



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *104<sup>th</sup> General Assembly*

BILL NO: **HB 3193, as amended by SA 002 – SA 004**

May 27, 2025

SPONSOR (S): Canty – Yang Rohr, et al. (Martwick)

SYSTEM: Various

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#### **FISCAL IMPACT**

HB 3193, as amended by SA 002 – SA 004, is an omnibus compilation of several substantive pension bills that were introduced in the current 104<sup>th</sup> GA. The fiscal impact of each change is summarized below in the Comment section.

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IMPACT of SA 002 – SA 004: SA 002 is an omnibus amendment. SA 003 is a technical amendment adding the Joliet Regional Port District to IMRF as a participating instrumentality. SA 004 adds a technical change to the indemnification provision added by SA 002.

SUBJECT MATTER: HB 3193, as amended by SA 002 – SA 004, is a pension omnibus bill that is mostly comprised of bills introduced in the 104<sup>th</sup> General Assembly. Each provision is detailed in the Comment section below.

#### **COMMENT:**

#### ***Retired Teachers' Pro Rata Benefit Reduction Over Max Allotted Days Returned to Work (Originally SB 1188)***

Currently, CTPF annuitants can return to work without suffering an impairment in their annuities if they limit their service to 140 days in a school year before July 1, 2027, and 120 days in a school year after that date. The 120 day/140 day standard was put into place via P.A. 102-1090, which took effect on June 10, 2022, and was later extended to the aforementioned sunset date by P.A. 103-0588, effective on June 5, 2024. P.A. 99-0786, which took effect on August 12, 2016, allows CTPF annuitants who return to work as driver's ed teachers to work no more than 900 hours in a school year.

HB 3193, as amended by SA 002 - SA 004, makes two changes to the return-to-service program. First, the bill stipulates that if a CTPF annuitant works more than the number of days allowed (140 or 120, as the case may be) and is subject to a complete suspension of their retirement annuity as a result, that member shall instead have their annuity reduced on a pro-rata basis for each day worked in excess of the applicable limit. Secondly, the bill provides that if retired driver's ed teachers work more than 900 hours in a school year, their pensions shall be withheld on a pro-rata basis for each period of 7.5 hours in excess of 900 hours.

These changes would apply retroactively to July 1, 2020. If HB 3193, as amended by SA 002 – SA 004, became law, those annuitants who violated the return-to-work time restrictions and had their pensions suspended would be eligible to have such amounts refunded to them on a pro-rata basis, with interest at 6.5%, compounded annually. In other words, the amount of the refund would be proportional to time worked beyond the restrictions, with interest.

**Fiscal Impact: In February of 2024, CTPF stated that 59 annuitants since July 1, 2020 violated the restrictions and the estimated cost would be \$370,000, plus interest. A similar negative impact would result from paying out pro-rata annuities prospectively that would otherwise be suspended.**

*Service Credit for Elected Officials Who Fail to File Opt-Out Paperwork – Illinois Municipal Retirement Fund (IMRF) (Originally SB 1269)*

Under current law, a person holding an elective office must elect to participate in IMRF to receive service credit for that elective service. If they do not make an affirmative election to participate in the Fund, they would not be eligible to receive service credit for that service.

HB 3193, as amended by SA 002 – SA 004, provides that a person who holds an elective office and did not elect to participate in the Fund for that elected position may still receive service credit for that position if the following conditions are met: the member participated in a non-elected position with the employer with which they are now an elected official prior to becoming an elected official; both the member and the employer have continued to make the required contributions for that period of service; and there is no gap in service credit between the two positions. So, in essence, this type of elective office service credit can only be established when transitioning seamlessly from one IMRF-covered position to another.

