



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 1986

February 25, 2025

SPONSOR: Rose

SYSTEM: Downstate Police, Illinois Municipal Retirement Fund (IMRF)

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#### FISCAL IMPACT

**SB 1986 amends the Downstate Police and IMRF Articles of the Illinois Pension Code to reopen a six-month service credit transfer window, as well as provide 3 options (explained in the chart further below) for applicants to account for differences between contribution rates and service credit to be established in IMRF. All options ensure that IMRF is receiving sufficient contributions to offset liabilities from incoming transfers. Therefore, the overall actuarial impact to IMRF should be neutral.**

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SUBJECT MATTER: SB 1986 amends the Downstate Police and IMRF Articles of the Illinois Pension Code to allow IMRF SLEP participants to transfer service credit from Downstate Police pension funds to IMRF. The IMRF SLEP participant may choose to either pay to cover any insufficiency in the transferred amount relative to the service established, or have their service credit reduced by a proportionate amount. Should contributions be in excess of the transferred liability associated with the service credit, the contributions shall instead be credited to the IMRF employer. More detail is provided below.

COMMENT: 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).

SB 1986 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.

<b>If there is a difference between Downstate Police and IMRF contributions.</b>		
<b>Cause of difference</b>	<b>The applicant elects...</b>	<b>Solution</b>
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 actuarially 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 actuarially 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

*\*SB 1986 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 SB 1986 is effective for 6 months following the date of enactment.

RF:bs

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