., members of Downstate police funds can utilize reciprocity with other Downstate Police Funds, although this involves the transfer of service credits, whereas the Downstate Fire article has true reciprocity amongst fire pension funds).

HB 2705, as amended by HA 1, proposes to extend the Reciprocal Act to the Chicago Police, Chicago Firefighter, Downstate Police and Downstate Firefighter pension funds. However, this option would only apply to individuals who begin receiving a retirement or survivor's annuity on or after the bill's effective date and who choose to receive a reciprocal annuity. No recalculations of benefits for those who retired prior to the effective date would be allowed under the bill.

The table on the following page provides a visual representation of the formula for illustrative purposes, using a hypothetical Tier 2 police officer who has 20 years of service credit with the Illinois State Police (ISP) in SERS (and assuming the employment is not coordinated with Social Security) and 5 years of service credit with the Rock Falls Police Pension Fund. In this example, the officer's Final Average Salary (FAS) under SERS is assumed to be higher than the FAS earned with the police pension fund. Under HB 2705, as amended by HA 1, the Rock Falls

Police Pension Fund would be required to pay a reciprocal pension benefit based on 5 years of service under its own formula using the higher ISP salary for the officer’s lifetime, whereas, under current law, the officer would not meet the Tier 2 10-year vesting requirements under the Downstate Police Article and would therefore be eligible for a refund only.

Under HB 2705, HA 1		
Factor	SERS (ISP)	Rock Falls Police Pension Fund
Years of Service	20 years	5 years
Final Average Salary (FAS)	\$150,000	\$150,000 (highest FAS under reciprocity)
Pension Formula	3.0% per year	2.5% per year
Benefit Calculation	$20 \times 3.0\% \times \$150,000 = \mathbf{\$90,000}$	$5 \times 2.5\% \times \$150,000 = \mathbf{\$18,750}$
1 st Year Pension Paid	\$90,000 from SERS	\$18,750 from Rock Falls
1 st Year Total Pension	\$108,750 (Split between both funds)	

Note: These figures show rough estimates provided for illustrative purposes only. The Tier 2 salary cap is not applied for simplicity.

Addition of “De Facto Firefighters” Under the Downstate Fire Article

Under current law, the definition of “Firefighter” under Article 4, the Downstate Fire Article, includes the following job titles listed under Article 10 of the Illinois Municipal Code, found in the table below:

Division 1 Municipalities	Division 2.1 Municipalities	Municipalities w/o Division Designation*	Not Included
Firefighter	Firefighter	Firefighter	Anyone actively participating in SURS
Fire Engineer			
Marine Engineer			
Fire Pilot			
Bomb Technician			
Scuba Diver			
Individuals Whose Duties Include Firefighter Responsibilities			
*Including de facto firefighters who would otherwise qualify as firefighters			

Current law provides that de facto firefighters in municipalities that are neither Division 1 nor 2.1 are treated as firefighters if they would have otherwise qualified as firefighters in a Division 1 or 2.1 municipality.

HB 2705, as amended by HA 1, clarifies current law by expressly adding the definition of a “de facto firefighter” to the broader definition of “Firefighter” under Article 4. The definition of a “de facto firefighter” is a firefighter who:

- Spends the majority of working time participating in the work of controlling and extinguishing fires at the location of such fires, preparing for such work, or waiting to respond to calls for such work, and;
- Has scheduled or actually works hours commensurate in duration and frequency with firefighters under both divisions under the Illinois Municipal Code.

This definition **does not** include;

- Part-time firefighters not already covered by the Code;
- Auxiliary, reserve, or voluntary firefighters (including paid-on-call firefighters);
- Clerks, dispatchers, or other civilian employees of fire departments or fire protection districts not routinely expected to perform firefighter duties.

In effect, HB 2705, as amended by HA 1, clarifies that a de facto firefighter, as defined above, shall be recognized as a firefighter under Article 4 in any municipality or fire protection district.

The changes made by this legislation will not apply to individuals covered under Article 4 prior to its effective date.

IMRF’s Sheriff’s Law Enforcement Personnel (SLEP) Formula Eligibility for Certain Public Safety Officials

Under current law, Article 4 (Downstate Fire) currently excludes any positions that are not involved with fire-suppression, preventing Emergency Management Services employees from joining an Article 4 pension fund, and these emergency medical personnel generally participate in the IMRF Regular Formula.

HB 2705, as amended by HA 1, amends the IMRF article of the Pension Code to enable paramedics and emergency medical technicians (EMTs) who are not eligible to participate in a Downstate Fire fund to participate instead in the IMRF Sheriff’s Law Enforcement Personnel (SLEP) plan if approved by their municipality via adoption of an ordinance or affirmative resolution. The bill specifies that SLEP status would be granted prospectively only; no service credit would be granted prior to the effective date of participation, and all persons who would go into SLEP would be in Tier 2. It is currently unknown how many new SLEP participants would result from this bill.

See chart below on the differences between IMRF Regular and SLEP Formulas

Tier 2 IMRF Formulas		
System	Regular	SLEP
Service Accrual Rate	1-2/3% of the final rate of earnings for each of the first 15 years of service credit, plus 2% for each year of service credit in excess of 15 years.	2- 1/2% of the final rate of earnings for each year of service.
Retirement Age	Age 67 with 10 or more years of service, or 35 or more years of service at age 62	Age 55 with 10 years of service, or at age 50 with an annuity reduced by .5% for each month under age 55
Employee Contribution	4.5% of payroll	7.5% of payroll

ZH:bs

LRB104 10841 RPS 36006 a