This provision is an initiative of IMRF that is meant to address situations that occur mostly in smaller municipalities. For example, a participating member works in a non-elected job, such as a public works director and then gets elected to office, such as a mayor, with the same IMRF employer. Since the member has previously participated in IMRF, neither the elected official nor the employer realizes the member needs to make an affirmative election to participate in the Fund for the elected position. IMRF says that such small municipalities can go months or years without realizing this error, the only redress for which is a refund of member contributions for the elective service. HB 3193, as amended by SA 002 – SA 004, addresses this situation by allowing the elected official's continued deduction and remittance of member contributions for

this time to be considered their election to continue in IMRF with respect to the elective service. This change is prospective only.

**Fiscal Impact: According to IMRF, there would be no fiscal impact to the fund, as the member and employer contributions would have already been made for the period of service of the elected official.**

*Disability Benefit Adjustments - Metropolitan Water Reclamation District Retirement Fund (MWRDRF) (Originally SB 1421)*

**Definition of ‘Salary’ for Disability Benefits**

HB 3193, as amended by SA 002 – SA 004, clarifies that for disability benefits, the term “salary” shall be the salary on which the disability benefit is based. By adopting this strict definition of salary, the bill ensures that payments such as overtime, termination pay, and unused leave payouts will not be used to inflate an employee’s disability benefit.

**Annual Medical Exams for Ordinary Disability Benefits**

Currently, ordinary disability (non-duty) benefits are payable in the MWRD fund after an employee is examined by at least one licensed health care professional. No ongoing exams are required after the initial medical determination of disability. HB 3193, as amended by SA 002 – SA 004, requires that the disabled employee be examined at least annually by a licensed health care professional appointed by the MWRD Board of Trustees. This change would bring MWRD in line with the practice of other systems, such as TRS and SERS, that require such periodic exams for disability annuitants.

**Subpoena Powers to Compel the Production of Records**

HB 3193, as amended by SA 002 – SA 004, grants the MWRD board the authority to issue subpoenas to compel witness testimony and the production of documents related to pension fund matters. The bill specifies that subpoenas can be used for disability claims, administrative reviews, and debt collection, among other matters. Witness fees must match those paid out in circuit courts (generally \$20 per day and \$0.20 per mile for travel). The bill empowers the board to seek court enforcement of subpoenas, and board members would be given the power to administer oaths to witnesses.

**Fiscal Impact: The changes are administrative in nature and have no discernible fiscal impact.**

*Pensionable Service Credit Accrual Enhancement – Chicago Teachers’ Pension Fund (CTPF) (Originally SB 1450)*

Under current law, CTPF members receive one day of service credit for each day of salary representing a partial or full day of employment; 17 or more days of service constitutes a month; and 170 days or more of service, or 10 or more months constitutes a year. HB 3193, as amended by SA 002 – SA 004, would allow teachers to accrue service credit under current law or, if they

meet the 50% work threshold in 10-day periods, they would receive 10 days of service credit per period. (170 days of service is needed to establish one year of service credit in CTPF.)

Under current law, TRS members also receive one year of service credit for 170 days of salary representing a full day of employment. TRS members who earn salary for less than 170 days receive service credit at a ratio of number of days paid to 170 days. SURS members receive one year of service credit for 8 or more months of service,  $\frac{3}{4}$  of one year for 6-7 months of service,  $\frac{1}{2}$  of one year for 3-5 months of service, and  $\frac{1}{4}$  of one year for 1-2 months of service.

**Fiscal Impact: According to CTPF, the fund's annual actuarial valuations assume that all active members will earn one full year of service credit each year. If a member earns less than the full year of service credit, the next year's valuation will see a small gain. HB 3193, as amended by SA 002 – SA 004, could change service credit accrual assumptions in future actuarial evaluations, but the pension fund maintains that more actual experience needs to be observed before its actuary revises such assumptions.**

*Indemnification of Trustees, Consultants, & Employees of Retirement Systems & Pension Funds – General Provisions (Originally SB 1710)*

Under current law, retirement systems may indemnify (compensate for legal liabilities or losses) and provide legal defense to trustees, consultants, and employees to protect them from damage claims alleging negligence or wrongdoing. Indemnities are not given in cases of willful misconduct and gross negligence. Individual pension boards are expected to have insurance policies to protect against loss or liability relating to these damage claims.

HB 3193, as amended by SA 002, changes the language from “may” to “shall” in regard to providing indemnities to the accused, whether staff, trustees, or consultants. Providing indemnities thus would become an obligation instead of an option for retirement systems. Most retirement systems already indemnify trustees with SURS and SERS verifying that to be the case, so the impact of the bill is negligible.

HB 3193, as amended by SA 004, changes the language from “may” to “shall” in regard to providing indemnities to the accused, but only for trustees and staff. Pension funds would retain the option to indemnify outside consultants, but would not be obligated to do so.

**Fiscal Impact: The five State-funded systems already indemnify their trustees and staff under the standard contemplated under the provision. It is not known how many trustees, consultants and employees will be indemnified by other reciprocal systems due to willful misconduct or gross negligence.**

*Addition of Breast Cancer to List of Occupational Diseases Eligible for Disability Benefit – Chicago Fire (Originally SB 1712)*

HB 3193, as amended by SA 002 – SA 004, amends the Chicago Fire Article of the Pension Code to recognize breast cancer as a qualifying condition for an occupational disease disability (ODD) pension. In order to qualify for this benefit, the firefighter must have completed 7 or more years of service. Currently, the Chicago Fire Article recognizes conditions such as heart disease, tuberculosis, AIDS, hepatitis C, and stroke, among other conditions, as qualifying for an ODD pension.

The chart below outlines the key differences between a non-occupational disability pension and an occupational disease disability pension that would apply to a firefighter diagnosed with breast cancer:

Provision	Current Law (Non-Occupational Disability)	HB 3193, as amended by SA 2 (Occupational Disease Disability)
<b>Covered Condition</b>	Any medical condition not presumed job-related, including breast cancer	Breast cancer (automatically presumed job-related)
<b>Benefit Amount</b>	50% of salary	65% of salary (minimum 50% after 10 years)
<b>Duration of Benefit</b>	Max of 5 years or 25% of total service time	Until mandatory retirement age of 63*

Currently, neither the Downstate Fire Article nor IMRF Sheriff's Law Enforcement Personnel (SLEP) recognize breast cancer as a qualifying condition for an occupational disease disability pension.

**Fiscal Impact: This provision is expected to have a minimal negative impact on the Chicago Fire Pension fund, as occupational disease pensions would be granted for breast cancer diagnoses that would otherwise qualify for ordinary disability benefits. Thus, the fund would incur higher benefit payouts.**

*Survivor Insurance Deadline Adjustment to Waive Survivor Benefits – State University Retirement System (SURS) (Originally SB 1894)*

Currently, under the State Universities Article of the Illinois Pension Code, a survivors insurance beneficiary or their personal representative may waive the right to survivorship benefits, but the waiver must be submitted within six months of the participant or annuitant's death. HB 3193, as amended by SA 002 – SA 004, changes this timeframe, requiring the waiver to be submitted within six months of the System notifying the beneficiary of payable benefits, rather than from the date of death. This gives beneficiaries more time to make an informed decision, as some

may waive the benefit for estate planning, tax reasons, or if the payment is minimal and not worth the administrative burden.

**Fiscal Impact: This provision does not alter survivor benefit amounts, eligibility criteria, or funding requirements—only the timeframe in which a survivor may choose to waive their benefit after being notified of their eligibility. Thus, there will be no fiscal impact to SURS.**

**“Accelerated Payments” Schedule Extension – IMRF (Originally SB 1925)**

Under current law, IMRF employers are required to compensate IMRF for any salary increase over 6% or 1.5 times the Consumer Price Index-U as of the previous September (whichever is greater) during an employee’s Final Rate of Earnings (FRE) period. Such an increase is referred to as an “accelerated payment” and applies to any such increase on or after the enactment of P.A. 97-0609, effective January 1<sup>st</sup> 2012, and to members retiring on or after February 1, 2012. The FRE period differs based upon an employee’s Tier, and is explained in the chart below.

Tier	Final Rate of Earnings (FRE) Period
Tier 1	The highest total Earnings during any 48 consecutive months within the last 10 years of IMRF service.
Tier 2	The highest total earnings during any 96 consecutive months within the last 10 years of IMRF service.

Once an accelerated payment at or over \$5,000 is detected, IMRF shall send an “accelerated payment invoice” to the pertinent employer. The employer may compensate IMRF with a lump sum payment within 90 days of the invoice, after which they will be charged interest starting on the 91st day at the rate of the fund’s actuarially assumed rate of return until they have paid the full amount. The employer must fully compensate IMRF within 3 years of receiving the invoice. Accelerated payments less than \$5,000 are factored into an employer’s annual IMRF contribution rate instead.

HB 3193, as amended by SA 002 – SA 004, amends the IMRF article of the Illinois pension code to give IMRF employers 7 instead of 3 years to fully compensate IMRF for accelerated payments. Interest will accrue starting on the 91st day until IMRF is fully compensated within the new 7-year deadline.

**Fiscal Impact: This change allows municipalities to defer payments over a longer period. However, it may reduce IMRF’s cash inflows and affect investment allocation. It is unclear to what extent interest on deferred payments will offset the impact. A longer repayment timeline also has the potential to increase administrative complexities, although IMRF has not as yet indicated whether this would require operational or policy adjustments.**

*Supplemental Savings Plan Technical Cleanup – TRS (Originally SB 1933)*

Under current law, the Supplemental Savings Plan (SSP) is available to active TRS members, who are automatically enrolled after a 30-day period. Once enrolled, TRS members contribute 3% of their pre-tax gross compensation to SSP, but can withdraw from the plan within 90 days and receive a refund of their compensation, adjusted for earnings and investment & administrative fees.

HB 3193, as amended by SA 002 – SA 004, makes the following technical changes to the TRS article of the Illinois Pension Code to better carry out the administration of the SSP.

**Technical Changes to SSP Provisions**

- Specifies that “full-time or part-time contractual members” are eligible to participate;
- Changes “days of enrollment” to “days following the member’s initial contribution” in regard to the 90-day deadline for withdrawals; and
- Makes explicit that should a participant withdraw, their matching employer contribution shall be forfeited, consistent with current TRS policy.

**Notice Period Definitional Refinement**

The 30-day notice period is replaced with a new “notice period” defined as a period of time used to notify employees of their rights and obligations, including their ability to opt out of the plan, explain how their contributions will be used for investments, and allowing for a reasonable amount of time to opt out before making payments. The new notice period implemented by SB 1933 aligns with the federal standard found in the Internal Revenue Code (IRC Section 414 (w)).

The Internal Revenue Code does not provide a rigid definition of what is considered a “reasonable amount of time,” but the IRS website states that all EACA plans must provide employees a notice of at least 30 days, but not more than 90 days. The industry standard notice period is 30 days as well. Hence, under HB 3193, as amended by SA 002 – SA 004, TRS’s current 30-day notice will remain the same, but will now follow the aforementioned federal standard if additional time is needed for any reason.

**Restrictions On Membership**

HB 3193, as amended by SA 002 – SA 004, excludes certain SERS employees from participating in SSP.

Those excluded employees are:

- Employees that certify payroll to the State Comptroller, or the State Treasurer, should such payroll use state appropriations;
- Employee of the Illinois Finance Authority; and
- Employee of the Illinois Comprehensive Health Insurance Board

According to TRS, such SERS members are already ineligible to participate in the SSP for TRS.

**Fiscal Impact: These changes are purely administrative and will not have an impact on TRS' defined benefit accrued liabilities.**

*Six-Month Window for Downstate Police to Transfer Service Credit to IMRF (Originally SB 1986)*

Under current law there is no reciprocity between Downstate Police pension funds and IMRF. A previous transfer window created by P.A. 102-1061, effective June 10 2022, had allowed for the transfer of 10 years of service credit from Downstate Police to IMRF SLEP from July 1, 2022 to Dec. 1, 2022. Applicants were required to pay the difference between their employer and employee contributions from Downstate Police, and the equivalent contributions plus interest at IMRF's actuarially assumed rate had the service been rendered in IMRF SLEP for the equivalent service credits (as determined by IMRF).

HB 3193, as amended by SA 002 - SA 004, reopens the aforementioned transfer window for six months from the effective date of the bill, without a cap on the amount of service credits transferred. An applicant transfers along with their service credit their employee contributions, employer contributions and any applicable interest rate that shall be determined by IMRF (7.25 % as of their 2023 CAFR).

Should there be a difference between the applicant's incoming contributions from Downstate Fire and the IMRF-determined contributions for the equivalent amount of service credit, the applicant is given two options on how to address the difference, and a third (should they bring in contributions in excess of the equivalent service credits) that is chosen for them. These scenarios are explained in the chart below.

If there is a difference between Downstate Police and IMRF contributions.		
Cause of difference	The applicant elects...	Solution
Downstate Police contribution is <u>lower</u> than the IMRF required contribution	to pay the difference	Applicant pays the shortfall between their Downstate Fire contributions, and the IMRF determined contribution plus the IMRF's actuarilly determined interest rate (7.25 %)
	to waive service credit in excess of the equivalent in IMRF contributions	Service credit reduced by IMRF until it matches the service credit equivalent of the transferred contributions, plus the IMRF's actuarilly determined interest rate (7.25 %)
Downstate Police contribution is <u>higher</u> than the IMRF required contribution	to do nothing*	Excess contributions are awarded to their IMRF employer

*\*HB 3193, as amended by SA 002 - SA 004, does not allow for the creation service credit in excess of that for which contributions are transferred. Thus, excess contributions would be forfeited to the IMRF employer.*



As previously mentioned, the service credit window opened by HB 3193, as amended by SA 002 - SA 004, is effective for 6 months following the date of enactment.

**Fiscal Impact: IMRF indicates that member contributions should be sufficient to offset liabilities from incoming transfers, and this should ensure cost neutrality for IMRF.**

*Tier 2 Final Average Salary (FAS) Provisions Adjustment (Originally SB 1895)*

The Illinois Pension Code was amended by P.A. 96-1490, effective 1/1/2011, to allow Tier 2 SURS participants two different means of calculating Final Average Salary (FAS), which is further explained in the chart below.

Type	Method of Calculation
Monthly	The total earnings of the employee during the 96 consecutive months in which the total earnings were the highest within the last 120 months
Annual	Average earnings during the 8 highest consecutive academic years of the last 10 academic years

Under current law, SURS Tier 2 participants who are paid hourly, or receive an annual salary in installments (non-faculty members) have their FAS determined by the Monthly calculation. All other SURS Tier 2 participants instead have their FAS determined by the Annual calculation.

HB 3193, as amended by SA 002 - SA 004, amends the SURS article to instead calculate Tier 2 non-faculty members' FAS using either the yearly or monthly calculation, depending on which has the highest FAS. Language is also changed to match with Article 1 of the Illinois Pension Code, with the inclusion of a reference to years "of service" under the annual FAS calculation as well as other purely technical changes.

This portion of HB 3193, as amended by SA 002 - SA 004, is a SURS initiative. The system maintains that the bill is intended to ensure that SURS Tier 2 is administered consistently with the legislative intent of the 2011 Tier 2 provisions and also consistent with the practices of other systems governed under the Illinois Pension Code.

**Fiscal Impact: According to SURS, this provision makes only technical changes and is consistent with their current interpretation and administration of the law, therefore having no fiscal impact on the system.**

*Changes to Illinois Firefighters' Pension Investment Fund (IFPIF) Participant Trustee Election Requirements (New Language)*

Under current law, 3 of the 9 seats on the Illinois Fire Pension Investment Fund (IFPIF) Board are designated as "participant trustees," elected by active firefighters covered under Article 4 of the Pension Code. To qualify, candidates must submit petitions signed by at least 400 active

participants. Senate Amendment 2 to HB 3193 would reduce this threshold to 200 and authorize board elections to be conducted by internet, phone, or both.

**Fiscal Impact – there is no actuarially discernible fiscal impact associated with the change in the trustee election procedure.**

*Extended Repayment Period for FAS Penalty – SURS & TRS (New Language)*

Currently, participating employers in the State Universities Retirement System (SURS) and the Teachers' Retirement System (TRS) must pay a penalty—commonly referred to as the Final Average Salary (FAS) penalty—when an employee's end-of-career salary increase exceeds 6% over the prior year's salary with the same employer. This penalty reflects the present value of the increased pension benefits resulting from the excess earnings. Under current law, repayment must be completed within 3 years of billing.

Senate Amendment 2 to HB 3193 extends the repayment period from 3 years to 7 years.

**Fiscal Impact –TRs reports that they have received \$86.1 million in FAS penalty payments from school districts since FY 2008. Delaying payments of FAS penalties by four years would have a negative fiscal impact upon the cash flow of both TRS and SURS.**

*Labor Organization Withholding – IMRF (New Language)*

Currently, IMRF annuitants may authorize a portion of their annuity to be withheld for payment to a designated labor organization, but only for union dues. Senate Amendment 2 to HB 3193 expands this authority to allow withholding for other types of payments to labor organizations, not just dues. The bill does not specify what other types of payments can be made, only that such withholdings cannot be confined to dues.

**Fiscal Impact – there is no actuarially discernible fiscal impact associated with the change in expanding member contributions to labor organizations.**

*Optional TRS Service Credit for Career & Technical Educators (New Language)*

Senate Amendment 2 to HB 3193 allows members of the Teachers' Retirement System (TRS) to establish up to 2 years of optional service credit for prior employment as a career and technical educator—such as a vocational or technical education teacher—if that service is not already credited in another public pension system. To qualify, the member must have been certified or licensed at the time of service, apply by June 30, 2028, and complete 10 years of contributing TRS service.

The member must also pay the employee and employer contributions that would have been required had the service been performed under TRS, based on the salary from their first year of

full-time TRS-covered teaching after the technical education service, plus interest compounded annually at the system's assumed rate of return, currently 7.00%.

**Fiscal Impact: to the extent that member contributions equal or exceed the increase in the accrued actuarial liabilities for establishment of this optional service credit, there should be no fiscal impact upon TRS.**

*Six Month Window for Downstate Fire Members to Transfer Service Credit to Downstate Police Fund (Originally HB 2443)*

P.A. 102-0063, effective July 9, 2021, opened a 6-month window to allow a Downstate firefighter to transfer up to 8 years of credit from a Downstate Police pension fund “administered by a unit of local government” to a Downstate Fire pension fund.

The police pension fund must have paid to the fire pension fund an amount equal to:

- 1) The amounts accumulated to the credit of the applicant on the date of transfer of service credit;
- 2) Employer contributions in an amount equal to the amount previously stated in item 1, and;
- 3) Any interest paid by the applicant in order to reinstate service in the Downstate Police fund.

HB 3193, as amended by SA 002 - SA 004, would open an identical window to P.A. 102-0063, expiring 6 months after the effective date of this bill.

**Fiscal Impact: To the extent that the amounts transferred from the Downstate Police pension funds are greater than or equal to the increase in the actuarial accrued liabilities associated with commensurate service in the pertinent Downstate Fire pension funds, there should be no fiscal impact to those Downstate Fire pension funds.**

*Active-Duty Military Service Credit Purchase – Cook County Articles (Originally HB 2478)*

Currently, the Cook County Article of the Pension Code contains an outdated provision concerning the purchase of optional military service credit. Current statute holds that a member must have been in active service on January 1, 1993 and must have at least 25 years of service credit in the pension fund to purchase up to 2 years of optional military service credit. HB 3193, as amended by SA 002 - SA 004, deletes this obsolete language and adds a new provision allowing for active members to purchase optional creditable service for up to 48 months of active-duty military service, regardless of whether or not that service occurred after the commencement of employment with Cook County.

To establish this service credit, the member must pay to the fund the employee contributions for the service, plus interest at the statutory “effective rate” (currently 3%) compounded annually

from the date of military discharge to the date of payment. The bill does not require the employee to pay the employer's normal cost to establish the service credit.

**Fiscal Impact: The provision does not require the employee to pay the employer's normal cost to establish the military service credit, creating a slightly negative cost to the pension fund commensurate with the number of members who purchase this optional service.**

**Six Month Window for Downstate Police Fund Members to Transfer Service Credit to Downstate Fire Fund (Originally HB 3757)**

Currently, there is no reciprocity between Downstate Police and Downstate Fire pension funds. However, two prior 6-month transfer windows allowed service credit transfers from Downstate Police to Downstate Fire. For 6 months after the enactment of P.A. 100-0544, effective November 8, 2017, a Downstate Fire participant was allowed to transfer up to 6 years of service credit along with their employee contribution from a Downstate Police fund. Another 6-month window was established by P.A. 102-0063, effective July 9, 2021 which increased the amount of years of service credit to 8 while still transferring their employee contribution. Both transfers excluded participants who were subject to disciplinary actions when leaving their Downstate Police employer.

HB 3193, as amended by SA 002 - SA 004, creates a new service credit transfer window, permitting active Downstate Police members to transfer up to 8 years of service credit from a Downstate Fire pension fund. An applicant must pay the difference between their past contributions to the pertinent Downstate Fire fund (employee contributions, employer contributions & accumulated interest), and the amount they would have contributed to the Downstate Police fund for the equivalent service credits, as determined by the pertinent Downstate Police pension fund board. The specifics of the service credit transfer are explained in the chart below.

Transfer	Service Credit Limit	Amount transferred	What the member must pay
Downstate Fire -> Downstate Police	8 years	Employee Contributions	Shortfall between the Employer and Employee Contributions + interest (Downstate Police rate is 6-7%)
		Employer Contributions	
		Interest at the actuarially determined rate (Downstate Police rate is 6-7%)	

For the purpose of illustration, if an applicant contributed \$5,000 to a Downstate Fire pension fund for the service credits transferred, and the pertinent Downstate Police fund determined that the applicant would have contributed \$6,000 for the equivalent service credits in that fund, the applicant would be required to pay the difference of \$1,000 (plus interest) to establish the desired amount of service credit. This ensures that the establishment of 8 years of service credit creates no additional unfunded actuarial accrued liability (UAAL) for the receiving Downstate Police

fund. HB 3193, as amended by SA 002 - SA 004, has an immediate effective date, and, as mentioned previously, is in effect for 6-months following the date of enactment.

**Fiscal Impact: If the transferred amounts match the increase in unfunded actuarial accrued liability (UAAL), this provision should not significantly impact the pertinent Downstate Police pension fund. This language contains a provision that ensures that any actuarial shortfalls in the amounts transferred shall be paid by the member making the transfer, which should serve to mitigate any increase in UAAL.**

*Record Reproduction – Chicago Municipal (Originally SB 1752)*

HB 3193, as amended by SA 002 - SA 004, amends the Chicago Municipal Article of the Pension Code. The bill allows the board of trustees of the fund to photograph, microfilm, or digitally reproduce records in accordance with the Local Records Act (LRA). The LRA regulates the preservation and disposal of public records for Illinois local governments. Under the LRA, records deemed obsolete can be lawfully destroyed with approval, while essential records must be preserved efficiently. HB 3193, as amended by SA 002 - SA 004, ensures that digital and electronic reproductions are legally recognized as original records, including for use as evidence in courts and administrative agencies.

**Fiscal Impact: This provision is purely administrative in nature and will have no fiscal impact.**

*Alternative Formula Estimated Payments and Expedited Payments – SERS (Originally SB 1937)*

HB 3193, as amended by SA 002 - SA 004, amends the SERS Article of the Pension Code to add language to the provision regulating the Alternative Formula that creates an “estimated payment” of a retirement annuity to commence no later than 30 days after:

- the member’s last day of employment, or;
- the date the member files for benefits, whichever is later.

The estimated payment shall be:

- the best estimate of SERS; and
- based on information that the System possesses at the time of the estimate.

In the event that a discrepancy exists between the “estimated payment” and the annuity a member is eligible to receive under statute, the System shall either pay or recover the difference within 6 months of the start of the affected annuity.

According to SERS, the Tier 1 Alternative Formula final average salary (FAS) calculation is a very complex exercise, without factoring in the various types of non-pensionable payments issued to employees during their final years of service. SERS asserts that there are often instances in which members have received non-pensionable compensation with the retirement contributions erroneously deducted by their payroll offices. The system maintains that substantial effort is

required to sift through and rectify these errors before the proper annuity calculation can be made.

**Fiscal Impact: SERS maintains that this provision would increase the systems' workload, which may result in additional overtime or cause a system-wide delay in the processing of claims.**

*Re – Employment of SURS Retirees (New Language)*

Under current law, if a retired SURS annuitant is re-employed and earns more than 40% of their highest pre-retirement salary in a given academic year—and their annualized annuity is at least \$10,000—the university must pay a contribution to SURS equal to 12 times the annuitant's monthly pension, unless the annuitant is paid solely from exempt sources such as federal or foundation grants.

SA 002 to HB 3193 provides that if a university paid more than \$300,000 in total contributions for employing the same affected annuitant during academic years 2021, 2022, and 2023, it will receive a credit for those contributions against future amounts owed to SURS. The provision is intended to address circumstances at Eastern Illinois University, which exceeded the \$300,000 threshold during that period.

**Fiscal Impact – to the extent that an employing university (in this case, EIU) would receive a credit for past re-employment penalty payments, there would be a slight negative impact upon SURS.**

*Addition of Joliet Regional Port District to IMRF as a Participating Instrumentality (Originally HB 1736, added by SA 003)*

HB 3193, as amended by SA 003, would add the Joliet Regional Port District to the list of participating instrumentalities within IMRF. The IMRF Article of the Pension Code mandates that instrumentalities must conduct their own actuarial studies to determine their assets and liabilities before being admitted. Thus, upon passage of this bill, a full evaluation of the Joliet Regional Port District must be conducted before they are approved to join IMRF as a participating instrumentality.

Under current law, employees of new IMRF employers receive free service credit equal to 20% of the employee's total service up to a maximum of 5 years. If approved for participation, the Joliet Regional Port District would be obligated to pay the amortization costs for this resulting unfunded liability over a 10-year period, pursuant to current law.

**Fiscal Impact: If HB 3193, as amended by HA 003, is enacted and the Joliet Regional Port District is approved to participate in IMRF as a participating instrumentality, the employer contribution rate for the authority will depend on the findings of its prospective actuarial evaluation, which will determine its assets, liabilities, and workforce demographics, among**

**other factors. As of IMRF's latest comprehensive annual financial report (CAFR), the average employer contribution for regular IMRF members was 7%. IMRF has a funding ratio of 98.2% as of the 2024 actuarial valuation.**

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